



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

# Statement of Accounts

**2022/23 - Unaudited Accounts**

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY  
STATEMENT OF ACCOUNTS 2022/23**

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## NARRATIVE STATEMENT

### **Introduction**

The Narrative Statement introduces the Statement of Accounts 2022/23 for the Nottinghamshire and City of Nottingham Fire Authority, which was formed as an independent body on 1<sup>st</sup> April 1998 following local government reorganisation. I write it as the Treasurer to the Fire Authority and as the Officer designated under Section 112 of the Local Government Act 1972. My role is to act on behalf of the Authority in providing oversight and ensuring legal compliance and governance in respect of accounting and financial matters which affect the Authority.

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

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

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is published by CIPFA.

Links to any documents referred to in this Narrative Statement can be found at the foot of the document.

### **Background**

The County of Nottinghamshire covers 838 square miles with a mixture of urban and rural areas. It has a population 1.15m, 28% of which around half of which 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 Community Risk Management Plan 2022-2025 (CRMP) sets out the key priorities for the Authority for the three years 2019/20 to 2022/23. This is broken down into 3 Annual Delivery Plans. Progress against the Plan and relevant performance data can be found in the Annual Statement of Assurance which was presented to Fire Authority in July 2023 and can be found on the Authority's website.

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

**Performance during 2022/23**

2022/23 is the first year of our Community Risk Management Plan 2022-25 (CRMP). Performance against the Plan is reported to Fire Authority each year in the Annual Statement of Assurance (ASOA). The 2022/23 ASOA can be found on our website. The service attended 11,343 incidents during 2022/23, which was a 12% increase from 2021/22.

The unprecedentedly hot weather experienced in July and August 2022 led to a 136% increase in fires when compared to the same months in 2021, and the declaration of two major incidents. This busy period also saw significant utilisation of our Fire Engines and regular mobilisations beyond normal 'turn-out-areas'. This significantly contributed to the average time it took for a Response Crew to attend an emergency (from the time mobilised by our Joint Control) being 15 seconds outside of our eight-minute target in 2022/23.

The service conducted 13,913 Save and Well visits, 1,024 fire safety audits, and 531 business safety checks, all of which have significantly increased since 2021/22 and reflect the commitments made in the CRMP, although it should be recognised that some activity was restricted during 2021/22 as a result of Covid-19 restrictions. The increase in the number of Business Safety Checks is due to a change in the way they are delivered, with some fire crew now being trained to deliver these checks. Fire Safety Audits have also increased due to an increase in the number of Fire Safety Inspectors employed by the service as a result of additional funding being provided by the government following Grenfell.

A summary of the Service's performance can be found in the table below.

**Analysis of Performance during 2021/22 and 2022/23**

<b>Emergencies</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Increase</b>
Fires	3,390	4,024	18.7%
False Alarms	4,127	4,626	12.1%
Rescues	2,016	2,111	4.7%
Road Traffic Accidents	563	582	3.4%
<b>Total Emergencies</b>	<b>10,096</b>	<b>11,343</b>	<b>12.4%</b>
<b>Average Response Time</b>	<b>7 mins 51 secs</b>	<b>8 mins 14 secs</b>	
<b>Other Activity</b>			
Safe and Well Visits	13,018	13,913	6.9%
Fire Safety Audits	559	1,024	83%
Business Safety Checks	119	531	446.2%

More information on this data can be found in the Annual Statement of Assurance.

## **Prevention**

Our targeted Safe and Well visits offer advice on factors which increase vulnerability to fire and injury. This includes advice on stopping smoking, alcohol addiction, preventing falls, keeping warm in winter and general fire safety.

Our intelligence-led profile, CHARLIE-P, identifies the main factors that could increase a person's risk to a fire occurring in their home. This stands for Care and cooking needs; Hoarding and mental health issues; Alcohol and medication; Reduced mobility; Living alone; Inappropriate smoking; Elderly and electrical and Previous signs of fire.

We use this profile to help improve the way partners notify us of people who may be at risk and to identify homes where we should target our Safe and Well visits.

The Service undertake Community Reassurance and Engagement visits in communities that have experienced a serious fire. They offer safe and well visits to homes as well as general fire safety advice. We also proactively target communities most at risk from have a fire through our Data Intelligence Community Engagement visits.

## **Protection**

Our protection work is focused on keeping people safe from fire in the buildings they live and work in. This includes business premises, hospitals and care homes, high-rise buildings, and apartment blocks. Our Protection department oversees a programme of activities and is responsible for enforcing fire safety legislation.

We have upheld our statutory function as regulator of fire safety standards and have issued 8 Prohibition Notices to premises where safety standards were unacceptable and people were being placed at risk.

Our work has continued to improve fire safety standards across the county in non-domestic premises as we engage and consult with other regulators including Building Control, Environmental Health, the Health and Safety Executive, Nottinghamshire Police, the Care Quality Commission, Ofsted and the Food Standards Agency.

As part of our statutory duty to educate and advise businesses, our business support team have used a range of activities and methods to engage with local businesses to provide guidance, support and advice on fire safety matters.

## **HMICFRS inspection**

We welcomed an inspection team from Her Majesty's Inspectorate of Fire and Rescue Services in October 21, when we were able to demonstrate the improvement we have made since our last full inspection in 2019, which found the service to be Requiring Improvement in all three areas of effectiveness, efficiency and how the service looks after its people. The 2019 report identified 25 Areas for Improvement. The 2022/23 report was published on 27 July 2022 and can be found on the service's website. It rated the service as Good in all areas and acknowledged that the service had worked hard on the areas identified for improvement in the 2019 report. It did identify a further 4 Areas for Improvement. The Service is working hard to ensure these issues are addressed.

HMICFS published a report on values and culture in the fire and rescue sector on 30 March 23. The report was sector wide and did not specifically relate to NFRS. It identified evidence of bullying, harassment and discrimination, a lack of fairness and diversity along with poor reporting and handling of concerns. The report contained 35 recommendations which NFRS have reviewed and has already commenced in delivering changes to reflect the recommendations.

## Grenfell

We recognise the importance of learning from the tragedy that occurred at Grenfell Tower.

Since the Grenfell Tower inquiry, additional training and equipment have been provided to ensure that we are better prepared to deal with complex incidents in tall buildings. A new tall buildings procedure has been fully implemented and ongoing training exercises with regional partners continues to improve our preparedness for major incidents.

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

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

## Risk Management

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

The Service had been planning for industrial action over firefighter pay during the latter half of 2022/23. This had been one of the highest risks identified in the risk register but was removed following the pay award settlement in March 23.

The highest risks currently identified on the Corporate Risk Register are:

- **Inability to set a balanced budget and to contain spending within existing budgets** - Risk of not being able to set a balanced budget in 2024/25 due to an uncertain funding position and economic climate. Risk of not delivering savings through the Futures 25 Efficiency Programme.
- **Firefighter's Pension scheme** – impact of McCloud and Matthews / O'Brien remedies. Legislation is due to be laid before parliament in October 2023 after which the Service will have 18 months to comply with the new legislation. The impact on pension valuations and funding remains uncertain.
- **Mobilising** – The Service is in the process of replacing its current mobilising system. The Service's current mobilising supplier remains under the supervision of the French courts, due to challenging financial and operational environments, consequently increasing the risk of mobilisation failure.
- **Service Reputation** – The fire sector as a whole is under scrutiny following a review of London Fire Brigade culture review and the HMICFRS report on value and culture in the fire sector.
- **Availability of Resources** - This relates to the risk that the Service will lose widespread access to key resources such as premises, equipment, ICT systems / employees.

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

## Value for Money / Efficiency Strategy

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

The Service made temporary savings in the region of £1.6m to enable a balanced budget to be set for 2022/23 and allow more time to identify savings of a more permanent nature in the future. These temporary savings predominantly related to the delay in recruiting both firefighters and support staff so that the service was in a position to avoid redundancies given the need to reduce service levels. This has put pressure on existing staff and is clearly not sustainable long term but has allowed the service some breathing space to develop its Futures 25 efficiency strategy which was initially presented to the Policy and Strategy Committee in May 2022 to address the shortfall, with a further update report being considered by the Authority in September 22. Savings of £250k have been identified through the disestablishment of support staff posts and further work is underway to identify and address more efficient ways of working across the Service.

The Authority set a balanced budget for 2022/23 (£46.006m) and 2023/24 (£49,965m). These required the use of General Fund reserves of £153k and £404k respectively. The Service is predicting that it will need to allocate further General Fund reserves to balance the budget in 2024/25 and beyond and has created a £1.126m budget pressure support earmarked reserve for this purpose. It is intended that by the end of this period the savings delivered through the Futures 25 Efficiency Strategy will put the Service in a strong financial position moving forward.

The Home Office required all services to submit Efficiency and Productivity Plans by the end of March 23.

The 2022/23 Band D Council Tax level was set at £84.57 (£1.63 per week). Council Tax levels for other property bands can be found in the table below.

### 2022/23 Council Tax levels

Band	Council Tax 2020/21 £	Weekly Charge £
A	56.38	1.08
B	65.78	1.27
C	75.17	1.45
D	84.57	1.63
E	103.36	1.99
F	122.16	2.35
G	140.95	2.71
H	169.14	3.25

The Service continues to seek collaboration opportunities with other emergency services and local councils to ensure value for money for Nottinghamshire residents. During 2022/23 the Service finalised its move into a Joint Headquarters with Nottinghamshire Police. This has completed a collaboration project which has been a three-year strategic action. This will enable the services to work more closely in the future which is expected to deliver some efficiencies.

The service has a number of stations which are jointly occupied with the police and ambulance crews.

Work continues to improve the use of technology across the organisation to enable improved efficiency.

### **The Core Statements**

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

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority analysed into usable reserves, which can be applied to fund expenditure or reduce local taxation, and other reserves. The Authority holds reserves for two reasons. There are always issues which may arise for which the Authority has no specific budget but in order that these “one off” type events do not unduly impact upon a single year's budget it is wise to maintain some money to deal with these events should they occur. These are what are known as General Fund Reserves. The General Fund Reserve decreased by £153k during the year to £4.961m.

Similarly, the Authority may wish to hold back sums of money because it knows that certain items of expenditure will occur but that these are of a “one off” nature and it is uncertain as to when they will occur. These are called earmarked reserves because they are for a specific purpose. A net figure of £0.484m was put into Earmarked Reserves during 2022/23, making a balance of £5.337m. The increase was due to allocations of the underspending during the year as reported as part of budget monitoring to Finance and Resources Committee.

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

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

At its meeting on 16 December 2022, Fire Authority set a minimum level of general fund reserves of £4.5m as part of its Medium Term Financial Strategy. The service has budgeted to use £404k of general fund reserves to meet expenditure in 2023/24.

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement brings together all the items of income and expenditure which constitute the *accounting cost* in the year of providing services in accordance with generally accepted accounting practices. This is not the same as the amount of expenditure to be charged to the General Fund as reported to Finance and Resources Committee in the Revenue and Capital Outturn report on 16 June 2023. This is because the CIES includes accounting adjustments such as depreciation and changes in the valuation of assets, including pensions, in an attempt to show the full cost of service provision rather than just those costs which require funding from taxation.

The Total Comprehensive Income and Expenditure shows a surplus of £215.444m (compared to a surplus of £38.310m in 2021/22). Whilst this figure is very large it needs to be considered in the context of the total pension fund liability of £415.411m shown in the Balance Sheet.



## **Expenditure and Funding Analysis**

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

## **Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31st March. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority and thus the Balance Sheet is "in balance". The reader will notice that the total on the Balance Sheet is a negative figure of £366.376m, 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 (£415.411m) 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 £49.035m.

## **Cash Flow Statement**

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

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

The resultant figure shows the real movement in cash during the year, which is an increase in cash of £0.544m.

## **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 £9.893m.

## **Pension Net Assets Statement**

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

## Annual Governance Statement

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

### Summary of the Year

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

#### Revenue Income and Expenditure

The 2022/23 revenue budget for of £46.006m was approved by the Fire Authority in February 2022. Expenditure on budgeted activity for the year was £46.006m – an initial underspend of £236k to be transferred to Earmarked Reserves.

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

	Annual Budget 2022/23	Actual 2022/23	Variance 2022/23
	£000's	£000's	£000's
Employees	36,983	36,885	(98)
Premises	3,466	3,487	21
Transport	1,818	2,250	432
Supplies & Services	4,015	3,895	(120)
Third Party Payments	908	1,000	92
Support Services	166	85	(81)
Capital Financing	2,621	2,842	221
Income	(4,217)	(4,923)	(706)
Budgeted contribution from Earmarked Reserve	(352)	(352)	0
Contribution from Earmarked Reserve in-year	597	600	3
Contribution to Earmarked Reserve	0	236	236
<b>Net Expenditure</b>	<b>46,005</b>	<b>46,005</b>	<b>0</b>
<b>Funded by:</b>			
General Fund Reserves	(153)	(47)	106
Business Rate Covid Relief Grant	(600)	(706)	(106)
Pension Grant	(2,340)	(2,340)	0
Revenue Support Grant	(5,619)	(5,619)	0
Non-Domestic Rates	(9,602)	(9,602)	0
Council Tax	(27,692)	(27,692)	0
<b>Total Funding</b>	<b>(46,006)</b>	<b>(46,006)</b>	<b>0</b>

**Capital Expenditure**

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

	Revised Budget 2022/23	Actual 2022/23	(Under) / Over spend 2022/23	Slippage to 2023/24
	£000	£000	£000	£000
Transport	192	0	(192)	0
Operational Equipment	396	207	(189)	50
Property	2,011	1,537	(475)	304
IT & Communications	1,485	521	(964)	626
<b>Total</b>	<b>4,084</b>	<b>2,265</b>	<b>(1,820)</b>	<b>980</b>
Funded by:				
Borrowing		1,454		980
Earmarked Reserves/Revenue		0		0
Revenue Contribution to Capital		298		0
Capital Receipts		513		0
<b>Total</b>	<b>0</b>	<b>2,265</b>	<b>0</b>	<b>980</b>

The main areas of spend are detailed below:

- One of the largest schemes in the 2022/23 capital programme related to the new Joint Head Quarters with Nottinghamshire Police - £558k expenditure during the year. £229k has been requested to be slipped to 2023/24 as there are still some unknown fees until the sale of Bestwood Lodge.
- Worksop expenditure in 2022/23 is £611k with £117k already approved to be slipped into 2023/24. There are still some outstanding bills and the retention of £90k to be paid therefore an additional £75k is requested to be slipped.
- £521k was spent on ICT equipment – some of this was work for the Cloud Migration at HQ and Link Replacement (£62k) Replacement Equipment (£109k) Rostering Project (£187k) Cyber Security (£29k) and Switch Upgrades (52k).
- Expenditure on Equipment of £207k is for the following Foam Branches (£40k), Fire Gloves (£37k) Water Rescue (£127k).

Total slippage for the capital programme was £980k. Again, more information can be found in the Revenue and Capital Outturn report.

### Treasury Management Activity

During the year, £1.467m of capital expenditure was funded from borrowing. The Authority was not required to borrow long term loans from the Public Work Loans Board ( PWLB). The Authority's level of borrowing at the year end was £32.948m. The capital financing requirement as at 31 March 2023 is £30.533m, 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 £32.948m as at 31 March 2023. This remains within the Operational Boundary set by Fire Authority of £36.907m.

### Reserves

Earmarked reserves are held either for unspent grant or set aside to fund specific areas of expenditure, usually of a one off nature. Earmarked Reserves are reviewed annually in the Reserves Strategy which can be found appended to the Medium Term Financial Strategy . Earmarked reserves totalled £5.337m at 31 March 2023. A further breakdown can be found in note 11.

### General Reserves

£4.961m were held at 31 March 2023, against a minimum level set in the Reserves Strategy of £4.5m. The use of general fund reserves is not expected to be required in 2023/24. The service has set a balanced budget for the year. The service 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 £415.411m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £410.372m.

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 ie if the contributions into the fund do not meet the cost of pensions paid in the year. The Authority is required to continue to show the liability in respect of the Firefighter Pension Schemes in its Balance Sheet and notes to the core financial statements.

An employment tribunal case was brought against the Government in relation to possible discrimination in relation to the introduction of the 2015 Firefighters' Pension Scheme. The scheme included transitional protection arrangements between the old scheme and the new scheme. These transitional arrangements were found to be unlawful as they discriminated on the grounds of age. Fire Authorities are in a difficult position as they are required to implement the remedy in a timely manner whilst the discriminatory part of the pension legislation is not expected to be updated until October 2023. Following the ruling, the Fire Brigades Union (FBU) commenced legal proceedings in the High Court for three test cases, two of which were against Nottinghamshire Fire and Rescue Authority. These were settled out of court.

After the withdrawal of its Immediate Detriment guidance, the government are not recommending that Immediate Detriment cases are addressed until new legislation is in place due to the difficulties particularly around tax arrangements. However, due to the risk of future litigation, the Authority approved continuation of applying immediate detriment remedy at its Policy and Strategy meeting on 1 April 2022. It is not yet clear what future costs the Authority will face in implementing the McCloud remedy and whether there will be any new burden grant available from the government to cover these costs, which could be significant. The Authority approved the creation of a £200k earmarked reserve to cover potential McCloud costs in April 2022 and McCloud has been identified as a contingent liability in the Accounts.

## **Other Significant, Material and Unusual Items**

### **Plans for 2023/24**

Elected Members of the Fire Authority approved a council tax increase of £5.00 (5.9%) for 2023/24 with a Band D council tax of £89.57 (£84.57 2022/23) in the Budget Report approved by Fire Authority in February 2023. The revenue budget for 2023/24 has been set at £49.965m (£46.006m 2022/23) with a planned use of general fund reserves of £404k (£153k 2022/23).

A firefighter pay award of 7% was agreed for 2022/23 and 5% for 2023/24. Both these have been built into these budget figures. Support staff received a flat rate increase of £1,925 for 2022/23. The budget assumes a 4% pay award has been assumed for 2023/24.

The £5.00 increase in Band D Council Tax provided an increase in funding of £1.66m compared to a Council Tax freeze. The additional funding has helped avoid making cuts to front line services, which had been expected – Fire Authority approved a consultation exercise regarding proposed changes in the Autumn of 2022.

The budget supports the CRMP and Annual Delivery Plans which outline the priorities for 2022- 2025. Key projects include:

- Undertake a programme of work to improve accessibility and inclusion across the Service
- Deliver safe and well visits to 14,000 homes.
- Complete 1,500 fire safety audits.
- Complete 1,000 business safety checks.
- Review its resourcing to risk with particular focus on the fire cover in the Ashfield area.
- Undertake phase 2 of our Futures 25 programme, looking at service redesign and financial efficiencies.
- The replacement of our mobilising system.

The Community Risk Management Plan sets out our long-term ambition to be one of the best fire and rescue services in England by 2032, with a continued focus on preventing incidents, protecting you and responding when you need us.

In 2022/23 the Service took early action to reduce costs by delaying recruitment and holding vacant posts in preparation for potential reductions in front line service. The additional funding secured through the increase in Council Tax precept has meant that cuts to front line services is no longer necessary. However, the number of occupied posts remain below the establishment figure due to the time lag in recruiting and training firefighters. This is expected to extend into 2024/25.

Funding for 2023/24 to 2025/26 will be determined as part of the Government's spending review which will not be announced until Autumn 2023. Despite some ongoing uncertainty, the service is confident that it is in a position to react should it find itself needing to reduce expenditure in order to balance the budget in future years. The service is currently underspending against with the 2023/24 approved budget and reserves are sufficient to allow a period of transition whilst savings are identified through the Futures 25 Efficiency Strategy.

The Service submitted an Efficiency and Productivity Plan to the Home Office in March 23 which brought together:

- the Service's Efficiency Plan
- a summary of future years budgets
- an outline of the reasoning behind increasing Band D Council Tax by £5
- Productivity data
- Collaboration activity
- Transformation plans
- Local Initiatives

### **Inflation / Interest Rate Risk / Cost of Living Crisis**

The impact of high inflation levels has been built into the Service's budgets for 2023/24 – 2025/26. Inflation reduced to 8.7% in April 2023 (from 10.1% in March 23). The ongoing Services Grant, strong Business Rate income growth and the £5.00 increase in Council Tax enabled the Service to set a realistic budget for 2023/24. This included the firefighter pay award for 2023/24 which had been agreed in advance of the budget being set - given that pay accounts for approximately 80% of the total budget, the impact of inflation on other costs is expected to be manageable.

Interest rate risk is considered as part of the Authority's Treasury Management Strategy which includes a number of measures for limiting the impact of increases / decreases in interest rates for both loans and investments. The Authority only holds long term debt to finance capital expenditure. This is currently all held on fixed rates of interest which protects the Authority against interest rate rises, although there may be an impact on future year borrowing. Investments covering the Authority's reserves are generally held for less than one year and have benefited from the increase in interest rates.

The impact of the cost of living crisis may lead to an increase in referrals for safe and well visits. The service is planning year on year increases in safe and well visits and is expected to have sufficient capacity to meet any increases in demand.

### **HMICFRS Inspection**

The Service is due its next HMICFRS inspection in the Autumn of 2023. The regime for undertaking inspections is changing for this third national inspection programme with the removal of the 3 pillars of Efficiency, Effectiveness and People with service's now being awarded a single overall grade. There will also be an additional grade of "adequate" added to the previous grades of outstanding, good, requires improvement and inadequate.

*Becky Smeathers*

**Becky Smeathers CPFA**

**Treasurer to the Nottinghamshire and City of Nottingham Fire Authority**

### **Links to Supporting Documents**

Community Risk Management Plan 2022-2025

Annual Delivery Plan

Annual Statement of Assurance

Medium Term Financial Strategy

HMICFRS Inspection

Corporate Risk Register

Revenue and Capital Outturn

Budget Report

Efficiency and Productivity Plan

Futures 25 Efficiency Strategy

Futures 25 Efficiency Strategy Update

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS  
STATEMENT OF ACCOUNTS 2022/23**

**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 31st March 2023 and its income and expenditure for the year then ended.

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

Signed \_\_\_\_\_

Becky Smeathers CPFA  
(Treasurer)

Dated \_\_\_\_\_



**STATEMENT OF APPROVAL OF THE STATEMENTS OF ACCOUNTS  
STATEMENT OF ACCOUNTS 2022/23**

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the **XXXXXXXX**.

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

Signed \_\_\_\_\_

(Chair of the Fire Authority)

Dated \_\_\_\_\_

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE  
STATEMENT OF ACCOUNTS 2022/23**

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<b>INTRODUCTION TO THE CORE STATEMENTS</b>
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### **Movement in Reserves Statement - Page 21**

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

### **Expenditure and Funding Analysis - Page 23**

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

### **Comprehensive Income and Expenditure Statement - Page 24**

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 25**

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

### **Cash Flow Statement - Page 26**

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

## CORE ACCOUNTING STATEMENTS

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unuseable Reserves £000	Total Authority Reserves £000
<b><u>Movement in Reserves during 2021/22</u></b>							
Balance at 31 March 2021 carried forward	4,989	5,711	0	347	11,047	(631,176)	(620,129)
<b>Movement in Reserves during 2021/22</b>							
Total Comprehensive Income and Expenditure	(14,622)	0	0	0	(14,622)	52,931	38,309
<sup>22</sup> Adjustments between accounting basis and funding basis under regulations (Note 10)	13,888	0	0	(16)	13,872	(13,872)	0
<b>Increase or Decrease in 2021/22 before Transfers to Earmarked Reserves</b>	<b>(734)</b>	<b>0</b>	<b>0</b>	<b>(16)</b>	<b>(750)</b>	<b>39,059</b>	<b>38,309</b>
Transfers to/from Earmarked Reserves (Note 11)	857	(857)	0	0	0	0	0
<b>Increase/(Decrease) in 2021/22</b>	<b>123</b>	<b>(857)</b>	<b>0</b>	<b>(16)</b>	<b>(750)</b>	<b>39,059</b>	<b>38,309</b>
Balance at 31 March 2022 carried forward	5,112	4,854	0	331	10,297	(592,117)	(581,820)

<b><u>Movement in Reserves during 2022/23</u></b>	<b>General Fund Balance £000</b>	<b>Earmarked Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Useable Reserves £000</b>	<b>Unuseable Reserves £000</b>	<b>Total Authority Reserves £000</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>5,112</b>	<b>4,854</b>	<b>0</b>	<b>331</b>	<b>10,297</b>	<b>(592,117)</b>	<b>(581,820)</b>
<b>Movement in Reserves during 2022/23</b>							
Total Comprehensive Income and Expenditure	(14,780)	0	0	0	(14,780)	230,224	215,444
Adjustments between accounting basis and funding basis under regulations (Note 10)	15,110	0	0	(57)	15,053	(15,053)	0
<b>23 Increase or Decrease in 2022/23 before Transfers to Earmarked Reserves</b>	<b>331</b>	<b>0</b>	<b>0</b>	<b>(57)</b>	<b>273</b>	<b>215,171</b>	<b>215,444</b>
Transfers to/from Earmarked Reserves (Note 11)	(483)	483	0	0	0	0	0
<b>Increase/(Decrease) in 2022/23</b>	<b>(152)</b>	<b>483</b>	<b>0</b>	<b>(57)</b>	<b>273</b>	<b>215,171</b>	<b>215,444</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>4,960</b>	<b>5,337</b>	<b>0</b>	<b>274</b>	<b>10,570</b>	<b>(376,946)</b>	<b>(366,376)</b>



<b>EXPENDITURE AND FUNDING ANALYSIS</b>
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	2021/22			2022/23		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
24,675	(4,449)	29,124	Firefighting and Rescue	25,624	(4,091)	29,715
1,831	(371)	2,202	Community Safety	1,758	(268)	2,026
1,433	(311)	1,744	Fire Protection	1,400	(258)	1,658
(248)	(7)	(241)	Resilience	(176)	(7)	(169)
			Corporate and Centralised Services:			
3,795	(2,285)	6,080	Estates and Procurement	4,930	(904)	5,834
3,236	(692)	3,928	Equipment	3,227	(518)	3,745
4,072	(647)	4,719	People and Organisational Development	3,682	(555)	4,237
732	(106)	838	Finance	895	(98)	993
3,447	(81)	3,528	ICT	2,901	(444)	3,345
3,880	(871)	4,751	Other	3,747	(906)	4,653
<b>46,853</b>	<b>(9,820)</b>	<b>56,673</b>	<b>Net Cost of Services</b>	<b>47,988</b>	<b>(8,049)</b>	<b>56,037</b>
(46,119)	(4,068)	(42,051)	Other Income and Expenditure	(48,319)	(7,062)	(41,257)
<b>734</b>	<b>(13,888)</b>	<b>14,622</b>	<b>(Surplus) or Deficit</b>	<b>(331)</b>	<b>(15,111)</b>	<b>14,780</b>
<b>(4,990)</b>			<b>Opening General Fund Balance</b>	<b>(5,113)</b>		
<b>734</b>			<b>Less/Plus (Surplus) or Deficit on General Fund Balance in Year</b>	<b>(331)</b>		
<b>(857)</b>			<b>Less/Plus Net Transfers to/(from) Earmarked Reserves</b>	<b>484</b>		
<b>(5,113)</b>			<b>Closing General Fund Balance</b>	<b>(4,960)</b>		

<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>
---

	2021/22				2022/23		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000
29,506	(382)	29,124	<b>Firefighting and Rescue</b>		30,059	(344)	29,715
2,414	(212)	2,202	<b>Community Safety</b>		2,101	(75)	2,026
2,073	(329)	1,744	<b>Fire Protection</b>		1,810	(152)	1,658
95	(336)	(241)	<b>Resilience</b>		80	(249)	(169)
			<b>Corporate and Centralised Services:</b>				
6,237	(157)	6,080	Estates and Procurement		6,006	(172)	5,834
4,120	(192)	3,928	Equipment		4,031	(286)	3,745
4,724	(5)	4,719	People and Organisational Development		4,241	(4)	4,237
977	(139)	838	Finance		1,007	(14)	993
3,571	(43)	3,528	ICT		3,378	(33)	3,345
4,996	(245)	4,751	Other		4,836	(183)	4,653
<b>58,713</b>	<b>(2,040)</b>	<b>56,673</b>	<b>Cost of Services</b>		<b>57,549</b>	<b>(1,512)</b>	<b>56,037</b>
0	(64)	(64)	Other Operating Expenditure	12	1,081	0	1,081
14,810	(14)	14,796	Financing and Investment Income and Expenditure	13	18,469	(220)	18,249
0	(56,783)	(56,783)	Taxation and Non-Specific Grant Income	14	0	(60,587)	(60,587)
<b>73,523</b>	<b>(58,901)</b>	<b>14,622</b>	<b>Surplus (-) or Deficit on Provision of Services</b>		<b>77,099</b>	<b>(62,319)</b>	<b>14,780</b>
		(3,072)	Surplus or deficit on revaluation of property, plant and equipment assets				(1,034)
			Impairment Losses on Non-Current Assets Charged to Revaluation Reserve				0
		(49,860)	Remeasurements on the net defined benefit pension liability				(229,190)
		<b>(52,932)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(230,224)</b>
		<b>(38,310)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(215,444)</b>

<b>BALANCE SHEET</b>
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<b>31 March 2022</b>		<b>Notes</b>	<b>31 March 2023</b>
<b>£000</b>			<b>£000</b>
	Property, Plant & Equipment		
58,432	- Land and Buildings	15	60,895
5,964	- Vehicles, Plant and Equipment	15	5,590
6,013	- Assets Under Construction	15	0
175	Surplus Assets	15	190
336	Intangible Assets	16	143
17	Intangible Assets Under Construction	16	17
0	Asset Held For Sale	15/21	2,393
284	Long Term Debtors	19	227
<b>71,221</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>69,455</b>
2,061	Short Term Investments	17	3,116
342	Inventories	18	257
6,393	Short Term Debtors	19	6,585
7,687	Cash and Cash Equivalents	20	8,231
<b>16,483</b>	<b>TOTAL CURRENT ASSETS</b>		<b>18,189</b>
(52)	Short Term Borrowings	17	(3,048)
(4,970)	Short Term Creditors	22	(5,182)
(365)	Short Term Provisions	23	(397)
<b>(5,387)</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>(8,627)</b>
0	Long Term Provisions	23	0
(32,900)	Long Term Borrowing	17	(29,900)
0	Long Term Creditors	22	0
(82)	Receipts in Advance - General	22	(82)
(631,155)	Pensions Liability	39	(415,411)
<b>(664,137)</b>	<b>TOTAL LONG TERM LIABILITIES</b>		<b>(445,393)</b>
<b>(581,820)</b>	<b>TOTAL NET ASSETS/(LIABILITIES)</b>		<b>(366,376)</b>
	Useable Reserves		
5,114	- General Fund Balance	24	4,961
4,853	- Earmarked Reserves	24	5,337
0	- Capital Receipts Reserve	24	0
331	- Capital Grants Unapplied	24	274
	Unuseable Reserves		
14,590	- Capital Adjustment Account	25	13,953
25,537	- Revaluation Reserve	25	24,667
(631,155)	- Pension Reserve	25	(415,411)
0	- Financial Instruments Adjustment Account	25	0
(822)	- Collection Fund Adjustment Account	25	111
(268)	- Accumulated Absences Adjustment Account	25	(268)
<b>(581,820)</b>	<b>TOTAL RESERVES</b>		<b>(366,376)</b>

<b>CASH FLOW STATEMENT</b>
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<u>2021/22</u>		<u>2022/23</u>
£000		£000
<b>14,622</b>	<b>Net (Surplus)/Deficit on the Provision of Services</b>	<b>14,780</b>
(15,975)	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(19,238)
473	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	513
(880)	Net Cash Flows from Operating Activities (Note 26)	(3,945)
4,062	Investing Activities (Note 27)	3,396
(5,948)	Financing Activities (Note 28)	6
(2,766)	Net (Increase) or Decrease in Cash and Cash Equivalents	(543)
(4,920)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(7,686)
<b>(7,686)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period (Note 20)</b>	<b>(8,229)</b>

**INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS  
STATEMENT OF ACCOUNTS 2022/23**

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<b>NOTES TO THE CORE ACCOUNTING STATEMENTS</b>
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**1. ACCOUNTING POLICIES****General Principles**

The Statement of Accounts summarises the Fire Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 2022/23 (the Code) and the Service Reporting Code of Practice 2020/21 supported by International Financial Reporting Standards (IFRS).

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

**Going Concern**

The 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 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.

The Authority set a balanced budget for 2022/23 which relied on the use of £153k of General Fund Reserves. The service took early action to reduce costs during the year by delaying recruitment and holding vacant posts. This has helped absorb the costs of the firefighter pay award which was higher than anticipated in the budget and also set aside funding in Earmarked Reserves for future costs related to the replacement mobilising system.

Fire Authority approved its Medium Term Financial Strategy (MTFS) for 2023/24 to 2026/27 in December 2022. The final budget was approved by Fire Authority in February 2023. 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.

Useable Reserves were £10.6m at 31 March 2023. The General Fund balance of £5.0m remained above the £4.5m minimum level set in the Reserves Strategy.

The 2023/24 and 2024/25 budgets require the use of General Fund reserves of £404k and an estimated £1.1m respectively. The 2023/24 budget monitoring is already anticipating an underspend due to difficulties in recruiting and training sufficient firefighters to bring it back to full establishment. This indicates that the £404k may not be required from General Fund Reserves in its entirety. A £1.126m budget pressure support earmarked reserve has also been set up to support the deficit position.

The Service's Futures 25 Efficiency Strategy was initially outlined at Policy and Strategy Committee in May 22 and updated in September 22. £250k of savings have already been delivered and work is underway to identify a range of savings to help balance the budget and enable it to meet the financial challenges expected in the coming years. The Service has set aside £900k in Earmarked Reserves to support this programme of works.

Based upon the latest assumptions cash flow forecasts have been prepared out to the end of March 2024 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, there are no material uncertainties or concerns on the basis of preparing the 2022/23 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 Bradford Metropolitan District Council.

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

#### **Borrowing Costs**

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

#### **Cash and Cash Equivalents**

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

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



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

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

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

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

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

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

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

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

**Employee Benefits****Benefits Payable During Employment**

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

**Termination Benefits**

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

**Post Employment Benefits****Participation in Pension Schemes**

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

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

- The Local Government Pension Scheme (LGPS) is for administrative and support staff and is administered by Nottinghamshire County Council. This is a funded scheme, which means that contributions are paid into a fund with the intention of balancing pension liabilities with pension assets.
- The Firefighters' Pension Scheme 1992 has been closed to new entrants since 6 April 2006. Its members are wholtime 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. Active members were transferred to the Firefighters's Pension Scheme 2015 on 1 April 2022.

- 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 and active members were transferred to the Firefighters' Pension Scheme 2015 on 1 April 2002.
- 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 (excluding the Compensation Scheme, which is funded from the Authority's revenue budget). Additional accounting policies can be found in the notes to these statements.

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

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

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

- Liabilities are discounted to their value at current prices, using discount rates of 2.6% and 2.8% for the LGPS and firefighters' schemes respectively. The discount rates for all schemes are based on the yields of AA-rated corporate bonds of currency and term appropriate to the currency and term of the scheme's liabilities.
- The assets of the LGPS pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - property - market value

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

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

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

### **Discretionary Benefits**

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

### **Events after the Reporting Period**

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

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

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

### **Exceptional Items**

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

### **Financial Instruments**

#### **Financial Liabilities**

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

#### **Financial Assets**

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

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

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

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

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

### **Expected Credit Loss Model**

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

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

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

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

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

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

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

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

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

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

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

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

### **Inventories (Stocks)**

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

## **Leases**

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

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

Lease rentals payable are apportioned between:

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

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

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

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

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

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

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

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

## **Non Current Assets**

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

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

### **Recognition**

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



## Measurement

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

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

Assets are then carried in the balance sheet using the following measurement bases:

### Land and Buildings

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

### Furniture and Fittings

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

### Vehicles and Plant

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

### All other Assets

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

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

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

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

#### Charges to Revenue for Non Current Assets

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

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

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

#### Depreciation and Amortisation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

#### Revaluation and Impairment Losses

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

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

#### Disposals and Non Current Assets Held for Sale

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

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

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

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

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

### **Donated Assets**

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

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

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

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

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

### **Intangible Assets**

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

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

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

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

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

### **Provisions**

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

### **Reserves**

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

Two useable 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 2021/22 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 Useable 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 Useable Capital Receipts Reserve

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

#### The Capital Grants Unapplied Reserve

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

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

### **Pensions Reserve**

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

### **Accumulated Absences Adjustment Account**

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

### **Collection Fund Adjustment Account**

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

### **Value Added Tax**

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

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

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

The standards introduced by the 2023/24 Code of Practice and relevant for additional disclosures that will be required in the 2022/23 financial statements in accordance with the requirements of the Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2 issued in February 2021).

Whilst it is likely that both these changes will lead to improved reporting, they will not have a significant impact on the amounts anticipated to be reported in the financial statements.

## **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 provide indicative settlement figures for future years as part of the funding settlement in Autumn 2022. There remains the possibility that funding for local government organisations may be 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 2023/24 and is anticipating to contain spending within this budget. The Authority is in a good 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 2023 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £64k for every year that useful lives had to be reduced.

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

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



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

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

<b>2021/22</b>	<b>Description of Item</b>	<b>Income or Expense</b>	<b>2022/23</b>
<b>£000</b>			<b>£000</b>
3,458	Depreciation and Amortisation of Non Current Assets	Expense	3,296
(473)	Capital Receipt	Income	(513)

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

The Statement of Accounts was authorised for issue by the Treasurer to the Authority on **XXXXXXXX**. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS****Adjustments between Funding and Accounting Basis 2022/23**

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amount 2021/22	Adjustment for Capital purposes	Net change for the Pension Adjustment		Other Differences	Total Adjustments
		£000	£000		
Firefighting and Rescue	0	(4,149)		58	(4,091)
Community Safety	0	(275)		7	(268)
Fire Protection	0	(258)		1	(257)
Resilience	0	(7)		0	(7)
<b>Corporate and Centralised Services</b>					
Estates & Procurement	(811)	(91)		(2)	(904)
Equipment	(427)	(91)		0	(518)
People and Organisation Development	0	(530)		(25)	(555)
Finance	0	(93)		(5)	(98)
Information Communication and Technology	(279)	(162)		(3)	(444)
Other Corporate and Centralised Services	0	(876)		(30)	(906)
	<b>(1,517)</b>	<b>(6,532)</b>		<b>1</b>	<b>(8,048)</b>
Other income and expenditure	(1,081)	(6,915)		933	(7,063)
	<b>(2,598)</b>	<b>(13,447)</b>		<b>934</b>	<b>(15,111)</b>

**Adjustments between Funding and Accounting Basis 2021/22**

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amount 2020/21	Adjustment for Capital purposes	Net change for the Pension Adjustment		Other Differences	Total Adjustments
		£000	£000		
Firefighting and Rescue	0	(4,412)		(37)	(4,449)
Community Safety	0	(367)		(4)	(371)
Fire Protection	0	(340)		29	(311)
Resilience	0	(7)		0	(7)
<b>Corporate and Centralised Services</b>					
Estates & Procurement	(2,179)	(107)		0	(2,286)
Equipment	(580)	(110)		(2)	(692)
People and Organisation Development	0	(666)		19	(647)
Finance	0	(107)		1	(106)
Information Communication and Technology	142	(226)		3	(81)
Other Corporate and Centralised Services	0	(887)		17	(870)
	<b>(2,617)</b>	<b>(7,229)</b>		<b>26</b>	<b>(9,820)</b>
Other income and expenditure	69	(5,214)		1,077	(4,068)
	<b>(2,548)</b>	<b>(12,443)</b>		<b>1,103</b>	<b>(13,888)</b>

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
	<b>Expenditure</b>	
57,942	Employee Benefits Expenses	60,585
425	Other Employee Expenses	356
2,707	Premises Related Expenses	3,487
1,951	Transport Related Expenditure	2,250
3,971	Supplies and Services	3,895
876	Third Party Payments	1,000
104	Support Services	85
	Depreciation, amortisation, impairment and loss	
4,696	on disposal of non-current assets	4,496
851	Interest Payments	944
73,523	<b>Total Expenditure</b>	<b>77,098</b>
	<b>Income</b>	
(1,018)	Fees, charges and other service income	(754)
(14)	Interest and investment income	(220)
(37,062)	Income from council tax and non-domestic rates	(38,513)
(20,743)	Government grants	(22,832)
(64)	Income from profit on disposal of non-current assets	0
(58,901)	<b>Total Income</b>	<b>(62,319)</b>
14,622	<b>(Surplus)/Deficit on Provision of Services</b>	<b>14,779</b>

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

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
1,231	Revenue from contracts with service recipients	927
	Impairment of receivables or contract assets	
1,231	<b>Total Included in Comprehensive Income and Expenditure Statement</b>	<b>927</b>

Amounts included in the Balance Sheet for contracts with Service Recipients

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
22	Receivables which are included in debtors	0
22	<b>Total Included in Balance Sheet</b>	<b>0</b>

## **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.

**Useable Reserves**

2021/22			2022/23		
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
£000	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
(12,444)			(13,447)	0	
1,077			933		
27			1		
(5,099)		0	(5,009)		
<b>(16,439)</b>	<b>0</b>	<b>0</b>	<b>(17,522)</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>					
473	(473)		513	(513)	
1551			1600		
527			298		
<b>2,551</b>	<b>(473)</b>	<b>0</b>	<b>2,411</b>	<b>(513)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
	473			513	
		17			57
<b>0</b>	<b>473</b>	<b>17</b>	<b>0</b>	<b>513</b>	<b>57</b>
<b>(13,888)</b>	<b>0</b>	<b>17</b>	<b>(15,111)</b>	<b>0</b>	<b>57</b>

**11 TRANSFERS TO/FROM EARMARKED RESERVES**

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

<b>Balance at 31 March 2021</b>	<b>Transfers out 2021/22</b>	<b>Movements 2021/22</b>	<b>Transfers in 2021/22</b>		<b>Balance at 31 March 2022</b>	<b>Transfers out 2022/23</b>	<b>Movements 2022/23</b>	<b>Transfers in 2022/23</b>	<b>Balance at 31 March 2023</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>(1,184)</b>	0	2	(7)	<b>Information Communication and Technology</b>	<b>(1,189)</b>	4	225	(619)	<b>(1,578)</b>
<b>(428)</b>	140	149	(106)	<b>Prevention, Protection and Partnerships</b>	<b>(245)</b>	89	0	(105)	<b>(261)</b>
<b>(349)</b>	15	332	(35)	<b>Resilience</b>	<b>(37)</b>	1	0	0	<b>(35)</b>
<b>(673)</b>	129	100	0	<b>Operational</b>	<b>(444)</b>	123	(159)	0	<b>(480)</b>
<b>0</b>	0	(50)	0	<b>Transition</b>	<b>(50)</b>	1	0	0	<b>(49)</b>
<b>(42)</b>	23	(1,836)	(337)	<b>Other</b>	<b>(2,192)</b>	0	(190)	(76)	<b>(2,458)</b>
<b>(1,053)</b>	454	617	(47)	<b>Covid - 19</b>	<b>(29)</b>	15	0	0	<b>(15)</b>
<b>(1,800)</b>	571	688	(13)	<b>Transformation and Collaboration</b>	<b>(554)</b>	106	122	(36)	<b>(360)</b>
<b>(181)</b>	80	(2)	(10)	<b>Regional Funds</b>	<b>(113)</b>	13	0	0	<b>(101)</b>
<b>(5,710)</b>	<b>1,412</b>	<b>0</b>	<b>(555)</b>	<b>Sub Total</b>	<b>(4,853)</b>	<b>352</b>	<b>(2)</b>	<b>(836)</b>	<b>(5,337)</b>

**12 OTHER OPERATING EXPENDITURE**

<u>2021/22</u>	<u>2022/23</u>
£000	£000
65 Gains/(Losses) on the disposal of non-current assets	1,081
<b>65 Total</b>	<b>1,081</b>

**13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

<u>2021/22</u>	<u>2022/23</u>
£000	£000
851 Interest payable and similar charges	944
0 Interest paid in relation to Finance Leases	0
13,960 Net interest on defined pension liability	17,525
(14) Interest receivable and similar income	(220)
0 Other investment income	0
<b>14,797 Total</b>	<b>18,249</b>

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

<u>2021/22</u>	<u>2022/23</u>
£000	£000
26,841 Council tax income and surplus on collection	27,692
2,944 Non domestic rates	3,544
8,745 Pension top up grant	10,610
38 Council Tax Income guarantee scheme	23
5,452 Non ringfenced government grants	5,619
7,277 Non domestic rates tax top-up grant	7,277
925 Business Rates Tax Loss Reimbursement Grant	2,676
8 Transparency grant	8
2,213 Covid-19 Funding	707
2,340 Fire Pension Grant	2,340
0 Levy Account Surplus Grant	91
<b>56,783 Total</b>	<b>60,587</b>

## 15 PROPERTY PLANT AND EQUIPMENT

Comparative Movements in 2021/22						Movements in 2022/23					
Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Asset Held for Sale £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Asset Held for Sale £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>											
57,762	21,481	160	380	1,989	81,772	59,363	21,045	175	0	6,013	86,596
125	819	0	0	5,609	6,553	367	724	0	0	1,133	2,224
0	0	0	0	0	0	0	0	0	0	0	0
1,178	0	15	0	0	1,193	(1,002)	0	15	0	0	(987)
347	0	0	0	(1,585)	(1,238)	(120)	0	0	0	0	(120)
(49)	(1,045)	0	0	0	(1,094)	0	(117)	0	0	0	(117)
0	(210)	0	(380)	0	(590)	(1,630)	(53)	0	0	0	(1,683)
0	0	0	0	0	0	(2,575)	0	0	2,575	0	0
0	0	0	0	0	0	6,948	198	0	0	(7,146)	0
0	0	0	0	0	0	0	0	0	0	0	0
<b>59,363</b>	<b>21,045</b>	<b>175</b>	<b>0</b>	<b>6,013</b>	<b>86,596</b>	<b>61,351</b>	<b>21,797</b>	<b>190</b>	<b>2,575</b>	<b>0</b>	<b>85,913</b>



Accumulated Depreciation & Impairment 2021/22						Accumulated Depreciation & Impairment 2022/23					
Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Asset Held for Sale £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Asset Held for Sale £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
(1,131)	(14,803)	(28)	0	0	(15,962)	(931)	(15,081)	0	0	0	(16,012)
(1,694)	(1,510)	(5)	0	0	(3,209)	(1,767)	(1,287)	(7)	0	0	(3,061)
1,845	0	33	0	0	1,878	2,014	0	7	0	0	2,021
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
49	1,045	0	0	0	1,094	0	107	0	0	0	107
0	187	0	0	0	187	46	53		0	0	99
0	0	0	0	0	0	182		0	(182)	0	0
(931)	(15,081)	0	0	0	(16,012)	(456)	(16,208)	0	(182)	0	(16,846)
58,432	5,964	175	0	6,013	70,584	60,895	5,589	190	2,393	0	69,067

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## Capital Commitments

At 31 March 2023 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years, budgeted to cost £1.607m. Similar commitments at 31 March 2022 were £255k. The major commitment for 2022/23 was:

Worksop Fire Station	£85k
Appliances	£1.522m

## 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 2023, covering 13 properties via an inspection, 12 by applying a tender price index, and carried out by Aimee Eliis MRICS. Valuations of the buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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

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

	Other Land & Buildings £000	Vehicles, Plant, Equipment £000	Assets under Construction £000	Surplus Assets £000	Assets Held for Sale £000	Total £000
Carried at Historical cost	0	5,589	0	0	0	5,589
Valued at Fair Value as at:						
31 March 2023	57,999			15	2,393	60,407
31 March 2022	2,891	0	0	175		3,066
31 March 2021	0	0	0	0	0	0
31 March 2020	0	0	0	0	0	0
31 March 2019	0	0	0	0	0	0
31 March 2018	0	0	0	0	0	0
<b>Total Cost or Valuation</b>	<b>60,890</b>	<b>5,589</b>	<b>0</b>	<b>190</b>	<b>2,393</b>	<b>69,062</b>

**16 INTANGIBLE ASSETS**

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

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

<b>Software</b>	<b>Software Under Construction</b>		<b>Software</b>	<b>Software Under Construction</b>
<b>2021/22</b>	<b>2021/22</b>		<b>2022/23</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>Balance at start of year:</b>				
2,705	0	• Gross carrying amounts	2,574	17
(2,185)	0	• Accumulated amortisation	(2,238)	0
<u>520</u>	<u>0</u>	Net carrying amount at start of year	<u>336</u>	<u>17</u>
		Adjustments to bring fixed asset register		
0	0	and statutory accounts into alignment	0	0
0	0	Assets Reclassified	0	0
64	17	Purchases	42	0
(195)	0	Disposals	(15)	0
(249)	0	Amortisation for the period	(234)	0
195	0	Other Changes - Disposal Amortisation	15	0
<u><b>335</b></u>	<u><b>17</b></u>	<b>Net carrying amount at end of year</b>	<u><b>144</b></u>	<u><b>17</b></u>
<b>Comprising:</b>				
2,574	17	• Gross Carrying Amounts	2,601	17
(2,238)	0	• Accumulated amortisation	0	0
<u><b>336</b></u>	<u><b>17</b></u>		<u><b>2,601</b></u>	<u><b>17</b></u>

**17 FINANCIAL INSTRUMENTS**

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

<b>31 March 2022</b>			<b>31 March 2023</b>	
<b>Non-current</b>	<b>Current</b>		<b>Non-current</b>	<b>Current</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>Financial assets</b>				
0	2,061	Investments measured at amortised cost	0	3,116
		Cash & cash equivalents measured at		
0	7,687	amortised cost	0	8,231
284	5,234	Debtors measured at cost	227	5,085
		Financial assets measured at fair value through		
0	0	profit or loss	0	0
		Financial assets measured at fair value through		
0	0	other comprehensive income	0	0
<b>284</b>	<b>14,982</b>	<b>Total financial assets</b>	<b>227</b>	<b>16,432</b>
<b>Financial liabilities</b>				
(32,900)	(52)	Loans measured at amortised cost	(29,900)	(3,048)
(82)	(4,303)	Creditors measured at cost	(82)	(4,345)
0	0	Financial liabilities measured at fair value	0	0
<b>(32,982)</b>	<b>(4,355)</b>	<b>Total financial liabilities</b>	<b>(29,982)</b>	<b>(7,393)</b>

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

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

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

<u>31 March 2022</u>	<u>31 March 2023</u>
<b>£000</b>	<b>£000</b>
<b>Current Debtors</b>	
6,393 Debtors - as shown on Balance Sheet	6,585
<u>(1,159) Less: Council Tax and NDR debtors</u>	<u>(1,500)</u>
<b><u>5,234</u></b> <b>Current Debtors Classified as Financial Instruments</b>	<b><u>5,085</u></b>
<b>Non-current Debtors</b>	
<b>284</b> Long term debtors - as shown on Balance Sheet	<b>227</b>
<b>Current Creditors</b>	
(4,970) Creditors - as shown on Balance Sheet	(5,182)
<u>667 Less: Council Tax NDR prepayments / overpayments</u>	<u>837</u>
<b><u>(4,303)</u></b> <b>Current Creditors Classified as Financial Instruments</b>	<b><u>(4,345)</u></b>
<b>Non-current Creditors</b>	
0 Creditors - as shown on Balance Sheet	0
<u>(82) Grant Receipts in Advance - as shown on Balance Sheet</u>	<u>(82)</u>
<b><u>(82)</u></b>	<b><u>(82)</u></b>



31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		<b>Financial Liabilities at amortised cost</b>		
(28,940)	(29,581)	- <b>PWLB Loans</b>	(28,936)	(21,585)
(4,011)	(6,102)	- <b>Other Loans</b>	(4,011)	(3,833)

The fair value of borrowings is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
2,061	2,061	<b>Investments held at amortised cost</b>	3,116	3,116
7,687	7,687	<b>Cash and cash equivalents held at amortised cost</b>	8,231	8,231

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 2022/23 CIPFA Accounting Code of Practice ("the Code") requires authorities to maximise the use of relevant observable inputs and minimise the use of unobservable inputs when measuring fair value. To achieve this objective, authorities are required to follow a fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into three levels as follows:

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

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

**31 March 2023**

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£100	£100	£100	£100
<b>Financial liabilities</b>				
Loans held at amortised cost	0	(25,418)	0	(25,418)
<b>Financial assets</b>				
Investments, cash & cash equivalents held at amortised cost	0	11,347	0	11,347
<b>Total</b>	<b>0</b>	<b>(14,071)</b>	<b>0</b>	<b>(14,071)</b>

**31 March 2022 Comparative Year**

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£100	£100	£100	£100
<b>Financial liabilities</b>				
Loans held at amortised cost	0	(35,683)	0	(35,683)
<b>Financial assets</b>				
Investments, cash & cash equivalents held at amortised cost	0	9,748	0	9,748
<b>Total</b>	<b>0</b>	<b>(25,935)</b>	<b>0</b>	<b>(25,935)</b>



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

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

<b>Financial assets</b>	<b>Financial liabilities</b>
<ul style="list-style-type: none"> <li>• no early repayment or impairment is recognised</li> <li>• estimated ranges of interest rates as 31 March 2023 of 0.00% to 4.20% for short term investments and cash equivalents, based on new lending rates for equivalent assets at that date</li> <li>• the fair value of trade and other receivables is taken to be the invoiced or billed amount</li> </ul>	<ul style="list-style-type: none"> <li>• no early repayment is recognised</li> <li>• estimated ranges of interest rates at 31 March 2023 of 4.26% to 4.78% for loans payable based on new lending rates for equivalent loans at that date</li> </ul>

**18 INVENTORIES**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
<b>427</b>	<b>Balance Outstanding at start of year</b>	<b>342</b>
395	Purchases	410
(482)	Recognised as an expense in year	(504)
2	Written off balances	9
<b>342</b>	<b>Balance outstanding at year end</b>	<b>257</b>

**19 DEBTORS**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
3,343	NNDR and council tax	4,349
149	Trade Debtors	231
4,509	Other debtors	3,935
(2,145)	Provision for bad debts	(2,399)
537	Prepayments and Accrued Income	468
<b>6,393</b>	<b>Total Short Term Debtors</b>	<b>6,584</b>
284	Prepayments and Accrued Income	227
<b>284</b>	<b>Long Term Debtors</b>	<b>227</b>
<b>6,677</b>	<b>Total</b>	<b>6,811</b>

**20 CASH AND CASH EQUIVALENTS**

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

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
	<b>Cash held by the Authority</b>	
85	Bank Current Accounts	41
7,602	Short-term deposits	8,190
<b>7,687</b>	<b>Total Cash and Cash Equivalents</b>	<b>8,231</b>

## 21 ASSETS HELD FOR SALE

There were no Non Current Assets held for sale as at 31st March 2022.  
As at 31st March 2023 Head Quarters was held for sale with a net book value of £2.393m

## 22 CREDITORS

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(2,145)	Trade Creditors	(1,832)
(1,723)	NNDR and Council Tax	(1,562)
(1,102)	Other Creditors	(1,787)
<b><u>(4,970)</u></b>	<b>Short Term Creditors</b>	<b><u>(5,181)</u></b>
0	Other Creditors	0
(82)	Receipts in Advance - General (long term)	0
<b><u>(82)</u></b>	<b>Long Term Creditors</b>	<b><u>0</u></b>
<b><u>(5,052)</u></b>	<b>Total</b>	<b><u>(5,181)</u></b>

**23 PROVISIONS**

	Short Term				
	Joint Headquarters	Gold Book Pay Award	Ill Health	Domestic Rates Appeals	Total Provison
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2022</b>	<b>0</b>	<b>0</b>	<b>(21)</b>	<b>(344)</b>	<b>(365)</b>
Additional provisions made in 2022/23	(50)	(34)	0	0	<b>(84)</b>
Amounts used in 2022/23	0	0	21	31	<b>52</b>
Unused amounts reversed in 2022/23	0	0	0	0	<b>0</b>
<b>Balance at 31 March 2023</b>	<b>(50)</b>	<b>(34)</b>	<b>0</b>	<b>(313)</b>	<b>(397)</b>

**Joint Headquarters**

Changes to the scope of the new Joint Headquarters in the later stages to create additional offices cause a delay in the completion of the project. The £50k provision is to cover this extected charge from the supplier.

**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 2022/23.

**Gold Book Pay Award**

The provision allows for the Gold Book payaward that has yet to have been agreed. The provision is based on the current offer of 4% from January 2022 and 3.5% from January 2023.

**24 USEABLE RESERVES**

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

<u>31 March 2022</u>		<u>31 March 2023</u>
£000		£000
5,114	General Fund	4,961
4,853	Earmarked Reserves	5,337
0	Capital Receipts Reserve	0
331	Capital Grants Unapplied	274
<u>10,298</u>	<b>Total Useable Reserves</b>	<u>10,572</u>

**General Fund**

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

<u>2021/22</u>		<u>2022/23</u>
£000		£000
<b>4,991</b>	<b>Balance at 1 April</b>	<b>5,114</b>
(734)	Transfer (to)/from General Fund Reserve	331
857	Transfer from General Fund Reserve to Earmarked Reserves	(484)
<u>5,114</u>	<b>Balance at 31 March</b>	<u>4,961</u>

**Earmarked Reserves**

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

<u>2021/22</u>		<u>2022/23</u>
£000		£000
<b>5,710</b>	<b>Balance at 1 April</b>	<b>4,852</b>
(1,413)	Application of Earmarked Reserves to finance expenditure	(352)
555	Transfer from General Fund Reserve	836
<u>4,852</u>	<b>Balance at 31 March</b>	<u>5,336</u>

**Capital Receipts Reserve**

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

<u>2021/22</u> £000		<u>2022/23</u> £000
<b>0</b>	<b>Balance at 1 April</b>	<b>0</b>
472	Capital Receipts in Year	513
(472)	Capital Receipts applied in year to finance capital	(513)
<u><b>0</b></u>	<b>Balance at 31 March</b>	<u><b>0</b></u>

**Capital Grants Unapplied**

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

<u>2021/22</u> £000		<u>2022/23</u> £000
<b>347</b>	<b>Balance at 1 April</b>	<b>331</b>
0	Capital Grants received in Year	0
(16)	Capital Grants applied in year to finance capital	(57)
<u><b>331</b></u>	<b>Balance at 31 March</b>	<u><b>274</b></u>

**25 UNUSEABLE RESERVES**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
25,537	Revaluation Reserve	24,667
14,590	Capital Adjustment Account	13,953
(631,155)	Pensions Reserve	(415,411)
(822)	Collection Fund Adjustment Account	111
(268)	Accumulated Absences Account	(268)
<b><u>(592,118)</u></b>	<b>Total Unuseable Reserves</b>	<b><u>(376,948)</u></b>

**Revaluation Reserve**

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

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

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>23,365</b>	<b>Balance at 1 April</b>	<b>25,537</b>
3,331	Upward revaluations of assets	1,759
(259)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(725)
<u>3,072</u>		<u>1,034</u>
<b>26,437</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>26,571</b>
(660)	Difference between fair value depreciation and historical cost depreciation	(748)
(240)	Accumulated gains on assets disposed of	(1,155)
<u>(900)</u>	Amount written off to the Capital Adjustment Account	<u>(1,903)</u>
<b><u>25,537</u></b>	<b>Balance at 31 March</b>	<b><u>24,668</u></b>

**Capital Adjustment Account**

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

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

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

<u>2021/22</u>	<u>2022/23</u>
<u>£000</u>	<u>£000</u>
<b>16,223</b> Balance at 1 April	<b>14,590</b>
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES)</u>	
• Charges for depreciation and impairment of non-current (3,209) assets	(3,061)
(1,239) • Revaluation losses on Property, Plant and Equipment and reversal of previous impairments	(119)
(250) • Amortisation of intangible assets	(234)
0 • Revenue expenditure funded from capital under statute	0
• Amounts of non-current assets written off on disposal or (163) sale as part of the gain/loss on disposal to the CIES	(439)
<b>(4,861)</b>	<b>(3,853)</b>
660 Adjusting amounts written out of the Revaluation Reserve	748
<b>(4,201)</b> Net written out amount of the cost of non-current assets consumed in the year	<b>(3,105)</b>
<u>Capital financing applied in the year:</u>	
• Use of Capital Receipts Reserve to finance new capital 473 expenditure	513
• Capital grants and contributions credited to the CIES 16 that have been applied to capital financing	57
• Statutory provision for the financing of capital investment 1,551 charged against the General Fund balance	1,600
• Voluntary provision for the financing of capital 0 investment charged against the General Fund balance	0
• Application of grants to capital financing from Capital 0 Grants Unapplied Account	0
• Capital expenditure charged against the General Fund 528 balance	298
2,568	2,468
0 Movement in the Donated Assets Account credited to the CIES	0
<b>14,590</b> Balance at 31 March	<b>13,953</b>



**Pension Reserve**

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

<u>2021/22</u>	<u>2022/23</u>
£000	£000
<b>(668,571) Balance at 1 April</b>	<b>(631,155)</b>
49,860 Remeasurements on the net defined benefit pension	229,190
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of	
(28,279) Services in the CIES	(30,743)
Employers pensions contributions and direct payments to	
15,835 pensioners payable in the year	17,297
<b><u>(631,155) Balance at 31 March</u></b>	<b><u>(415,411)</u></b>

**Collection Fund Adjustment Account**

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

<u>2021/22</u>	<u>2022/23</u>
£000	£000
<b>(1,899) Balance at 1 April</b>	<b>(822)</b>
1,077 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	933
<b><u>(822) Balance at 31 March</u></b>	<b><u>111</u></b>

**Accumulated Absences Adjustment Account**

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

<u>2021/22</u> £000	<u>2022/23</u> £000
<b>(294) Balance at 1 April</b>	<b>(268)</b>
Settlement or cancellation of accrual made at the end of 294 the preceding year	268
<u>(268) Amounts accrued at the end of the current year</u>	<u>(268)</u>
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory <b>26</b> requirements	<b>0</b>
<u><b>(268) Balance at 31 March</b></u>	<u><b>(268)</b></u>

**26 CASHFLOW STATEMENT - OPERATING ACTIVITIES**

<u>2021/22</u>	<u>2022/23</u>
£000	£000
<b>14,622</b>	<b>14,780</b>
<b>Net (Surplus) or Deficit on the Provision of Services</b>	
<b><u>Adjust net surplus or deficit on the provision of services for non cash movements</u></b>	
(3,209)	(3,061)
Depreciation	
(1,238)	(120)
Impairment and revaluations	
(250)	(234)
Amortisation	
(194)	(254)
(Increase)/Decrease in impairment for bad debts	
(997)	(455)
(Increase)/Decrease in Creditors	
2,577	(11)
Increase/(Decrease) in Debtors	
(84)	(85)
Increase/(Decrease) in Inventories	
(12,444)	(13,446)
Pension Liability	
299	(31)
Contributions (to)/from Provisions	
Carrying amount of non-current assets sold (property plant and	
(408)	(1,594)
equipment, investment property and intangible assets)	
(27)	53
Accrued Interest	
<u>(15,975)</u>	<u>(19,238)</u>
<b><u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u></b>	
Proceeds from the sale of property plant and equipment, investment	
473	513
property and intangible assets	
<u>473</u>	<u>513</u>
<b><u>(880)</u></b>	<b><u>(3,945)</u></b>
<b>Net Cash Flows from Operating Activities</b>	

**CASHFLOW STATEMENT - OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<u>2021/22</u>	<u>2022/23</u>
£000	£000
(14)	(220)
Interest received	
851	944
Interest paid	
0	0
Dividends received	

**27 CASHFLOW STATEMENT - INVESTING ACTIVITIES**

<u>2021/22</u> <u>£000</u>	<u>2022/23</u> <u>£000</u>
Purchase of property, plant and equipment, investment property and 6,035 intangible assets	2,909
3,000 Purchase of short-term and long-term investments	6,000
Proceeds from the sale of property, plant and equipment, investment (473) property and intangible asset	(513)
(4,500) Proceeds from short-term and long-term investments	(5,000)
0 Other receipts from investing activities	0
 <u>4,062</u> Net cash flows from investing activities	 <u>3,396</u>

**28 CASHFLOW STATEMENT - FINANCING ACTIVITIES**

<u>2021/22</u> <u>£000</u>	<u>2022/23</u> <u>£000</u>
(6,000) Cash receipts of short and long-term borrowing	0
52 Repayments of short and long-term borrowing	6
 <u>(5,948)</u> Net cash flows from financing activities	 <u>6</u>

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

	<b>1 April 2022</b>	<b>Financing cash flows</b>	<b>Non-cash changes</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Long-term borrowings</b>	(32,901)	6	2,994	(29,901)
<b>Short-term borrowings</b>	(52)	0	(2,996)	(3,048)
<b>Total liabilities from financing activities</b>	<b>(32,953)</b>	<b>6</b>	<b>(2)</b>	<b>(32,949)</b>

	<b>1 April 2021</b>	<b>Financing cash flows</b>	<b>Non-cash changes</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Long-term borrowings</b>	(26,906)	(5,948)	(47)	(32,901)
<b>Short-term borrowings</b>	(63)	0	11	(52)
<b>Total liabilities from financing activities</b>	<b>(26,969)</b>	<b>(5,948)</b>	<b>(36)</b>	<b>(32,953)</b>

**30 POOLED BUDGETS**

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

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

	<u>Local Resilience Forum</u>	<u>Multi Agency Co-ordination Centre</u>	<u>2021/22</u> £000
<b>Opening Balance</b>	68	14	82
Income in Year	0	0	0
Expenditure in Year	0	0	0
<b>Balance carried forward</b>	<u>68</u>	<u>14</u>	<u>82</u>
			<u>2022/23</u> £000
<b>Opening Balance</b>	68	14	82
Income in Year	0	0	0
Expenditure in Year	0	0	0
<b>Balance carried forward</b>	<u>68</u>	<u>14</u>	<u>82</u>

**31 MEMBERS' ALLOWANCES**

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

<u>2021/22</u> £000		<u>2022/23</u> £000
127	Allowances	133
0	Expenses	2
<u>127</u>	<b>Total</b>	<u>135</u>

**32 OFFICERS' REMUNERATION**

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

		Salary, Fees and Allowances	Expenses Allowances	Compensation for loss of employment	Total Remuneration excluding Pension Contributions	Pension Contribution	Total
		£	£	£	£	£	£
Chief Fire Officer John Buckley Left 15/04/2022	2022/23	6,747	2	0	6,749	1,943	8,692
	2021/22	162,523	52	0	162,575	46,807	209,382
Chief Fire Officer Craig Parkin Started 16/04/2022	2022/23	139,885	50	0	139,935	40,211	180,146
	2021/22	0	0	0	0	0	0
Deputy Chief Fire Officer Left 15/04/2022	2022/23	5,566	2	0	5,568	1,614	7,182
	2021/22	134,150	52	0	134,202	38,615	172,817
Assistant Chief Officer	2022/23	121,449	52	0	121,501	22,346	143,847
	2021/22	121,893	52	0	121,945	22,428	144,373
Assistant Chief Officer Started 14/03/2022	2022/23	109,487	52	0	109,539	24,748	134,287
	2021/22	5,349	2	0	5,351	1,198	6,549
Head of Finance and Treasurer	2022/23	73,646	52	0	73,698	13,322	87,020
	2021/22	72,598	52	0	72,650	13,278	85,927
<b>Total</b>	<b>2022/23</b>	<b>456,780</b>	<b>210</b>	<b>0</b>	<b>456,990</b>	<b>104,184</b>	<b>561,174</b>
	<b>2021/22</b>	<b>496,513</b>	<b>210</b>	<b>0</b>	<b>496,723</b>	<b>122,326</b>	<b>619,048</b>

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.

<b>2021/22 Number of employees</b>	<b>Remuneration Band</b>	<b>2022/23 Number of employees</b>
26	£50,000-£54,999	21
19	£55,000-£59,999	18
22	£60,000-£64,999	21
5	£65,000-£69,999	10
9	£70,000-£74,999	8
2	£75,000-£79,999	2
1	£80,000-£84,999	2
	£85,000-£89,999	1
3	£90,000-£94,999	2
	£95,000-£99,999	
	£100,000-£104,999	1
1	£105,000-£109,999	2
	£110,000-£114,999	
	£115,000-£119,999	
1	£120,000-£124,999	1
	£125,000-£129,999	
1	£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:

<b>(a) Exit package cost band (including special payments)</b>	<b>(b) Number of compulsory redundancies</b>		<b>(c) Number of other departures agreed</b>		<b>(d) Total number of exit packages by cost band</b>		<b>(e) Total cost of exit packages in each band £000's</b>	
	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>
<b>£0-£20,000</b>	0	0	3	0	3	0	5	0
<b>£20,001 - £40,000</b>	0	1	1	0	1	1	25	28
<b>£40,001 - £60,000</b>	0	0	1	0	1	0	42	0
<b>£60,001 - £80,000</b>	0	0	0	0	0	0	0	0
<b>£80,001 - £100,000</b>	0	0	0	0	0	0	0	0
<b>£100,001 - £150,000</b>	0	1	0	0	0	1	0	127
<b>Total</b>	<b>0</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>2</b>	<b>72</b>	<b>155</b>



**33 EXTERNAL AUDIT COSTS**

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
	Fees payable with regard to external audit services	
24	carried out by the appointed auditor for the year	33
<u>24</u>	<b>Total</b>	<u>33</u>

**34 GRANT INCOME**

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Services</b>	
(369)	Firelink grant (part of the Fire Revenue grant DCLG)	(319)
(81)	New Dimension grant (part of the Fire Revenue grant DCLG)	(81)
	New Risk Programme	
	Enhanced Logistical Support	
	Control Room Research	
(55)	New Risks grant	(19)
0	Emergency Services Mobile Communications grant	0
0	Fire Protection and Recognised prior learning Grant	0
0	Fire Protection Building Risk Review Grant	0
(165)	Fire Protection Protection Uplift Grant	(147)
(215)	Apprenticeship Levy	(179)
0	Grenfell infrastructure Grant	0
(125)	Pension admin Grant	0
(12)	Rise in Audit fees Grant	0
0	Redmond Review Implementation	(14)
<u>(1,022)</u>	<b>Total</b>	<u>(759)</u>

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:

<u>31 March 2022</u>	<u>31 March 2023</u>
£000	£000
<b>Grants Receipts in Advance (Revenue Grants)</b>	
(68) Local Resilience Forum	(68)
<u>(14) Multi Agency Coordination Centre</u>	<u>(14)</u>
<u><b>(82) Total</b></u>	<u><b>(82)</b></u>

As these balances are expected to be held for more than 12 months they have been categorised as non-current liabilities on the 2022/23 balance sheet.

### 35 RELATED PARTIES

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

#### Central Government

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

#### Members

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

#### Officers

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

#### Nottinghamshire County Council and Nottingham City Council

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

	Nottinghamshire County Council		Nottingham City Council		Nottinghamshire Police & Crime Commissioner	
	<u>2021/22</u> £000	<u>2022/23</u> £000	<u>2021/22</u> £000	<u>2022/23</u> £000	<u>2021/22</u> £000	<u>2022/23</u> £000
<b>Expenditure during year</b>	590	538	126	23	1,901	455
<b>Income during year</b>	78	32	17	51	376	383
<b>Creditor at 31 March</b>	31	6	49	71	126	8
<b>Debtor at 31 March</b>	0	1	7	41	14	0

**Other Public Bodies**

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

	<b>Derbyshire Fire &amp; Rescue Service</b>		<b>Leicestershire Fire &amp; Rescue Service</b>	
	<b><u>2021/22</u></b>	<b><u>2022/23</u></b>	<b><u>2021/22</u></b>	<b><u>2022/23</u></b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure during year</b>	982	1,272	152	94
<b>Income during year</b>	62	51	0	18
<b>Creditor at 31 March</b>	36	657	1	0
<b>Debtor at 31 March</b>	2	15	0	15

**36 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>26,667</b>	<b>Opening Capital Financing Requirement</b>	<b>30,735</b>
0	Capital receipt not applied in year	0
	<i>Capital Investment</i>	
5,609	Property, Plant and Equipment - (Operational and under Construction)	1,500
944	Property, Plant and Equipment - (Non Operational)	724
82	Intangible Assets (including under construction)	42
	<i>Sources of Finance</i>	
(472)	Capital Receipts	(513)
(16)	Government grant and other contributions	(57)
	Sums set aside from revenue:	
(528)	Direct revenue contributions	(298)
(1,551)	Minimum / Voluntary Revenue Provision	(1,600)
<b>30,735</b>	<b>Closing Capital Financing requirements</b>	<b>30,533</b>
	<b>Explanation of Movements in Year</b>	
0	Decrease in underlying need to borrow (unsupported by government financial assistance)	0
<b>4,068</b>	<b>(Decrease) / Increase in Capital Financing Requirement</b>	<b>(202)</b>

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

The Authority currently has no assets which would be defined as assets subject to operating lease arrangements. This was also the case in 2021/22.

**Authority as Lessor**Operating Leases

The Authority has entered into an operating lease arrangement with Nottinghamshire Police in respect of two of its properties, one property is currently not required for operational purposes. Annual rentals are varied therefore the straight line method of accounting for rental income to the Comprehensive Income and Expenditure Statement, is not used. (See item in the Statement of Accounting Policies - Note 1). Rent received in 2021/22 £65k and 2022/23 £50k

**Future contracted receipts are:**

	<b>£000</b>
Within 1 year	50
Within 2 to 5 years	22
Over 5 years	0

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

**38 TERMINATION BENEFITS**

In 2022/23 the Authority has funded termination benefits totalling £155k from its revenue budget, including £72k in pension strain payments. Termination benefits have been received by 2 individuals.

## 39 DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

As at 31 March 2023 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). All active members were transferred to the Firefighters' Pension Scheme 2015 on 1 April 2022.

**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. All active members were transferred to the Firefighters' Pension Scheme 2015 on 1 April 2022.

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

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

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

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



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

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

A Pension Top-up Grant is received annually from the government to meet the cost of the net funding deficit for the three firefighters' schemes. It is paid directly to the Firefighters' Pension Fund (see the Pension Fund statements on pages 103 to 104) and it is therefore not the Authority's income. However, in IAS 19 terms it is a current contribution towards the Authority's liabilities for retirement benefits. The grant is therefore credited to other operating income in the Comprehensive Income and Expenditure Statement. The grant is not treated as an asset of the firefighters' pension schemes, but as a source of income to the schemes it does reduce the year end pension liability.

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

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

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

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

### **Court of Appeal ruling for Firefighters/Judges Pension Schemes (the Sargeant 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 remedy for the McCloud decision will be delivered in two phases, prospective and retrospective, through the Public Service & Judicial Offices Act and secondary legislation.

The first phase is the prospective remedy which entails closing the legacy final salary schemes and transferring members to the reformed career average scheme (the 2015 FPS) from 1 April 2022. This phase was delivered by the Police and Firefighters' Pension Schemes (Amendment) Regulations 2022.

The second phase is the retrospective remedy, which will move all members' service back into the legacy final salary scheme for the remedy period (1 April 2015 - 31 March 2022) and allow a choice of benefits for this period. It is intended that the legislation to implement this phase will take effect by 1 October 2023 at the latest.

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 2023 accounting figures, the actuaries have continued to reflect the potential costs arising from the McCloud Judgement on an approximate basis. Once the details of the remedy are finalised the actuaries will reassess the accounting position in full across the schemes to reflect the actual impact and costs.

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

Past service costs of £333k are recognised under Corporate and Centralised Services in the Comprehensive Income and Expenditure Statement. £221k of this relates to the 2006 NFPS, and is for the purchasing of back service credits by members of the modified version of the Scheme. The remaining £112k relates to two members of the LGPS who became entitled to unreduced early retirement 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.

Following the triennial funding valuation of the LGPS in 2019, the Authority opted to prepay its secondary contributions for the three years to March 2023 by making a single lump sum payment of £548k in April 2020, thus achieving a saving of £40k. Whilst the full payment of £548k has been recognised in the opening net pension liability, only the amount relating the 2022/23 has been charged to the general fund.

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

LGPS £000	Firefighters' schemes £000		LGPS £000	Firefighters' schemes £000
2021/22	2021/22		2022/23	2022/23
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services</i>				
Service cost comprising:				
2,717	11,358	- current service costs	2,319	10,549
0	223	- past service costs, including curtailments	112	221
0	0	(Gains)/losses on settlements	0	0
21	0	Administration expenses	17	0
<i>Financing and Investment Income and Expenditure</i>				
679	13,281	Net interest expense	677	16,848
3,417	24,862	<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	3,125	27,618
<i>Other Post-employment Benefit charges to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
(2,624)	0	Return on plan assets (excluding the amount included in the net interest expense)	1,960	0
(3,313)	(5,633)	Actuarial (gains) and losses arising on changes in demographic assumptions	0	(3,244)
(3,880)	(13,065)	Actuarial (gains) and losses arising on changes in financial assumptions	(30,469)	(236,353)
(701)	(20,867)	Experience (gains) and losses	4,874	34,042
223	0	Other actuarial gains and losses	0	0
(6,878)	(14,703)	<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	(20,510)	(177,937)
<b>Movement in Reserves Statement</b>				
(3,417)	(24,862)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,125)	(27,618)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
1,023	14,092	Employers' contributions payable to the scheme	999	15,587
	720	Retirement benefits payable to pensioners		711

	Firefighters' Pension Scheme 1992		Firefighters' Pension Scheme 2006		Firefighters' Pension Scheme 2015		Firefighters' Compensation Scheme	
	£000	£000	£000	£000	£000	£000	£000	£000
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
<b>Comprehensive Income and Expenditure Statement</b>								
<i>Cost of Services</i>								
Service cost comprising:								
current service cost	4,736	0	3,780	0	1,745	8,900	1,097	1,649
past service cost	0	0	223	221	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>								
Net interest expense	10,567	13,232	1,546	2,035	309	629	859	952
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	15,303	13,232	5,549	2,256	2,054	9,529	1,956	2,601
<i>Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement</i>								
Re measurement of the net defined benefit liability comprising:								
Actuarial (gains) and losses arising on changes in demographic assumptions	(4,492)	(2,174)	(631)	(554)	(139)	(249)	(371)	(267)
Actuarial (gains) and losses arising on changes in financial assumptions	(9,085)	(166,809)	(2,407)	(37,205)	(715)	(17,952)	(858)	(14,387)
Experience (gains) and losses	(13,496)	29,149	(1,798)	1,472	1,613	2,432	(7,186)	989
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	(11,770)	(126,602)	713	(34,031)	2,813	(6,240)	(6,459)	(11,064)
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	(15,303)	(13,232)	(5,549)	(2,256)	(2,054)	(9,529)	(1,956)	(2,601)
Employers' contributions payable to the scheme (inclusive of government top-up grant)	15,291	17,664	(719)	180	(480)	(2,257)		
Retirement benefits payable to pensioners							720	711

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

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

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

Firefighters' Schemes:

	Unfunded Liabilities: Firefighters' Pension Scheme 1992		Unfunded Liabilities: Firefighters' Pension Scheme 2006		Unfunded Liabilities: Firefighters' Pension Scheme 2015		Unfunded Liabilities: Firefighters' Compensation Scheme	
	£000	£000	£000	£000	£000	£000	£000	£000
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
<b>Opening balance at 1 April</b>	<b>(508,475)</b>	<b>(481,414)</b>	<b>(71,348)</b>	<b>(72,780)</b>	<b>(13,583)</b>	<b>(16,876)</b>	<b>(40,716)</b>	<b>(33,537)</b>
Current service cost	(4,736)	0	(3,780)	0	(1,745)	(8,900)	(1,097)	(1,649)
Past service cost	0	0	(223)	(221)	0	0	0	0
Interest cost	(10,567)	(13,232)	(1,546)	(2,035)	(309)	(629)	(859)	(952)
Contributions from scheme participants	(1,053)	(49)	(1,014)	(41)	(389)	(2,225)	0	0
Remeasurement gains and (losses):								
Actuarial gains/losses arising from changes in demographic assumptions	4,492	2,174	631	554	139	249	371	267
Actuarial gains/losses arising from changes in financial assumptions	9,085	166,809	2,407	37,205	715	17,952	858	14,387
Experience gains/losses on defined benefit obligation	13,496	(29,149)	1,798	(1,472)	(1,613)	(2,432)	7,186	(989)
Benefits paid net of transfers (in)/out	16,344	17,713	295	221	(91)	(32)	720	711
<b>Closing balance at 31 March</b>	<b>(481,414)</b>	<b>(337,148)</b>	<b>(72,780)</b>	<b>(38,569)</b>	<b>(16,876)</b>	<b>(12,893)</b>	<b>(33,537)</b>	<b>(21,762)</b>

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

Local Government Pension Scheme:

<b><u>Funded Liabilities: Local Government Pension Scheme</u></b>		
<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>(73,544)</b>	<b>Opening balance at 1 April</b>	<b>(68,645)</b>
(2,717)	Current service cost	(2,319)
0	Past service cost	(112)
0	Settlements	0
(1,459)	Interest cost	(1,764)
(372)	Contributions from scheme participants	(361)
	Remeasurement gains and (losses):	
3,313	Actuarial gains/losses arising from changes in demographic assumptions	0
3,880	Actuarial gains/losses arising from changes in financial assumptions	30,469
701	Experience gains/losses on defined benefit obligation	(4,874)
1,530	Benefits paid net of transfers (in)/out	1,937
23	Unfunded pension payments	22
<b>(68,645)</b>	<b>Closing balance at 31 March</b>	<b>(45,647)</b>

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

<b><u>Local Government Pension Scheme</u></b>		
<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>39,095</b>	<b>Opening fair value of scheme assets</b>	<b>42,097</b>
780	Interest income	1,087
0	Settlements	0
	Remeasurement gain/(loss):	
2,624	The return on plan assets, excluding the amount included in the net interest expense	(1,960)
(223)	Other actuarial gains/(losses)	0
1,023	Contributions from employer	999
372	Contributions from employees into the scheme	361
(1,553)	Benefits paid (including unfunded benefits)	(1,959)
(21)	Administration expenses	(17)
<b>42,097</b>	<b>Closing fair value of scheme assets</b>	<b>40,608</b>

**Local Government Pension Scheme assets comprised:**

Fair value of scheme assets at 31 March 2022			Fair value of scheme assets at 31 March 2023		
£000	% Quoted	% Unquoted	£000	% Quoted	% Unquoted
Equities:					
8,525	21%		6,937	17%	0%
14,208	35%		16,731	41%	
2,526		4%	1,509	0%	4%
25,259	56%	4%	25,177	58%	4%
Equities subtotal					
Gilts:					
842	3%		839	2%	0%
842	3%		839	2%	
Gilts subtotal					
Other Bonds:					
962	2%		401	1%	0%
2,406	5%		2,004	5%	0%
3,368	7%		2,405	6%	
Bonds subtotal					
5,304		13%	4,820	0%	12%
842		5%	2,125	0%	5%
2,357		6%	2,050	0%	5%
4,126		6%	3,192	0%	8%
<b>42,098</b>	<b>66%</b>	<b>34%</b>	<b>40,608</b>	<b>66%</b>	<b>34%</b>
<b>Total</b>					

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

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities of the Local Government Pension Scheme and the Firefighters' schemes have been assessed by Barnett Waddingham 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 both carried out at 31 March 2022. Both firms of actuaries have adopted a roll-forward approach to updating the net liabilities as at 31 March 2023. 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 2023 Barnett Waddingham has used a discount rate of 4.80% for the Local Government Pension Scheme (compared with 2.60% at 31 March 2022), and Mercer Ltd has used a rate of 4.8% for the Firefighters' Schemes (compared with 2.8% at 31 March 2022). These relatively large increases in the discount rates has led to significant decreases in the liabilities.



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

	Local Government Pension Scheme		Firefighters' Schemes 1992, 2006 and 2015		Firefighters' Compensation Scheme	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
<i>Mortality assumptions:</i>						
<i>Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):</i>						
Men	20.7	20.7	26.1	26.0	23.6	23.4
Women	23.5	23.5	28.4	28.2	25.7	25.6
<i>Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):</i>						
Men	21.9	22.0	28.4	27.9	25.7	25.3
Women	24.9	25.0	30.6	30.1	27.9	27.4
Rate of inflation (CPI)	3.20%	2.85%	3.30%	2.70%	3.30%	2.70%
Rate of increase in salaries	4.20%	3.85%	4.80%	4.20%	4.80%	4.80%
Rate of increase in pensions	3.20%	2.85%	3.40%	2.80%	3.40%	2.80%
Rate of revaluation of CARE pensions (2015 Scheme only)			4.55%	3.95%		
Rate for discounting scheme*	2.60%	4.80%	2.80%	4.80%	2.80%	4.80%

\*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.

### Sensitivity analysis for the Firefighters' Schemes

	Firefighters' Schemes (consolidated)		
	Impact on the defined benefit liability £000	Impact on the projected service cost £000	Impact on the projected interest cost £000
Increase discount rate by 0.5% p.a.	-29,726	-715	428
Increase inflation by 0.25% p.a.	16,603	414	808
Increase pay growth by 0.25% p.a.	3,280	36	158
Increase life expectancy by 1 year	9,306	120	451

**Sensitivity analysis for the LGPS**

	<b>LGPS</b>	
	Impact of an increase of +0.1%/+ 1 year* £000	Impact of an decrease of -0.1%/- 1 year* £000
<i>Adjustment to discount rate:</i>		
Impact on the defined benefit liability	-771	791
Impact on the projected service cost	-32	34
<i>Adjustment to long term salary increase:</i>		
Impact on the defined benefit liability	65	-65
Impact on the projected service cost	1	0
<i>Adjustment to pension increases and deferred revaluation:</i>		
Impact on the defined benefit liability	740	-721
Impact on the projected service cost	34	-33
<i>Adjustment to mortality age rating assumption*:</i>		
Impact on the defined benefit liability	1,546	-1,492
Impact on the projected service cost	36	-34

**Asset and Liability Matching Strategy**

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

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

The defined benefit liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £415m 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 most recent actuarial valuation of the Fund was carried out as at 31 March 2022 and has 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 2022/23 was £769k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2024 is £1.2m. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £16.3m inclusive of government top-up grant.

The weighted average duration of the defined benefit obligation for the Local Government Pension Scheme is 18 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, 28 years, 36 years and 22 years respectively.

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

At 31 March 2023, the Authority had no contingent assets

At 31 March 2023, the Authority has a contingent liability relating to the 2015 Firefighters' Pension Scheme. An employment tribunal case was brought against the Government in relation to possible discrimination in relation to the introduction of the 2015 Firefighters' Pension Scheme. The scheme included transitional protection arrangements between the old scheme and the new scheme. These transitional arrangements were found to be unlawful as they discriminated on the grounds of age. Fire Authorities are in a difficult position as they are required to implement the remedy in a timely manner whilst the discriminatory part of the pension legislation is not expected to be updated until at least October 2023. After the withdrawal of its Immediate Detriment guidance, the government recommended that the application of Immediate Detriment should cease new legislation is in place due to the difficulties particularly around tax arrangements. However, due to the risk of future litigation, the Authority approved continuation of applying immediate detriment remedy at its Policy and Strategy meeting on 1 April 2022. It is not yet clear what future costs the Authority will face in implementing the McCloud remedy and whether there will be any new burden grant available from the government to cover these costs. The Authority approved the creation of a £200k earmarked reserve to cover potential McCloud costs in April 2022.

An issue with Continual Professional Development (CPD) payments to on-call firefighters has been identified, with some individuals being underpaid since the inception of CPD in July 2007. Until the scope of the exercise to identify these underpayments has been agreed, it is difficult to estimate the amount of arrears that may be outstanding. The Authority will work with representatives of the Fire Brigades Union to reach an agreement, but the ability to deliver a solution will depend upon the availability of the necessary data.

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

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

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

### Overall procedures for managing risk

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

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

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

The annual treasury management strategy and prudential code indicators for 2022/23 were approved by the Authority on 25 February 2022. The key issues within the treasury management strategy were:

- The Authorised Limit for 2022/23 was set at £40.6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £36.9m. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 30% respectively.
- Maximum and minimum exposures to the maturity structure of debt were set, which restricted the amount of short term debt as a way of reducing exposure to re-financing risk.
- An upper limit of £2.0m was set for principal sums invested for longer than 365 days.

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

### **Credit Risk**

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

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

The Authority's maximum exposure to credit risk in relation to its investments with banks and other local authorities cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments, and there was no evidence at 31 March 2023 that any of the Authority's deposits might not be repaid.

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

#### Amounts arising from Expected Credit Losses

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

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

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

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

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

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

The calculation for the 12-month expected credit losses was based on the historic default rate for A-rated investments which was produced by combining multi-year historic default rate data up to the end of December 2022 from the three main credit rating agencies. The credit losses were found to be immaterial and have therefore not been recognised. During the year the Authority has not written off any financial assets.

The Authority has the following exposure to credit risk at 31 March 2023:

	<b>Credit risk rating / Provision matrix category</b>	<b>Historical experience of default</b>	<b>Gross Carrying amount £000</b>
12-month expected	AAA	0.04%	0
	AA	0.02%	0
	A	0.05%	11,346
Simplified approach (lifetime credit losses for trade receivables)	Not due	0.00%	23
	1-30 days	0.00%	1
	31-60 days	0.00%	0
	61-90 days	0.00%	0
	91-120 days	0.00%	0
	121+ days	0.00%	1

## **Liquidity Risk**

### Liquidity Risk

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

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

Re-financing and Maturity Risk

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

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

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

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

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

	<b>Approved minimum limits</b>	<b>Approved maximum limits</b>	<b>Actual 31 March 2022 £000</b>	<b>Actual 31 March 2023 £000</b>
<b>Less than 1 year</b>	0%	20%	52	48
<b>Between 1 and 5 years</b>	0%	30%	4,000	5,000
<b>Between 5 and 10 years</b>	0%	75%	2,500	1,500
<b>Between 10 and 20 years</b>	0%	100%	4,000	4,000
<b>Over 20 years</b>	30%	100%	22,400	22,400
<b>Total</b>			<b>32,952</b>	<b>32,948</b>

**Market Risk**Price risk

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

Foreign exchange risk

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

Interest rate risk

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

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

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

The strategy is to set a maximum proportion of interest on borrowing which is subject to variable rates. This maximum is determined annually, kept under review and reported to the Fire Authority through the Treasury Management Strategy. In 2022/23 this maximum was set at 30%. In addition, the annual Treasury Management Strategy includes an expectation of interest rate movements, which can be taken into account when planning borrowing and investment activities and when determining whether fixed or variable rate instruments are appropriate. The portfolio of long term borrowings is kept under review and may be restructured when interest rate changes make it advantageous to do so.

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

	<b>£000</b>
Decrease in fair value of fixed rate borrowings	<u>3,238</u>

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



<b>PENSION FUND ACCOUNT</b>
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<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
	<b>Contributions Receivable</b>	
	Fire Authority:	
(5,348)	Contributions in relation to pensionable pay	(5,214)
(210)	Other (Ill Health Retirements)	(301)
<u>(2,453)</u>	Firefighters' contributions	<u>(2,419)</u>
<b>(8,011)</b>	<b>Total Contributions Receivable</b>	<b>(7,934)</b>
	<b>Transfers in from other authorities</b>	
(73)	Transfers in from other schemes	(35)
	<b>Benefits Payable</b>	
14,459	Pensions	15,135
2,924	Commutations and lump sum retirement benefits	2,552
0	Lump sum death benefits	0
59	Other	175
<u>17,442</u>	<b>Total Benefits Payable</b>	<u>17,862</u>
<b>9,358</b>	<b>Net Amount payable for the year before top-up grant from Central Government</b>	<b>9,893</b>
(6,174)	Top-up grant received from Central Government	(7,430)
<u>(3,184)</u>	<b>Balance of top-up grant for the year (receivable from)/payable to Central Government</b>	<u>(2,463)</u>

**PENSION NET ASSETS STATEMENT**

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
	<b>Current Assets</b>	
0	Contributions from employer	237
0	Contributions due from members	113
37	Transfer into Scheme Receivable	0
1,059	Prepaid Pensions	1,122
3,195	Pension top-up grant receivable from Central Government	2,463
<b>4,291</b>	<b>Total</b>	<b>3,935</b>
	<b>Current Liabilities</b>	
(635)	Unpaid pension benefits	(337)
(121)	Tax payable on behalf of members	(59)
(3,535)	Amount owing (to)/from General Fund	(3,539)
<b>(4,291)</b>	<b>Total</b>	<b>(3,935)</b>
<b>0</b>	<b>Net Current Assets</b>	<b>0</b>

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

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

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

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

Details of the firefighters' pension schemes can be found in note 39 on pages 86-98.

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

The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Accruals

Activity is generally accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. Ordinarily, employee and employer contributions are not accounted for on an accruals basis as the effect of doing so is not material. However, the pay award for July 2022 was not agreed until March 2023, and as a result the arrears relating to the period from July to March were not paid until April. The resulting arrears of the employee and employer contributions relating to the period up to 31 March have been accrued in the 2022/23 Statements. 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.

Administration Costs

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

The Liability to Pay Pensions

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

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2022/23**

**1 SCOPE OF RESPONSIBILITY**

- 1.1 Nottinghamshire Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively, and equitably. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, use of its resources and including arrangements for the management of risk and the maintenance of an effective internal control environment.
- 1.3 In 2017 the Authority approved and adopted a new local code of corporate governance, which is consistent with the principles of the 2016 CIPFA (Chartered Institute of Public Finance and Accountancy) / Solace framework *Delivering Good Governance in Local Government*:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - Ensuring openness and comprehensive stakeholder engagement.
  - Defining outcomes in terms of sustainable economic, social, and environmental benefits.
  - Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
  - Managing risks and performance through robust internal control and strong public financial management.
  - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 1.4 This statement sets out how the Authority has complied with the Code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement.

## **2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

### **3.0 THE GOVERNANCE FRAMEWORK**

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

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

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

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

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

3.5 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority is required to prepare an Integrated Risk Management Plan (IRMP) that sets out the vision and Service objectives for the organisation. The IRMP is delivered via the Community Risk Management Plan 2022-25 (CRMP) which was approved by Fire Authority in February 2022.

3.6 The CRMP sets out how the Service aims to achieve its vision of creating safer communities by being one of the best fire and rescue services in England. Our ambition is focused around four strategic pillars:

- Community Outcomes,
- Equality Diversity and Inclusion,
- Strong governance and financial sustainability,
- Our professional and committed workforce.

3.7 The Plan sets out to achieve these aims using annual action plans which detail the key objectives for the year ahead. These cascade down to departmental business plans. Progress is monitored by the CRMP Assurance Board and reviewed through Fire Authority governance. Every year a Statement of Assurance is produced which outlines how the Service has performed against the Strategic Plan. The 2022/23 Statement of Assurance will be presented for approval by Fire Authority in July 2023.

### **The Internal Control Environment**

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

### **Policy and Decision-Making Process**

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

### **Management Structure**

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

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

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

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

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

### **Internal Audit Function**

3.13 The requirement for an Authority to maintain an Internal Audit function is derived from local government legislation, including Section 112 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015 in that a relevant body must:

“maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”

3.14 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.

3.15 The Authority has a strong Internal Audit function arrangement with Nottinghamshire County Council and has well-established protocols for working with External Audit. Finance and Resources Committee review all internal audit reports and receive an annual internal audit report providing an audit opinion on the Authority's arrangements for governance, risk management and control as well as details of audits to be completed in the forthcoming year.

3.16 The Authority reviews Internal Audit as an integral part of the corporate governance framework

### **Risk Management Strategy**

- 3.17 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 the Corporate Risk Register and receive explanations for changes. The Committee is advised by the Head of Finance and the Head of Risk and Assurance on behalf of the Chief Fire Officer.
- 3.18 The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Service policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and facilitate a risk management culture to enable risks to be effectively assessed, managed, monitored and reported.

### **Business Continuity Management (BCM)**

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

### **Best Value Duty/Efficiency**

- 3.20 The Local Government Act 1999 requires that the Authority makes arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Fire and Rescue National Framework for England also requires that the Authority to produce an Efficiency Plan, which is currently delivered through our Futures 2025 Efficiency Strategy. The requirement to deliver services within a reducing budget over recent years has increased the focus on Best Value. The Authority has procurement policies in place, providing a framework within which to buy goods and services which offer good value for money.

### **Financial Management**

- 3.21 Financial management in the Authority and the reporting of financial standing is undertaken through a financial system which integrates the general ledger, sales ledger and purchase ledger functions and facilitates good budgetary control. Budget Managers are supported by Finance Officers in the use of this system for monitoring financial performance.
- 3.22 The timetable for publishing and auditing the Authority's Statement of Accounts is set out in the Accounts and Audit Regulations 2015. These were amended for the 2020/21 and 2021/22 Statement of Accounts to allow additional time to prepare the accounts in the light of Covid-19. The deadline for publishing the unaudited accounts for 2022/23 has now gone back to 31 May (from 31 July in the previous 2 years) and the approval by Fire Authority of the audited accounts back to 31 July (from 30 September).



## **Financial Management Code**

3.23 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.

3.24 The Financial Management Code was adopted by the Authority in July 2021.

## **4 REVIEW OF EFFECTIVENESS**

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

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

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

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

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

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

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

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

4.6 A Constitutional Update Report was presented to Fire Authority in July 22. Members approved several amendments to the Scheme of Delegation to ensure that the constitution remains relevant and up to date. The revised Scheme of Delegation can be found on the [Service's website](#).

4.7 At the July 22 Fire Authority Members commented on the need for a more frequent schedule to review governance. This resulted in a [Governance Update](#) report being presented to its meeting on 16 December 22 which approved a small amendment to the Business Continuity Arrangements in the event that the Chief Fire Officer were to become incapacitated and an update on proposals to further review the Authority's Governance.

### **Management Review**

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

### **Performance Management**

4.9 There is a system of performance management and review embedded within the Authority's management structure and processes. The Corporate Risk Management Plan 2022-25 (CRMP) sets out the Authority's key objectives and these are broken down into annual delivery plans. These plans, along with any areas for improvement identified as part of the HMICFRS assessment, are monitored by the CRMP Assurance Board (which is made up of SLT members) and managed by the individual departmental management teams. The Board uses a performance management framework to monitor progress against the CRMP targets and HMICFRS recommendations.

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

### **Risk Management**

4.11 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 the Corporate Risk Register which is reported to the Committee every six months.

4.12 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**

- 4.13 Business continuity arrangements are regularly reviewed. The Covid-19 pandemic allowed for real life testing of plans and of the management systems and processes in place. The Business Continuity Management (BCM) group worked well alongside a newly created Task and Finish group which ensured that decisions were actioned in a timely manner.
- 4.14 Following on from Covid-19, all departmental business continuity plans have been reviewed and updated to reflect any learning. Plans were again tested whilst the Service prepared for potential industrial action over the pay dispute. Whilst this was settled in February without the need for industrial action, it has provided a further learning opportunity and BCM arrangements will be updated during 2023/24 to reflect lessons learned. The 2023/24 Internal Audit Plan contains an audit of BCM arrangements towards the end of the financial year.
- 4.15 During 2022/23 internal audit reviewed the Service's cyber security and delivered a judgement of reasonable assurance.

### **Professional Staff**

- 4.16 The Authority employs appropriate professional staff:
- A Statutory Monitoring Officer is responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year. All relevant laws and regulations are being complied with. The monitoring officer is a qualified solicitor provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council. This arrangement also includes support for the Authority's wider governance structure.
  - The Treasurer to the Authority ensures the proper and effective administration of the financial affairs of the Authority and holds the key statutory responsibilities under Section 112 of the Local Government and Finance Act 1988. The role of Treasurer is provided by the current Head of Finance and Treasurer post within the Service. This post holder is responsible for advising both senior managers and elected members on all financial matters in line with CIPFA's document The Role of the Chief Financial Officer. The post holder is professionally qualified and has many years' experience within Local Authority Finance.

### **Financial Planning**

- 4.17 The Medium-Term Financial Strategy sets out a 4-year financial plan which is approved by Fire Authority in December each year. This, alongside the CRMP, provides the framework for developing the annual budget for the coming year.
- 4.18 The draft budget is scrutinised by the Finance and Resources Committee in January each year prior to final approval in February by Fire Authority. This process ensures that a realistic and affordable budget is achieved.
- 4.19 The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. It ensures that funding is matched to the strategic goals identified in the CRMP. An in-house financial team, managed by the Head of Finance and Treasurer, maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the Service.

### **Budget Monitoring / Efficiency**

- 4.20 Budget monitoring remains robust at both strategic and service level via the production of regular financial monitoring reports for both capital and revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports, as well as being scrutinised by budget managers, are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.
- 4.21 Functional Heads also exercise a detailed degree of budget monitoring against both revenue and capital budgets.
- 4.22 The Service presented its Futures 25 Efficiency Strategy to Policy and Strategy Committee in May 2022, with a further report being considered by the Authority in September 22. Whilst initial estimates of the required level of savings have significantly reduced given the decision to increase Band D Council Tax by £5, the Strategy remains the vehicle for transforming the Service and increasing efficiency and effectiveness.
- 4.23 The 2023/24 budget report considered by Fire Authority in February 2023 identified a potential £1.1m gap in funding from 2024/25 onwards which remains to be addressed through careful budgeting and savings identified through the Futures 25 Efficiency Strategy.

### **Financial Management Code**

- 4.24 The Financial Management Code was adopted by the Authority in July 2021. A gap analysis was undertaken where a small number of improvements were identified.
- 4.25 Internal Audit have undertaken an audit of the Service's compliance against the Code. This provided a Reasonable Assurance level – ie that risk levels were acceptable. The report acknowledged that effective controls were in place regarding self-assessment, leadership, accountability, long term sustainability and value for money.
- 4.26 The report identified four recommendations, two of which have been actioned. The remaining two are still in progress:
- Leadership – Several policies and procedures in relation to governance arrangements have not been updated in accordance with the revision schedule and have been found to be out of date – whilst progress is being made on this recommendation, this is a significant task and has been delayed due to other priorities for the Service over the last year.
  - Professional Standards – Financial Regulations, Financial Procedures and Statement of Financial Principles are out of date - these are almost completed and will be presented to the Fire Authority for approval by September 23.

### **Internal Audit**

- 4.27 The Authority views Internal Audit as an integral part of the corporate governance framework, particularly in so far as it relates to the system of Internal Control. Whilst it is acknowledged that Internal Control is a managerial responsibility, it is considered that Internal Audit can provide managers with independent assurance that the system is working effectively and draw any deficiencies in the system to the attention of managers and elected Members.
- 4.28 These assurances, however, can only be relied upon providing the internal audit service is adequate to meet the needs of the organisation and is provided professionally.
- 4.29 The Internal Audit Service of the Authority is provided under a Service Level Agreement with Nottinghamshire County Council and requires the Auditors to operate within the Public Sector Internal Audit Standards set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). Operating to these standards will ensure that the Authority meets its obligations under statute.
- 4.30 CIPFA published a guide on the role of the Head of Internal Audit in 2019 which led to the adoption of an Audit Charter in June 22, improved planning of audits and closer engagement with the Strategic Leadership Team (SLT) and the Chair of Finance and Resources Committee, which fulfils the role of the Audit Committee.
- 4.31 The annual audit plan is reviewed each year by SLT and Finance and Resources Committee but remains flexible to enable the Treasurer to adapt to any changing needs within the year.

4.32 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 are submitted to the Chief Fire Officer, the Head of Finance, Chair of the Finance and Resources Committee and the relevant managers as appropriate. All finalised reports are reviewed by SLT and submitted to the Finance and Resources Committee acting in its role as Audit Committee.

4.33 The Internal Audit Annual Report for 2022/23 was reported to Finance and Resources Committee on 16 June 2023. Within the report the auditors provided a view on the internal control environment and concluded that:

*“Based on the coverage and detailed outcomes, overall, we consider the collective evidence provides **substantial assurance** concerning the arrangements in place for corporate governance, risk management and the control environment.”*

4.34 Substantial Assurance means that arrangements are effective at managing the risks and achieving the objectives, with no or few control weaknesses. This is an improvement on previous years where a rating of Reasonable Assurance was awarded. The report gave the rationale for the opinion as follows:

- *Although the assurance opinions on our audits are divided between substantial and reasonable assurances, the core systems audited in recent years have tended towards substantial assurance.*
- *There were positive outcomes from following up the implementation of agreed actions from previous audit reports.*
- *Other sources provided positive assurance in relation to governance, risk management, and control.*

4.35 Seven 2022/23 audits have been finalised during the year. A summary of the 7 audits is provided in the table below:

<b>Report</b>	<b>Assurance Level</b>	<b>Comments</b>
Budget Management	Substantial	
Risk Management	Substantial	
Asset Disposals – Follow up Audit from 2021/22	Reasonable	The 2021/22 Audit provided only limited assurance
Performance Management – Follow up Audit from 2021/22	Reasonable	Re-audited due to insufficient evidence in 2021/22
Cyber Security	Reasonable	
Vehicle Maintenance Contract	Reasonable	
Joint HQ Cost Apportionment		Opinion still to be finalised

4.36 The annual report also provided *substantial assurance* regarding each individual strand of governance, risk management and control arrangements, concluding that:

*Our opinion is that there is **substantial assurance** over the **Governance** arrangements:*

- *Governance arrangements are well structured with comprehensive reporting.*
- *Plans are in place to achieve strategic goals and to identify and realise improvements.*
- *There are regular reviews of performance.*

*Our opinion is that there is **substantial assurance** over the **Risk Management** arrangements:*

- *Risks are closely managed including through a corporate risk register that is actively maintained – reviewed, updated, and reported.*
- *Community Risk Management Plan (CRMP) is in place, with arrangements to measure progress on its delivery.*
- *Emerging national and local risk issues are identified and addressed by local actions.*

*Our opinion is that there is **substantial assurance** over the **Control** arrangements:*

- *Close control over the finances, including current and future spending, and the financial assets held.*
- *Workforce requirements are identified and acted upon.*
- *Workforce performance is managed.*

#### **External Review**

4.37 The External Auditors (currently Ernst Young LLP - EY) 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 is presented to Fire Authority on completion of the Audit.

4.38 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 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.

4.39 The 2020/21 statement of accounts received an unqualified audit. They were approved by Fire Authority in May 22 subject to any non-material changes following completion of the external audit. This was completed with one minor change and the final accounts were presented to Finance and Resources Committee in October 22. A Value for Money conclusion is yet to be completed.

- 4.40 The statement of accounts in the first 2 years of the contract with EY (2018/29 and 2019/20) both received an unqualified audit and unqualified Value for Money conclusion. This provides some assurance around that the financial systems in place are robust.
- 4.41 Both the 2021/22 and 2022/23 audits have been delayed due to resourcing issues at EY. The 2021/22 audit is not due to commence until July 23, resulting in a delay to the accounts being presented to Fire Authority for approval until Autumn 23 at the earliest. The 2022/23 statement of accounts are not expected to be audited until mid 2024.
- 4.42 The ongoing delay in the audit of the Accounts presents a risk to the Authority as any audit findings will not be reviewed and corrected in a timely manner.
- 4.43 The contracted audit fee for the 2022/23 Statement of Accounts was originally set at £23,909. However, the Public Sector Audit Appointment (PSAA), who are responsible for issuing the audit contracts, have reviewed the audit fee scales and adjusted them to take account of a change to the scope of audit work required and an inflationary adjustment of 5.2%. The expected charge for the 2022/23 audit is now expected to be in the region of £32,648 plus any further charges for additional work agreed through PSAA.
- 4.44 EY were appointed for a 5-year term through a procurement exercise managed by the PSAA. The 2022/23 statement of accounts will be the final year of the contract.
- 4.45 Fire Authority opted into Public Sector Audit Appointment (PSAA) appointment process to select External Auditors for the five years from 2023/24. The contract has been awarded to KPMG. The 2023/24 audit cannot commence until EY have completed the 2022/23 audit. Given that the resourcing issues are a national problem, it is not guaranteed that the situation will improve under the new contract.

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

- 4.46 In addition to the usual Internal and External Audit reviews, the Authority had its second inspection by HMICFRS in October and November 2021. The final report was not published until July 22. The inspection graded the Service as Good in all 11 areas of assessment and gave an overall rating of Good. The grading was an improvement on the Service's first inspection rating of Requires Improvement in 2018. There were 4 Areas for Improvement (AFIs) identified which are:
- The Service should assure itself that its risk-based inspection programme prioritises the highest risks and includes proportionate activity to reduce risk.
  - The Service should ensure that, when responding to a 999 call, mobile data terminals are reliable to allow staff to access risk information.
  - The Service should make sure it effectively monitors, reviews and evaluates the benefits and outcomes of any collaboration activity
  - The Service should assure itself that staff understand how to get wellbeing support.



- 4.47 To address these areas for improvement, the Service has undertaken a gap analysis against areas of work that were already being progressed under the current CRMP. This has assured that work to address the AFIs was either already planned or has now been included in the Service's annual delivery planning. Progress against the AFIs is monitored through the Committee Structure.

#### **Other External Audits**

- 4.48 The Service had 3 other external audits during 2022/23.
- Babcock International undertook an audit of the Service's Terrorism Personal Protective Equipment on behalf of the Home Office. The equipment was found to be in good order and well organised, enabling a swift response if required.
  - Again, working on behalf of the Home Office, the National Resilience and Assurance Team (NRAT) audited the Service's National Resilience Enhanced Logistic Support. The audit concluded that the crews perform the role well in a practical scenario and the team size is such that this allows for good resilience within the team. There was a small action plan that the Service is working alongside NRAT to complete.
  - NRAT also audited the Service's Flood and Rescue capabilities. The audit determined that the Service was well prepared and qualified to respond nationally if called upon. Again, there was a small action plan that the Service is working alongside NRAT to complete.

#### **National Fire Standards**

- 4.49 The National Fire Chief's Council (NFCC) are undertaking a body of work to set minimum standards for key operational and non-operational areas of work. To date 16 have been released:
- Fire Investigation
  - Operational Competence
  - Operational Learning
  - Operational Preparedness
  - Code Of Ethics
  - Community Risk Management Plans
  - Emergency Preparedness and Resilience
  - Emergency Response Driving
  - Prevention
  - Protection
  - Safeguarding
  - Communications and Engagement
  - Data Management
  - Leading the Service
  - Leading and Developing People
  - Fire Control
- 4.50 The Service has undertaken gap analyses for the above standards and is undertaking a programme of work to ensure compliance. This is being monitored by SLT through the CRMP Assurance Board.

### **HMICFRS Report on Values and Culture of the Fire and Rescue Service**

- 4.51 Following recent reports of misconduct, and the findings of the Independent Cultural Review of London Fire Brigade, the Minister of State for Crime, Policing and Fire commissioned a spotlight report into the values and culture of the Fire and Rescue Service.
- 4.52 HMICFRS considered the specific themes of values and culture (including bullying, harassment, and discrimination); training and skills; fairness and diversity; and leadership. The report was published on 30 March 2023.
- 4.53 The report presents 35 recommendations from HMICFRS to improve the sector. Of note, 19 are detailed as a requirement for Chief Fire Officers to deliver, whilst the other recommendations are directed to other national bodies such as the Local Government Association, the National Fire Chiefs' Council, the Home Office, Government, the Fire Standards Board, and Chief Constables. -
- 4.54 The Service had an independent review of Equality, Diversity and Inclusion (EDI) undertaken in 2021 which presented recommendations, and a resulting 12-point action plan, that is being implemented.
- 4.55 This work has complemented and supported the Service's approach to embedding the Core Code of Ethics which has been progressed since their publication in 2021, alongside the Service's values which have been central to the Service's approach since 2015. The Service's own Behavioural Framework was updated in 2020 to incorporate the Core Code of Ethics.
- 4.56 In order to maintain the focus, resource and momentum on these improvements, and to address the required recommendations of the HMICFRS spotlight report, the Service's EDI strategic lead is drawing together a single approach under the Service's Year Two Annual Delivery Plan.
- 4.57 This approach will see assurance against the delivery of the HMICFRS recommendations, but also oversee the delivery of the Service's commitment to embed an inclusive culture and approach at NFRS which is set out in the Services' Community Risk Management Plan (CRMP).
- 4.58 Whilst progress of this workstream will be monitored by the Chief Fire Officer through the CRMP Assurance Board, actions against the HMICFRS specific recommendation will also be reported to the Human Resources Committee.

5 **SIGNIFICANT ISSUES FOR GOVERNANCE IN 2023/24**

**Fire Authority Governance Arrangements**

- 5.1 In May 2022 the Home Office released a White Paper on Reforming Fire and Rescue Services. This is the Government response to the recommendations from the Grenfell Tower Inquiry, the Kerslake Review (on the Manchester Arena Attack) and to build on the findings from Sir Thomas Windsor's State of Fire and Rescue reports. The White Paper covers three key areas: people; professionalism; and governance. It includes consultation on whether to transfer governance to an executive model such a Combined Authority Mayor or to the Police, Fire and Crime Commissioner model. The consultation ended on 26 July 2022 but to date there has been no response from the Government.

**Devolution Programme**

- 5.2 In August 22 an East Midland devolution deal was announced by the Government to cover Nottingham, Nottinghamshire and Derby and Derbyshire, which sees the creation of a long-term investment fund totalling £1.14bn over 30 years. The deal will see the creation of a Mayoral Combined County Authority (MCCA). This would compare with areas such as Greater Manchester and the West Midlands. Elections for the MCCA are expected to take place in May 2024.
- 5.3 Whilst the full implications on governance for the Fire Authority is unclear at present, it is expected that the service will benefit from the additional investment within the County.

**2023/24 Budget**

- 5.4 The Authority approved a budget for 2023/24 in February 2022 which required £404k use of General Fund Reserves. This was only achievable after making temporary savings in the region of £1.6m. Monitoring of expenditure against the budget is reported to Finance and Resources Committee.

**Medium Term Financial Strategy and 2023/24 Budget**

- 5.5 Budgets for 2024/25 to 2026/27 are due to be agreed by Fire Authority in February 2023. When the current budget was set in February 2023 there was an expected deficit position for 2024/25 in the region of £1.1m. The Futures 25 Efficiency Strategy was initially outlined at Policy and Strategy Committee in May 22 and work is underway to identify a range of savings to help balance the budget and enable the Service to meet the financial challenges expected in the coming years.
- 5.6 Fire Authority approved the creation of a £900k Earmarked Reserve to provide resources to implement any necessary changes coming out of the Futures 25 programme. A further reserve £1.126m has been created to provide support to the 2023/24 and future year budgets. Given these earmarked reserves and anticipated savings from the Efficiency Strategy, the Service is confident that it will be financially secure going forward.

## **Pensions**

### **McCloud**

- 5.7 The McCloud remedy is ongoing regarding the transition arrangements in the 2015 firefighter's pension scheme which were found to be discriminatory on the grounds of age in December 2018. All members have now been moved to the 2015 pension scheme as from 1 April 22. The transition arrangements effective between 1 April 2015 and 31 March 22 need to be removed and members given the choice between their legacy scheme and the 2015 scheme between this period.
- 5.8 Following the ruling and lack of progress, the Fire Brigades Union (FBU) commenced legal proceedings in the High Court for three test cases against Fire and Rescue Authorities. Two of these cases were against this Authority as they related to former Nottinghamshire Fire and Rescue Service (NFRS) employees. A settlement agreement on these cases was reached on 8 October 2021.
- 5.9 In the interim, the Home Office issued some guidance to assist implementation of the remedy and a Memorandum of Understanding was agreed between the Local Government Association and the Fire Brigades Union in October 21. However, in November 21 the Home Office withdrew its guidance stating that there could be significant financial risk if Authority's decided to proceed implementing Memorandum of Understanding.
- 5.10 With the ongoing threat of legal action, Policy and Strategy Committee approved the continuation of implementing the Memorandum of Understanding on 1 April 22, acknowledging the financial risks that it may face. An earmarked reserve of £200k has been set aside to cover any additional costs.
- 5.11 New pension legislation is expected to be passed in October 23 which will provide more certainty about how the remedy is to be applied. The Service will then have a further 18 months to ensure that it is properly implemented.

### **Matthews / O'Brien**

- 5.12 On-call firefighters employed between 1 July 2000 and 4 April 2006 were retrospectively allowed to join 2006 Firefighters' Pension Scheme in 2014 following the Matthews court case. Following a further European Court of Justice case (O'Brien) the UK Government have recognised the right for on-call firefighters employed before 1 July 2000 to elect to join the pension scheme from the start of their employment. Revised legislation is due to be laid before Parliament in October 23.
- 5.13 The Local Government Association is working alongside Fire Services to prepare for the proposed changes and, an exercise is now underway to identify individuals who may be affected. It will be necessary to estimate data for some individuals whose employment records are likely to have been deleted in order to comply with data protection legislation.

### **Internal Audit**

- 5.14 The 2023/24 Internal Audit Plan, approved by Finance and Resources Committee in June 23, includes provision for 6 audits during 23/24. These include compliance with the National Fire Standard for Leading the Service, Contract management and workforce planning and recruitment.

### **External Audit**

- 5.15 Delayed local audit opinions are a huge concern across the public sector. These delays have been caused by the increased amount of regulatory requirement and the lack of audit resources within the public sector as a whole and is not limited to NFRS. The increasingly delayed audit of the Statement of Accounts (see sections 4.41 to 4.45) presents an increased risk to the Authority over the remaining years of the current contract and beyond.
- 5.16 KPMG have been awarded the contract to audit the Statement of Accounts from 2023/24 to 2027/28. However, they will not be able to commence the 2023/24 audit until EY have completed the 2022/23 audit which is currently not scheduled until mid 2024. Given that the resourcing issues are a national problem, it is not guaranteed that the situation will improve under the new contract.

### **HMICFRS**

- 5.17 The third round of full HMICFRS inspections has commenced. All Fire Services will be inspected over a 2 year period. NFRS are in the second tranche of inspections which is due to commence in the Autumn of 2023.

### **Covid-19**

- 5.18 The Service does not anticipate any ongoing impact on governance arrangements during 2023/24 and beyond. Finance and Resources Committee removed Covid-19 from the corporate risk register in April 22. This will be kept under review should circumstances change.

## **6 CONCLUSION**

- 6.1 Nottinghamshire Fire and Rescue Authority has well developed and evolving governance arrangements in place that are fit for purpose.
- 6.2 The Service's policies and procedures continue to be updated and reviewed (3.12).
- 6.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017 and CIPFA's Financial Management Code was adopted by the Authority in July 2021 (sections 1.3 and 3.23 - 3.24). The Authority's compliance against the Financial Management Code was reviewed by Internal Audit in 2021/22 – the report acknowledged that effective controls were in place regarding self-assessment, leadership, accountability, long term sustainability and value for money.

## Scheme of Delegation

- 6.4 Whilst the 2021/22 and 2022/23 Statement of Accounts are yet to be audited, the External Auditors, Ernst & Young (EY), issued unqualified audits for the first 3 years of their contract (2018/19 and 2020/21), which indicates that the financial systems in place are robust (see sections 4.37 – 4.45).
- 6.5 Despite the delays to the audit of the Statement of Accounts and Value for Money Audits by the Authority's external auditors (EY), the Service's internal auditors (Nottinghamshire County Council) have completed a comprehensive audit programme which provides a high level of assurance. The Internal Audit Annual Report provided a judgement of Substantial Assurance regarding the arrangements in place for corporate governance, risk management and the control environment (see sections 4.27 - 4.36).
- 6.6 Seven internal audits have been completed within the year, 2 being graded as having Substantial Assurance and 5 being as having Reasonable Assurance. Three other external reviews have taken place (see section 4.35), all of which provided reasonable or substantial assurance.
- 6.7 The Internal Audit Charter was adopted by Finance and Resources Committee in June 2022 (section 4.30). The annual Internal Audit Plan is reviewed by SLT and approved by Finance and Resources Committee (4.31). All recommendations arising from internal audit reviews are actioned and monitored by SLT and Finance and Resources Committee (4.32).
- 6.8 The Service's second full HMICFRS inspection provided a rating of Good against all 11 areas of assessment (sections 4.46 - 4.47).
- 6.9 The Service continues to address any governance issues as they arise and commits to keeping governance arrangements under review (see sections 4.6 – 4.7).

Signed.....

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

Signed.....

Craig Parkin  
**CHIEF FIRE OFFICER**

### Links to Supporting Documents

Scheme of Delegation

Governance Update

## Glossary

### **Accruals**

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

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Receipts**

Income derived from the sale of capital assets.

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

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

### **Contingent Liability**

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

### **Creditors**

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

### **Debtors**

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

### **Depreciation**

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

### **Finance Leasing**

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

### **Financial Instrument**

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

### **Non-Current Assets**

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

### **Impairment**

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

### **Operating Leasing**

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

### **Provision**

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

### **Reserve**

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

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

A fixed asset purchased directly from revenue contributions.

### **Revenue Expenditure and Income**

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