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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

NOTICE OF MEETING

<i>Meeting</i>	HIWFRA Standards and Governance Committee	<i>Clerk to the Hampshire & Isle of Wight Fire and Rescue Authority</i> CFO Neil Odin
<i>Date and Time</i>	Wednesday, 29th September, 2021 2.00 pm	<i>Fire & Police HQ Leigh Road, Eastleigh Hampshire SO50 9SJ</i>
<i>Place</i>	Room X - Fire & Police Shared HQ, Eastleigh	
<i>Enquiries to</i>	<u>members.services@hants.gov.uk</u>	

The Openness of Local Government Bodies Regulations are in force, giving a legal right to members of the public to record (film, photograph and audio-record) and report on proceedings at meetings of the Authority, and its committees and/or its sub committees. The Authority has a protocol on filming, photographing and audio recording, and reporting at public meetings of the Authority which is available on our website. At the start of the meeting the Chairman will make an announcement that the meeting may be recorded and reported. Anyone who remains at the meeting after the Chairman's announcement will be deemed to have consented to the broadcast of their image and anything they say.

Agenda

1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

2 **DECLARATIONS OF INTEREST**

To enable Members to disclose to the meeting any disclosable pecuniary interest they may have in any matter on the agenda for the meeting, where that interest is not already entered in the Authority's register of interests, and any other pecuniary or non-pecuniary interests in any such matter that Members may wish to disclose.

3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 6)

To confirm the minutes of the previous meeting that took place on the 26 July 2021.

4 **DEPUTATIONS**

Pursuant to Standing Order 19, to receive any deputations to this meeting.

5 **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

6 **STATEMENT OF ACCOUNTS 2020/21** (Pages 7 - 132)

For the Committee to receive a report regarding the Annual Accounts for 2020/21.

7 **EXTERNAL AUDIT RESULTS 2020/21** (Pages 133 - 186)

For the Committee to receive the External Auditor's Audit Results Report for 2020/21.

ABOUT THIS AGENDA:

This agenda is available through the Hampshire & Isle of Wight Fire and Rescue Service website (www.hantsfire.gov.uk) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

Agenda Item 3

AT A MEETING of the HIWFRA Standards and Governance Committee of
HAMPSHIRE COUNTY COUNCIL held at Fire and Police HQ, Eastleigh on
Monday, 26th July, 2021

Chairman:

* Councillor Liz Fairhurst

* Councillor Jonathan Glen

* Councillor David Fuller

* Councillor David Harrison

Councillor Ian Stephens

* Present

1. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Ian Stephens.

2. **DECLARATIONS OF INTEREST**

Members were mindful of their duty to disclose at the meeting any Disclosable Pecuniary Interest they had in any matter on the agenda for the meeting, where that interest was not already in the Authority's register of interests, and their ability to disclose any other personal interests in any such matter that they might have wished to disclose.

No interests were declared.

3. **MINUTES OF HFRA STANDARDS AND GOVERNANCE COMMITTEE - 24 FEBRUARY 2021**

The minutes of the previous meeting held on the 24 February 2021 were reviewed and agreed.

4. **DEPUTATIONS**

There were no deputations for the meeting.

5. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make, but welcomed newly appointed Members to the meeting.

6. **INTERNAL AUDIT ANNUAL REPORT AND OPINION 2020/21**

The Committee received a report of the Chief Internal Auditor on the Internal Audit Annual Report 2020/21.

The report was introduced and it was noted that as it considered progress in 2020/21, prior to the new combination with the Isle of Wight, the report related to

Hampshire only. Members heard that there was overall reasonable assurance, that this was in the context of a positive direction of travel over recent years and the Authority was going from strength to strength and seeing ongoing improvement. It was confirmed that “reasonable” was the second level of assurance and was a good balance between covering key risks without stifling operation.

The training system updates detailed in the report were discussed and highlighting the importance of thorough training records being kept it was noted that six of the eight actions in the report were already complete and the final two would be completed by the end of September. Documentation of the resolutions and actions of the Committee in their scrutiny of the audit process was discussed and it was noted that the existing Committee reporting process provided a robust mechanism for issues to be identified by Members, transparently recorded and followed up on by officers where appropriate. It was recognised that identifying and addressing issues demonstrated a positive audit process and agreed that a review of the actions in the report would be considered at a future meeting.

The recommendations in the report were agreed and it was

RESOLVED:

That the Hampshire and Isle of Wight Fire and Rescue Authority Standards and Governance Committee accepts the Chief Internal Auditor’s annual report & opinion statement for 2020/21.

7. INTERNAL AUDIT PROGRESS REPORT 2021/22

The Committee received a report of the Chief Internal Auditor on the Internal Audit Progress Report 2021/22.

The report was introduced and it was highlighted that it was a regular update to the Committee, which included oversight of ongoing live audit reviews. The ability to quantify outcomes of the audit process was discussed and it was confirmed that actions were agreed with senior management and significant issues or areas with limited assurance would receive more follow-up. The possibility of randomised reviews of outcomes for additional assurance was considered and it was recognised that this would not be an effective use of resources, but that any areas of concern emanating from the regular progress report could be referred by the Committee for further audit. Details of how emerging risks, including those relating to Covid-19 would be identified were also set out.

The recommendations in the report were agreed and it was

RESOLVED

That the progress in delivering the internal audit plan for 2021/22 and the outcomes to date be noted by Hampshire and Isle of Wight Fire and Rescue Authority Standards and Governance Committee.

8. INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT

The Committee received a report of the Chief Fire Officer on the progress of Internal Audit Management Actions.

The report was introduced, it was confirmed that the direction of travel was good and progress on key actions was highlighted. The allowances handbook project was highlighted and it was heard that this had been put into place following significant work on payroll mechanisms. Further work would be carried out to ensure everyone was being paid in accordance with the handbook.

The recommendations in the report were agreed and it was

RESOLVED

That the Standards and Governance Committee notes the continued progress made towards the implementation of the internal audit management actions and the delivery of the audit plan.

9. EXTERNAL AUDIT PLANNING 2020/21 ACCOUNTS

The Committee received a report of the Chief Fire Officer on the external audit arrangements for the 2020/21 statutory accounts in light of the continuing impact of Covid-19 both on the overall timescales and audit resource availability.

The external auditor introduced the report highlighting the different areas of risk and how they would be monitored. It was confirmed that if anything urgent or significant were identified then the Committee would receive a report to its next meeting and not wait for the annual report.

The recommendations in the report were agreed and it was

RESOLVED

That the Standards and Governance Committee notes the current position in respect of audit planning and delivery for the 2020/21 accounts.

10. FIRE PENSION BOARD ANNUAL REPORT (2020/21)

The Committee received a report of the Chief Fire Officer setting out the annual report of the Hampshire Fire Pension Board and summarising the work of the Board for the 2020/21 financial year in the exercise of its functions.

A number of potential liabilities identified in the report were discussed and the context around them explained. It was agreed that the Chairman of the Hampshire Fire Pension Board would be invited to future meetings where the pension scheme was being discussed.

The recommendations in the report were agreed and it was

RESOLVED

That the content of the report be noted by the HIWFRA Standards and Governance Committee

11. ANNUAL GOVERNANCE STATEMENT 2020/21

The Committee received and considered a report of the Chief Fire Officer setting out the Annual Governance Statement which formed part of the annual accounts process and would be signed by the Chairman and Chief Fire Officer.

The recommendations in the report were agreed and it was

RESOLVED

That the Annual Governance Statement 2020/21 as set out in Appendix A be approved by the Standards and Governance Committee:

That Members acknowledge that the arrangements continue to be regarded as fit for purpose in accordance with the Framework 2016.

That the approved AGS be included into the Annual Statement of Accounts, to meet the Authority's statutory requirement.

12. ANNUAL ASSURANCE STATEMENT 2020/21

The Committee received a report of the Chief Fire Officer setting out the Annual Statement of Assurance.

The Assurance Statement was introduced and the Committee noted that as it was retrospective for 2020/21, the Isle of Wight Council would separately approve their own, but it was included for reference. The opportunity to include staff and community wellbeing was discussed and Members noted that consideration was being given as to how this could be measured and shared going forward.

The recommendations in the report were agreed and it was

RESOLVED:

That the Hampshire Fire and Rescue Service Annual Statement of Assurance be approved by the HIWFRA Standards and Governance Committee.

Chairman,



**Hampshire
& Isle of Wight**
FIRE & RESCUE SERVICE

Standards and Governance Committee

Purpose: Approval

Date : **29 September 2021**

Title: **Statement of Accounts 2020/21**

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Director: Rob Carr, Chief Financial Officer, rob.carr@hants.gov.uk, 0370 779
2647

SUMMARY

1. The Accounts and Audit (Amendment) Regulations 2021 require the Authority's Statement of Accounts to be approved and published by 30 September 2021. The Authority has delegated responsibility for the approval of the Statement of Accounts to the Standards and Governance Committee.
2. The unaudited draft accounts were reviewed and signed by the Chief Financial Officer on 30 July 2021 as a true and fair view of the financial position at 31 March 2021. The draft accounts were published on the Authority's website in line with the amended deadlines and enabled the commencement of the period for the exercise of public rights on or before the first working day of August 2021.
3. The external audit of the Statements is due to be completed by 30 September 2021 and the conclusions of the audit are contained within the external auditor's report, which is also on this agenda.
4. The end of year outturn report for 2020/21 was considered by HIWFRA Full Authority on 27 July 2021 and the Statement of Accounts is consistent with that report. The Annual Governance Statement, which forms part of the Statement of Accounts, was approved by Standards and Governance Committee in July 2021.

5. This report presents the Statement of Accounts for 2020/21 for the Committee's approval and recommends that the Chief Financial Officer be given delegated authority to make any amendments if required prior to the issue of the audit opinion.
6. The report also includes in Appendix 2 letters to the auditor containing representations by the Chief Financial Officer and Chairman of the Standards and Governance Committee regarding information and systems of internal control to support the confirmation that the accounts present a true and fair view of the Authority's financial position.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

7. The attached Statement of Accounts has been drawn up in the form prescribed by the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom, which constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. In addition, the Accounts and Audit Regulations 2015 contain certain requirements for disclosure in the Statement of Accounts.
8. The 2020/21 Code of Practice on Local Authority Accounting made changes to some accounting standards but none of them have had a material impact upon the Authority's accounts.

STATEMENT OF ACCOUNTS

9. The extended nature of the coronavirus pandemic meant that the Accounts and Audit Regulations were amended for the 2020/21 financial year to allow the later publication of draft and audited accounts than usual.
10. The unaudited draft accounts were reviewed and signed by the Chief Financial Officer on 30 July 2021 as a true and fair view of the financial position at 31 March 2021. The draft accounts were published on the Authority's website in line with the amended deadlines and enabled the commencement of the period for the exercise of public rights on or before the first working day of August 2021.
11. The Authority's accounts are externally audited by EY. At the time of publication of this report, the audit was nearing completion and the accounts remain draft until the conclusion of the audit, although it is anticipated that an unqualified audit opinion will be issued. The conclusions of the audit are contained within the external auditor's report, which is presented elsewhere on this agenda.

12. The Authority has delegated responsibility for the approval of the Statement of Accounts to the Standards and Governance Committee and this report therefore presents the Statement of Accounts for 20/21 for approval for publication by the Committee prior to the deadline of 30 September 2021. As the external audit had not been concluded at the time of publication of this report, the Committee is asked to delegate authority to the Chief Financial Officer to make any minor amendments considered appropriate to the version of the Statement of Accounts included within the papers for this meeting. If any other amendments are required, these will be referred to the Committee or Authority for consideration.
13. Due to the timing of the publication of papers for this meeting prior to the conclusion of the audit, any noteworthy changes to the accounts to be made between draft and final versions that have been agreed with EY will be summarised in presenting this report to the Committee.
14. There are no major changes to the format of the statement of accounts and they continue to follow the requirements of the Code of Practice for Local Authority Accounting (the Code) as set by the Chartered Institute of Public Finance and Accounting (CIPFA). The narrative report within the Statement of Accounts includes an explanation of how the required accounting presentation relates to the financial performance of the Authority as set out in the end of year financial report, which was presented to HIWFRA Full Authority on 27 July 2021.
15. Paragraphs 16 to 26 provide a summary of each section of the Statement of Accounts.

Narrative report

16. The narrative report provides information about the key issues affecting the Authority and reports on the Authority's financial and non-financial performance, risks and future prospects.
17. The narrative report is designed to help readers understand the Authority and its operating environment and to assist in the understanding and interpretation of the Statement of Accounts.

Statement of Responsibilities for the Statement of Accounts

18. This statement records the responsibility:
 - of the local authority to appoint an officer with the responsibility for the proper administration of its financial affairs. Within the Authority, this is the Chief Financial Officer

- of the Chief Financial Officer to prepare the accounts in accordance with proper practices as set out in the Code of Practice, and to certify that the accounts present a true and fair value of the Authority
- of the Chairman of this Committee to confirm that the accounts have been considered and approved by the Committee.

Movement in Reserves Statement

19. This sets out the movement in the year on the different reserves held by the Authority, analysed into 'useable reserves' (those which can be applied to fund expenditure or reduce council tax) and 'unusable reserves' which are mainly used for accounting adjustments.

Balance sheet

20. This shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by reserves, either usable or unusable.

Cash Flow Statement

21. The cash flow statement is designed to demonstrate the changes that have taken place in the Authority's cash position over the year and to highlight the causes of that change.

Comprehensive Income and Expenditure Statement

22. This statement shows the accounting cost of providing services rather than the amount funded from taxation, and is presented using financial reporting headings. The taxation position is shown in the Movement in Reserves Statement.

Notes to the Accounts

23. These comprehensive notes incorporate information to give the reader information to support the accounts. The accounting policies are incorporated within the notes.

Pension Fund Account

24. All Fire Authorities are required by legislation to operate a Pension Fund Account and the amounts paid into and out of it are specified by regulation. Members will be aware that the Authority pays an employer's pension contribution based on a percentage of pay into the pension fund account.

25. The Account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government equal to the amount by which the amount payable from the Account exceeded the amount receivable. Should the position arise where the amounts receivable ever exceed those payable then the surplus would be paid over to the Government.

Annual Governance Statement

26. In accordance with legislation, the Annual Governance Statement must accompany the Statement of Accounts. The Authority's Annual Governance Statement was approved by Standards and Governance Committee in July.

LETTER OF REPRESENTATIONS

27. As part of the production and audit of the final accounts, the external auditors also require the Chief Financial Officer and Chairman of Standards and Governance Committee to provide a Letter of Representations.
28. The letter provides additional assurance that all matters have been disclosed to the auditors and that no undue influence has been applied in producing the accounts that would prevent them giving a true and fair view of the Authority's financial position.
29. The detailed letter (draft) is attached at Appendix 2.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

30. Ensuring that funding is appropriately accounted for is vital for all public sector organisations and the annual accounts also provide information to gauge the financial health of an organisation, which underpins the achievement of the Safety Plan.

CONSULTATION

31. No consultation is required for this report as it is based on historic information and is a purely factual document.

RESOURCE IMPLICATIONS

32. This report reflects the financial position for the previous financial year and does not contain any requests which would affect the future financial position.

IMPACT ASSESSMENTS

33. This is a factual report presenting the Authority's Statement of Accounts for the last financial year. Any financial decisions taken during that year or future financial decisions will be subject to separate impact assessments.

LEGAL IMPLICATIONS

34. This report is part of the final accounts process. There is a legal requirement under the Accounts and Audit (Amendment) Regulations 2021 that the Statement of Accounts be approved and published by 30 September 2021.

OPTIONS

35. This report deals with the approval of the annual accounts that have been prepared in line with the Code of Practice for Local Authority Accounting and there are therefore no options for consideration in this report.

RISK ANALYSIS

36. The Statement of Accounts is an important element of the Authority's corporate governance arrangements. It has been prepared in accordance with the appropriate statutory code. Together with the Budget Book and the outturn report for 2020/21 it provides evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

EVALUATION

37. The Statement of Accounts is prepared by the Authority on an annual basis at the conclusion of the financial year in line with the Code of Practice for Local Authority Accounting and the requirements of the Accounts and Audit Regulations. Following the sign off and publication of the accounts a review is undertaken to identify any opportunities to further enhance the way in which the accounts are produced. In addition, relevant changes to accounting standards or other reporting requirements will be analysed by the Chief Financial Officer and their officers and implemented as necessary.

CONCLUSION

38. The presentation and approval of the annual accounts is an important part of the overall governance framework for the Authority and the Committee is therefore requested to consider and approve the accounts alongside the report of the external auditors.

RECOMMENDATION

39. That the Statement of Accounts for 2020/21 (draft) attached at Appendix 1 be approved subject to any final amendments reported at the meeting.
40. That the Chief Financial Officer be given delegated authority to approve any minor amendments to the Statement of Accounts prior to publication.
41. That the Letter of Representations (draft) attached at Appendix 2 be considered and signed by the Chairman on behalf of the Committee.

APPENDICES ATTACHED

42. Appendix 1 – Statement of Accounts (draft) and Annual Governance Statement 2020/21
43. Appendix 2 – Letter of Representations (draft)

BACKGROUND PAPERS

44. Outturn Report for the financial year 2020/21 to Hampshire and Isle of Wight Fire and Rescue Authority on 27 July 2021.

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**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Hampshire Fire and Rescue Authority

Draft Statement of Accounts

2020/21

Contents	Page
Narrative Statement	2 -15
Statement of Responsibilities for the Statement of Accounts	16-17
Movement in Reserves Statement	18
Balance Sheet	19-20
Cash Flow Statement	21
Comprehensive Income and Expenditure Statement	22-23
Notes to the Core Financial Statements	24-82
Pension Fund Accounting Statement	84
Notes to the Pension Fund Accounting Statement	85
Annual Governance Statement	86
Glossary	104
Independent Auditors Report	110

Narrative Statement

Introduction

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, including electors and residents of Hampshire, Fire and Rescue Authority Members, partners, stakeholders and other interested parties can:

- Understand the overall financial position of the Authority and the outturn position for 2020/21;
- Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Authority is sound and secure.

The style and format of the accounts, complies with CIPFA standards and is similar to that of previous years. The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of an organisation such as Hampshire Fire and Rescue Authority are, by their nature, both technical and complex.

On 1st April 2021, a new fire authority covering Hampshire and the Isle of Wight was constituted. As this statement of accounts looks back to the previous financial year, the financial information within the accounts relates to the former Hampshire Fire and Rescue Authority. Accounts for the new combined authority will be produced for the 2021/22 financial year.

This Narrative Statement has been structured to help enable readers to understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts. The statement provides information about Hampshire, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2021 and is structured as below:

- Statement from the Chairman of Hampshire and Isle of Wight Fire and Rescue Authority
- Introduction from the Chief Financial Officer
- An Introduction to Hampshire
- The Fire and Rescue Authority's Performance
- Financial Performance of the Authority 2020/21
- Corporate Risks
- Summary Position
- Where you can get further information

This is followed by an explanation of the Financial Statements, including information on any changes during 2020/21.

Narrative Statement

Statement from the Chairman of Hampshire and Isle of Wight Fire and Rescue Authority

“As Chairman of the Fire and Rescue Authority, I am delighted to be able to present to you the Statement of Accounts for 2020/21. This has been a year of unprecedented challenges so it is reassuring to see that the Service has maintained a stable financial position.”



“The Service, along with all others, was inspected on its response to the COVID pandemic by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). The inspection noted the positive contribution the Service made to the community during the pandemic. Areas for improvement, including those raised during the previous inspection have continued to be addressed. This has been achieved alongside managing the impact of the pandemic on the Service and providing valuable support to partners in their pandemic response. I continue to be immensely proud of the role of the Service, supported by Members of the Authority, in responding to this global emergency.”

“The end of the financial year coincided with the constitution of the new combined Hampshire and Isle of Wight Fire Authority. This was a significant achievement, particularly against the background of the global pandemic.”

“The Service incurred significant additional pandemic related costs that were offset by additional support from Government. The long term financial impact of the crisis and the long term funding for the sector remain unclear but the financial information contained in this narrative statement and the accounts themselves serve to highlight the strength and success of the Authority in being able to respond to those challenges

Cllr Rhydian Vaughan MBE - Chairman Hampshire & Isle of Wight Fire & Rescue Authority

Introduction from the Chief Financial Officer

This Narrative Statement is designed to help readers better understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts themselves. It contains background information about the Fire and Rescue Authority and outlines some of the key financial issues in areas such as revenue and capital spending, reserves and treasury management. It also provides information about the Fire Authority’s performance during the year.

The accounts themselves are very complex and technical in nature, but I hope you will take the time to look through them and in particular, read the Narrative Statement which provides an excellent summary of what has happened during the financial year and outlines the financial standing of the Fire and Rescue Authority as at 31 March 2021. If you would like more information on the accounts or have any questions on the content then contact information is contained within this Narrative Statement.

Rob Carr – Head of Finance

Narrative Statement

An Introduction to Hampshire and the Isle of Wight Fire and Rescue Authority

Hampshire and Isle of Wight Fire and Rescue Authority is a combined Fire Authority covering the whole of the geographic area of Hampshire (including the two unitary authorities of Portsmouth and Southampton) and the Isle of Wight. The Fire Authority itself is made up of Councillors from Hampshire County Council and Southampton, Portsmouth and Isle of Wight Unitary Councils.

Key Facts about Hampshire and the Isle of Wight

There are a number of factors which affect the Authority's services and its finances. Detailed below are some of the key facts and figures having a major impact on the Authority's financial position in both the short and medium term. Further background information about the Authority can be found at:

<http://www.hantsfire.gov.uk/about-us/>

Hampshire is a large county based in the South of England which covers an area of more than 1400 square miles. The county is home to a population of 1.85 million people dispersed across rural, urban and coastal areas.

Hampshire is bordered to the West by Dorset and Wiltshire, to the East by West Sussex and Royal Berkshire and Surrey to the North. The county is bordered by the Solent to the south which is one of the busiest shipping lanes in the world served by the commercial ports of Southampton and Portsmouth

The Isle of Wight is an island off the south coast of England. Home to around 140,000 and with an estimated 2.5 million visitors annually, the Isle of Wight is the largest and second most populated island in England.

Hampshire is rich in history with national parks, significant places of interest and heritage sites of international importance. The cities of Southampton and Portsmouth are urban areas of growing populations with universities that are seeing significant growth in student numbers and accommodation requirements. The growth in industry around Winchester and Basingstoke highlights the changing landscape. Balanced with this are large numbers of remote villages with many thatched and listed buildings.

Hampshire is home to several significant military bases and ports. There are also several businesses that are classified as Control of Major Accidents and Hazard (COMAH) sites. These locations have specific plans in place to manage the risks they have on site. There is a large and diverse range of commercial and industrial elements across Hampshire with heavy industries, including Fawley oil refinery and BAE systems.

The county also has several major transport hubs including airports, ferry terminals, commercial ports, major motorways and several major hospitals, prisons and key infrastructure.

The Isle of Wight's economy is primarily based around light industry, tourism and service sectors, with its natural landscape, coastline and buildings of historical importance. It is a popular tourist attraction.

The Isle of Wight is also home to HMP Isle of Wight, holding 1100 prisoners across two prison locations and St. Mary's Hospital. The Island is sparsely populated with 80% of the population based in 20% of the land mass.

Narrative Statement

Hampshire and Isle of Wight Fire and Rescue Service

The core functions of UK fire and rescue services are to make provision for the purpose of promoting fire safety in their area, protect buildings and the people in them, responding to fires, rescuing people in road traffic collisions (RTC) and attending other emergencies

Our Safety Plan sets out our purpose – **together we make life safer.**

Our purpose drives us in everything we do. To be successful, all the work we do must contribute to making life safer in our communities. We can only fully succeed in making life safer by working together with partners and our communities.

To achieve our purpose, we must fully understand the risks that our communities face. By engaging with those most affected by the risks identified we are able to create the most effective services to protect them. On this basis we have developed five priorities. These commitments will inform all that we do to make Hampshire and the Isle of Wight safer:

Our Communities. We work together to understand different community needs and deliver accessible, local services which build safer places.

Our People. We look after each other by creating great places to work and promoting the health, wellbeing and safety of our people.

Public Value. We plan over the longer-term to ensure our decisions and actions deliver efficient and effective public services.

High Performance. Our diverse teams are trusted, skilled and feel equipped to deliver a leading fire and rescue service today and into the future.

Learning & Improving. We have the support of policy and guidance with the freedom to use our discretion to do the right thing, learning from ourselves and others. In the following sections we describe the services that we already provide, the views that our communities shared with us about these services during our consultation and then we provide a description of the improvements we would like to make in the coming year to make us even better.

Our Safety Plan is about improving public safety, reducing the number of emergency incidents and saving lives. The full plan can be found at:

<https://www.hantsfire.gov.uk/about/transparency/safety-plan/>

Looking towards 2021/22

In 2020/21 a single year funding settlement was announced. The Comprehensive Spending Review that was expected during 2020/21 was delayed due to the pandemic. This meant that there was a further one-year funding settlement in 2021/22 and therefore no greater certainty about the medium term funding position for the service. A spending review and multi-year funding settlement is now expected during 2021/22 to inform budget setting from 2022/23 onwards.

Initial concerns about the economic consequences of the pandemic and the impact on council tax and business rate yields were not yet in evidence during the 2021/22 budget setting process. The new combined Hampshire and Isle of Wight Fire Authority was able to set a balanced budget for 2021/22 by drawing from a grant equalisation reserve. However, the lack of a full 4-year Spending Review meant that the Authority is still blind on what will happen to grant levels beyond 2021/22.

Narrative Statement

The in-year financial impact of the pandemic has been met from Government grant during 2020/21. The long-term impact of the pandemic remains uncertain, with the impact of council tax and business rate income a particular concern. The strength of the Authority's financial position means that reserves can be used to balance the budget in the short term. However, it is almost certain that savings and efficiencies will be needed to balance the budget in future years.

In overall terms however, HIWFRA remains in a strong financial position with reserves standing at £35.8m at the end of 2020/21 and is well placed to tackle the future financial challenges that will inevitably arise.

Financial sustainability

The Chief Financial Officer has a statutory obligation to keep the financial position of Hampshire and Isle of Wight Fire and Rescue Authority under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate. The Authority regularly reviews and updates its Medium Term Financial Strategy, incorporating known factors that will have a positive or negative impact upon its financial strategy and making realistic assumptions to allow for the inevitable risk and uncertainty that accompanies any financial forecast. This is underpinned by the Authority's well established reserves policy. Annual contributions to reserves in excess of £5m per annum to fund future expenditure are built into the Authority's budget. In the event of an adverse financial settlement, these reserve contributions would be temporarily reduced to give the Authority time to appropriately plan for and deliver savings. Quarterly financial updates are prepared by budget managers across the service and, with support from the finance team, are presented and discussed quarterly at Executive Group. The medium term strategy and current assumptions on funding, priorities and pressures inform the annual budget setting process, with outcomes monitored throughout each financial year taking a risk based approach with the escalation of issues through senior officers and elected members as appropriate.

At the end of 2020/21 reserves stood at £35.8m of which 7% comprised the General Fund balance. The Authority's significant reserves balance ensures that it can conduct its Treasury Management activity to make sure sufficient cash is available to meet its operational obligations whilst also taking a longer term view to investments where appropriate, enabling greater returns to be made in support of the revenue budget, whilst also adhering to the CIPFA Treasury Management Code in prioritising the security of its investment balances.

The Authority's financial forecast for 2021/22 has been reviewed alongside assumptions for 2022/23 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2023. The reserves balance coupled with the anticipated timing of cash flows and the liquidity profile of its investments means that that the Authority can meet its operational obligations over the period, with the option to sell longer term investments and make use of its borrowing headroom as a short term solution to any unforeseen liquidity pressures, although this would have an impact on the longer term financial sustainability of the Authority.

Ongoing uncertainty around the future of key funding streams for local government coupled with external pressures such as carbon reduction requirements and the need to modernise the estate, mean that without external change the Authority may need to make changes that would impact on service delivery to remain financially sustainable beyond this time.

Narrative Statement

Key Facts about Hampshire and Isle of Wight Fire and Rescue Authority

All of the factors in the section above help to shape the Fire and Rescue Authority's priorities and provide a challenging environment for the organisation to operate in. Providing adequate fire risk cover across Hampshire and the Isle of Wight must be balanced with the efficient and effective use of resources and the utilisation of the capacity that we have available to improve all aspects of public safety. Charged with directing the outcomes, priorities and policies of the Authority are the members of the Fire Authority who are nominated to serve on the Authority by Hampshire County Council, Southampton and Portsmouth City Councils and Isle of Wight Council.

The Authority decides the budgets and policies for the vital services provided by the Hampshire and Isle of Wight Fire and Rescue Service. The composition of the Authority is as follows:

Nominating Authority	Number of Members	Composition
Hampshire County Council	8	6 Conservative, 2 Liberal Democrat
Southampton City Council	1	1 Conservative
Portsmouth City Council	1	1 Liberal Democrat
Isle of Wight Council	1	1 Independent
	<hr/> 11 <hr/>	

In addition, the Police and Crime Commissioner for Hampshire and the Isle of Wight has a non-voting seat on the Authority.

Under Hampshire and Isle of Wight Fire and Rescue Authority's Constitution, the Authority currently has two further Committees, which are required to undertake specific functions. The Standards and Governance Committee undertakes an overview role in respect of internal and external audit issues as part of its remit. The Firefighters Pension Board, as the name suggests, has an overview role of how pension matters are dealt with both within the Authority itself and from a pension administration point of view. The Chairman is appointed by the Fire and Rescue Authority and appointments to the Committees are carried out at the Annual General Meeting each year.

Supporting the work of the Fire Authority Members is the Executive Group comprised of 7 Directors led by the Chief Fire Officer. Directors work with, and for, the Authority to maximise the capacity and effectiveness of the organisation in order to protect and build strong, sustainable public services that improve the safety of people across Hampshire.

The senior leadership team that was in place during the year is set out below:

- Chief Fire Officer – Neil Odin
- Director of Policy and Planning and Deputy Chief Fire Officer – Steve Apter
- Director of Operations – Stewart Adamson
- Director of Performance and Assurance – Shantha Dickinson

Narrative Statement

- Director of Corporate Services – Matt Robertson
- Director of People and Organisational Development – Molly Rowland
- Director of Finance – Rob Carr

The above named people are collectively known as the Executive Group and are the key officer based decision making group within the Service.

At the end of 2020/21, the Fire and Rescue Authority employed a Full Time Equivalent (FTE) total of 1,402 staff, which takes account of those staff that work part-time. The breakdown between staff groups is shown in the following table:

March 2020	Full-time equivalent employees	March 2021
666	Whole Time Fire Fighters / ICU	652
507	Retained Duty System Fire Fighters	454
33	Control Room	34
256	Support Staff (non-uniformed staff)	262
<u>1,462</u>		<u>1,402</u>

The number of retained firefighters has reduced due to a lower number of trainee intakes as a result of the pandemic.

The Fire and Rescue Authority's Non-Financial Performance

We are proud of our strong record of delivering excellent services that provide value for money. Over the last few years we have risen to the challenge of national spending cuts with an ambitious programme of savings and modernisation, while protecting frontline services and ensuring that we continue to keep people safe. As these performance measures are backward looking, they relate to the former Hampshire Fire and Rescue Service only.

A summary of 'core' performance measures at the end of 2020/21 is shown in the following table, together with the comparable figures for 2019/20:

	2019/20	2020/21
Fire related fatalities	5	6
Fire related casualties	97	90
Fires	3,839	3,901
Average response time	7:36	7:45
On-call availability	76.9%	82.6%

The number and types of incidents have varied throughout the year, reflecting the pandemic lockdowns and their impact on both commercial and domestic activity, and behaviour. On-call availability increased due to the pandemic. Some on-call staff were furloughed from their primary employment, meaning that more staff were available at their respective stations.

Further information on [Our Performance](#) can be found online.

Narrative Statement

The Fire and Rescue Authority's Financial Performance

Revenue Position

The COVID-19 pandemic and its impact on the public finances were of primary concern during the budget setting process. There was a risk that an economic downturn would significantly reduce council tax and business rate yields. Although there were some reductions in council tax yield, they were not as great as anticipated and were offset by additional council tax support funding from Government. Budgeted pay costs were lower than anticipated due to the expected public sector pay freeze. Therefore Hampshire and Isle of Wight Fire Authority was able to set a balanced budget by drawing from a designated grant equalisation reserve. The budget also provides for significant revenue contributions to help fund the capital programme and other cyclical costs such as equipment refresh.

Most of the Fire and Rescue Authority's income comes from Government grants, Council tax and business rates. Small amounts of fees and charges contribute to the cost of some services and interest is earned on day-to-day cash balances. Income ringfenced for capital purposes (for example, capital receipts or contributions) have been excluded from the following table. The proportion of the Authority's income obtained from these sources is as follows:

	2019/20	2020/21
	%	%
Council tax	58	58
Business rates	9	10
General Government grants	29	29
Fees, charges and interest	3	3
Specific Government grants	1	0
	100	100

Revenue expenses relate to spending on the day to day operations of the Fire and Rescue Authority. Due to the nature of the services that the Fire and Rescue Authority provides, much of the cost of services relate to staffing. Other running expenses relate mainly to the cost of vehicles, property and IT and the cost of borrowing money for financing capital expenditure. The breakdown of these costs is shown in the following table:

	2019/20	2020/21
	%	%
Employee benefit expenses	69	71
Other service expenses	31	29
	100	100

The COVID-19 pandemic impacted on expenditure during 2020/21, with additional costs relating to Personal Protective Equipment (PPE), pay costs for the response and loss of income. Government funding was received to cover these costs, with the balance of this funding transferred to reserves to meet the costs of response during 2021/22. As the additional expenditure was offset by grant funding, the bottom line financial impact of the pandemic in these financial statements is zero.

During this extremely challenging year, the Fire and Rescue Authority has continued to

Narrative Statement

demonstrate strong financial stewardship. There was an overall underspend of £2.196m, mainly as a result of lower pay costs, lower non-pay expenditure and additional income. Of this sum, £551,000 has been carried forward to meet the costs of essential work delayed from the 2020/21 financial year.

The net underspend will be transferred to reserves to provide investment funding for future service improvement and capital investment. The main components of the 2020/21 budget and actual income and expenditure are set out below:

	Budget	Actual	Variance over / (under) spend
	£'000	£'000	£'000
Combined Fire Authority	601	601	-
People and Organisational Development	3,880	3,570	(310)
Risk and Strategy	1,147	1,001	(146)
Operations	38,713	38,583	(130)
Performance and Assurance	1,652	1,496	(156)
Corporate Services	21,206	20,553	(653)
Finance	2,133	2,101	(32)
Net cost of Fire and Rescue Services	69,332	67,905	(1,427)
Net contribution to reserves	2,836	2,836	-
Revenue Contributions to Capital	1,504	1,504	-
Capital Financing	589	381	(208)
Funding	(74,261)	(74,271)	(10)
Funding	69,332	69,550	(218)
Net position	-	(1,645)	(1,645)

Capital

In 2020/21 the Fire and Rescue Authority spent £1.561 million on capital projects, which was lower than forecast. This was mainly as a result of delays in the purchase of vehicles and some delays in spend on the Station Investment Programme. As set out in the table below, the majority of the spend related to vehicle purchases.

The total capital expenditure of £1.561 million was financed in the following way:

Narrative Statement

Scheme	£'000
Other Capital Works	198
Station Investment Programme	119
Vehicles	1,244
Total	1,561

Source of funding:	£'000
Capital payments reserve	1,504
Capital receipts	45
Prudential borrowing	12
Total	1,561

The Authority may borrow on a day-to-day basis from internal resources, such as the revenue account and earmarked reserve balances to finance capital expenditure. Total external debt at 31 March 2021 decreased by £1.15m to £7.1m and investments increased marginally by £1.3m to £26.8m. Investment levels can fluctuate during the year as a result of changing cashflows, but do tend to track the total value of reserves held by the Authority.

Further information will be provided in the outturn report presented to the Fire Authority in July:

[Outturn Report](#)

Treasury Management and Prudential Indicators

Treasury Management is concerned with managing the Authority's long term borrowing and lending activity and managing cash flows on a day to day basis to ensure that sufficient funding exists to pay staff and suppliers throughout the year.

The Fire and Rescue Authority's treasury management policy requires an annual report to the Authority on the exercise of the treasury management function and the Prudential Code for Capital Finance in Local Authorities requires that the Fire and Rescue Authority reports its actual performance against the Prudential Indicators that were set in its Treasury Management Strategy.

The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Chief Financial Officer to make decisions on the management of the Authority's debt and investment of surplus funds.

All treasury activity has complied with the Fire and Rescue Authority's Treasury Management Strategy and Investment Strategy for 2020/21, and all relevant statute, guidance and accounting standards. In addition the Fire and Rescue Authority has complied with all of the prudential indicators set in its Treasury Management Strategy.

Further information is provided in the Treasury Management Appendix to the outturn report for 2020/21 linked above.

Narrative Statement

Pension Fund Liability

The estimated future pension liability of the Authority has increase by £159.5m. This is due to changes in the assumptions used by the actuary to calculate the present value of liabilities, reflecting a lower rate of future inflation and reduced longevity.

The change in actuarial value for accounting purposes are not a cause of concern for the Authority due to the Local Government Pension Scheme actuary adjusting contributions gradually in order to fully fund the scheme within 19 years and the Fire Fighters and new Fire Fighters pension schemes being fully funded by central government, albeit that future changes could increase employer costs in the longer term.

Reserves and Balances

The Fire and Rescue Authority maintains a number of useable reserves, as detailed in the Balance Sheet.

At the end of the 2020/21 financial year the Fire and Rescue Authority's earmarked reserves together with the general fund balance stand at just over £35.8 million - an increase of £4.5m. This net movement includes the overall surplus for the year offset by planned draws from the transformation reserve and capital payments reserve to cover expenditure in the year.

The table below summarises the total level of reserves and balances that the Fire and Rescue Authority holds and compares this to the position reported at the end of 2020/21:

:

	Balance 31/03/2020	Balance 31/03/2021
	£'000	£'000
Transformation Reserve	2,243	2,467
Capital Payments Reserve	22,981	25,782
Earmarked Underspends Reserve	770	551
IT Services Reserve	75	575
Equipment Replacement Reserve	345	797
HQ Maintenance Reserve	551	621
Princes Trust	99	124
Revenue Grants Reserve	1,756	1,759
Grant Equalisation Reserve	0	625
Capital Receipts	0	0
General Fund Balance	2,500	2,500
Total Reserves and Balances	31,320	35,801

The General Fund Balance is not earmarked for any specific purpose, but represents a minimum level of balances recommended by the Chief Finance Officer to provide a buffer against any significant unexpected expenditure during the year.

Corporate Risks

Narrative Statement

The Authority has an embedded process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The Corporate Risk Register plays an integral role to support production of the Safety Plan and is subject to annual review by the Standards and Governance Committee. Directors and the Chief Officer Group oversee the management of risk in the Authority and continually assess risks as part of their day to day activities.

Risk management arrangements are detailed in the Annual Governance Statement and these are updated as part of the production of the Safety Plan. The Safety Plan is underpinned by the strategic assessment of risk which is a detailed and constantly updated analysis. These plans assess the risks our communities face and how we will put resources in place to protect them. The Service continues to have a number of projects working in partnership with others, many of which require some elements levels of one-off and recurrent funding from the Fire and Rescue Authority. Specific risks relating to partnerships and projects have been incorporated into the Annual Governance Statement where appropriate.

The impact of the current economic climate on the Fire and Rescue Authority is taken into account when the Fire and Rescue Authority sets its budget, although in general terms, there is not a significant link between the two items. In the medium term the impact of Covid-19 on the national and global economy and the knock on impact this may have on council tax, business rate and grant levels in the future alongside any changes in Government funding resulting from the forthcoming Spending Review will be of greater significance. Any significant movements and events in the year were reported to the Full Authority. Monitoring of spend against the budget takes place throughout the year and is reported to the Executive Group and to the Authority on a quarterly basis.

Summary Position

It is clear that the Fire and Rescue Authority's financial and non-financial performance in 2020/21 continues to be good. The revenue outturn of £1.645m is a strong position following a challenging year. Capital spend was lower than initially planned but is expected to increase significantly over the coming years. The Authority has sufficient reserves and balances to provide financial resilience for 2021/22 although the impact of COVID-19 and the lack of multi-year funding settlement mean that there is a great deal of uncertainty.

There are potential risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, the new Combine Fire Authority is in a very strong position as it starts the new financial year.

Changes to the Accounts

Due to the COVID-19 pandemic last year the statutory dates for publishing the accounts were changed. An extended timeline remains for this financial year. The deadline for publishing the draft accounts is 31st July, with 30th September the deadline for publishing the audited accounts.

Narrative Statement

Explanation of the Statement of Accounts

The Financial Statements bring together all the financial activities of the Authority for the year and its financial position as at the 31 March 2021. They detail both revenue and capital elements for the General Fund and separately provide detail for the Pension Fund.

The public sector is governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the Authority is required to produce a set of accounts in order to inform stakeholders of the Fire Authority that we have properly accounted for all the public money we have received and spent and that the financial standing of the Authority is on a secure basis.

The accounts for 2020/21 are set out on pages 16 to 85. They consist of:

- **Statement of Responsibilities for the Statement of Accounts** – Outlines the key responsibilities in respect of the accounts, together with statements from the Chief Financial Officer and Chairman of the Audit Committee.
- **Movement in Reserves Statement** – Analyses the change in net worth between the general fund, other useable reserves and unusable reserves.
- **Balance Sheet** – This sets out assets and liabilities at 31 March 2021 compared with 31 March 2020.
- **Cash Flow Statement** – This summarises the movement in cash and cash equivalents during the course of the year.
- **Comprehensive Income and Expenditure Statement** – Shows the accounting cost in the year of providing services measured in accordance with international accounting standards rather than on the basis of the costs that are required to be financed from taxation.
- **Notes to the Accounts** – Which explain some of the key items and disclosures in the accounts.
- **Pension Fund Accounting Statement** – shows the contributions receivable and payable and the Government funding in respect of firefighter pension schemes.

Relationship between Accounting Statements

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Fire Authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure account for the year and the movement in Balance Sheet liquid assets and liabilities.

The Total Comprehensive Income and Expenditure represents the change for the year in total net worth as shown on the Balance Sheet.

Narrative Statement

Where you can get further information

You can get more information about the accounts from the Head of Finance, Hampshire and Isle of Wight Fire and Rescue Authority, Fire and Police Headquarters, Eastleigh, SO50 9SJ, Telephone: 0370 779 7883, e-mail: budget@hants.gov.uk.

Statement of Responsibilities for the Statement of Accounts

1 The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer
- manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

2 The Chairman's Statement (to be completed in September)

- 2.1 I certify that the Statement of Accounts for 2020/21 were considered and approved at the Standards and Governance Committee Meeting.

Chairman
Standards and Governance Committee
XX XXXXX 2021

Statement of Responsibilities for the Statement of Accounts

3 The Chief Financial Officer's responsibilities

- 3.1 The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom ('the code of practice').

In preparing this statement of accounts, the Chief Financial Officer has sought to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that were reasonable and prudent
- comply with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Chief Financial Officer has also:

- kept proper records which are up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

4 The Chief Financial Officer's statement

- 4.1 I certify that the Statement of Accounts gives a true and fair view of the position of the Hampshire Fire and Rescue Authority as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Rob Carr
Chief Financial Officer / Section 151 Officer
30 July 2021

Movement in Reserves Statement

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 be applied to fund expenditure or reduce taxation) and other reserves. The 'Total Comprehensive Income and Expenditure' 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 General Fund Balance includes earmarked revenue reserves held for specific purposes.

	General Fund Balance *	Capital receipts reserve	Capital grants unapplied reserve	Total Usable Reserves ⁸	Total Unusable Reserves ¹⁸	Total Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 31 March 2019	(30,379)	0	0	(30,379)	653,656	623,277	
Movements During 2019/20:							
Total Comprehensive Income and Expenditure	30,091	0	0	30,091	(80,966)	(50,875)	
Adjustments between accounting basis and funding basis under regulations	(31,032)	0	0	(31,032)	31,032	0	2
Net (Increase)/Decrease in year	(941)	0	0	(941)	(49,934)	(50,875)	
Balance as at 31 March 2020	(31,320)	0	0	(31,320)	603,722	572,402	
Movements During 2020/21:							
Total Comprehensive Income and Expenditure	26,012	0	0	26,012	113,307	139,319	
Adjustments between accounting basis and funding basis under regulations	(30,493)	0	0	(30,493)	30,493	0	2
Net (Increase)/Decrease in year	(4,481)	0	0	(4,481)	143,800	139,319	
Balance as at 31 March 2021	(35,801)	0	0	(35,801)	747,522	711,721	

* includes earmarked reserves

Balance Sheet

The balance sheet shows the value of assets and liabilities recognised by the Authority as at 31 March. The assets less liabilities are matched by reserves. Usable reserves can be used 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 can only be used to fund capital expenditure). Unusable reserves include those 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”.

Balance Sheet

31 March 2020		31 March 2021	Note
£'000		£'000	
149,518	Property, plant and equipment	155,642	15
826	Investment property	895	
8,222	Long term investments	7,967	17f
6	Long term debtors and pre-payments	1,293	17h
158,572	Long term assets	165,797	
0	Assets held for sale	0	
1,354	Inventories	1,030	
8,317	Short term debtors	9,930	17i
4,046	Short term investments	14,023	17e
12,162	Cash and cash equivalents	4,339	17j
25,879	Current assets	29,322	
(4,220)	Short term creditors	(7,807)	17d
(1,214)	Short term borrowing	(509)	17b
(5,434)	Current liabilities	(8,316)	
20,445	Net current assets	21,006	
(742,982)	Net liabilities relating to defined benefit pension schemes	(890,602)	23/24
0	Long term creditors	0	
(1,337)	Provisions	(1,272)	20
(7,100)	Long term borrowing	(6,650)	17a
(751,419)	Long Term Liabilities	(898,524)	
(572,402)	Net Liabilities	(711,721)	
	Financed by:		
	Usable reserves		
(2,500)	Revenue account	(2,500)	4
(27,064)	Earmarked reserves	(31,543)	4
0	Usable capital receipts reserve	0	4
0	Capital grants unapplied reserve	0	4
(1,756)	Revenue grants unapplied reserve	(1,758)	4
(31,320)	Total usable reserves	(35,801)	
603,722	Unusable reserves	747,522	3
572,402	Total reserves	711,721	

Signed:
Rob Carr
30 July 2021

Chief Financial Officer

Cash Flow Statement

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.

2019/20 £'000		2020/21 £'000	Note
30,091	Net (surplus) or deficit on provision of services	26,012	CIES
(34,083)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(29,887)	31.1
0	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	31.2
(3,992)	Net cash (inflow)/outflow from Operating Activities	(3,875)	
(868)	Investing Activities	10,548	31.3
100	Financing Activities	1,150	31.4
(4,760)	Net (increase)/decrease in cash and cash equivalents	7,823	
(7,402)	Cash and cash equivalents at the beginning of the reporting period	(12,162)	
(12,162)	Cash and cash equivalents at the end of the reporting period	(4,339)	

Comprehensive Income and Expenditure Report

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount 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 and Expenditure and Funding Analysis.

The service segments used by the Authority are reviewed and changed to meet operational and management requirements. Some of the segments are not material in the context of the Statement of Accounts and to avoid the need in the future to re-state the service analysis presented in the Comprehensive Income and Expenditure Statement (CIES) they are combined into one segment called Fire and Rescue Services, except for the transitional income and expenditure in preparation for the new combined Fire Authority which commenced on 1 April 2021. To reflect this change in the CIES the prior year figures have been restated. The 'Net cost of Fire and Rescue Services' for 2019/20 is unchanged.

Comprehensive Income and Expenditure Report

Net Expenditure £'000	2019/20 restated Gross expenditure £'000	Gross Income £'000		Net Expenditure £'000	2020/21 Gross expenditure £'000	Gross Income £'000	Not e
82,230	86,925	(4,695)	Fire & Rescue Services	79,842	84,127	(4,285)	
269	319	(50)	Combined Fire Authority Preparation	621	730	(109)	
82,499	87,244	(4,745)	Net cost of Fire and Rescue Services	80,463	84,857	(4,394)	10
			Other income and expenditure:-				
(44)	80	(124)	Other operating income and expenditure	263	308	(45)	
19,749	21,382	(1,633)	Financing and investment income and expenditure	16,018	18,279	(2,261)	5
			Taxation and non-specific grant income				
		(21,665)	Non-ring fenced grants			(22,418)	
		(7,134)	Locally retained business rates			(3,999)	
		(43,314)	Council Tax Income			(44,315)	
		0	Capital grants and contributions			0	
(72,113)		(72,113)	Total taxation and non- specific grant income	(70,732)		(70,732)	
(52,408)	21,462	(73,870)	Total other income and expenditure	(54,451)	18,587	(73,038)	
30,091	108,706	(78,615)	(Surplus)/deficit on the provision of services	26,012	103,444	(77,432)	
(2,350)			(Surplus) or deficit on revaluation of PPE assets	(10,043)			
(78,616)			Net (gain)/loss on the pension assets and liabilities	123,350			
(80,966)			Other Comprehensive (Income)/Expenditure	113,307			
(50,875)			Total Comprehensive (Income)/Expenditure	139,319			

Notes to the core financial statements

Contents

1	Expenditure and Funding Analysis	26
2	Adjustments between Accounting Basis and Funding Basis under Regulations	28
3	Unusable Reserves	32
3a	Revaluation Reserve	32
3b	Capital Adjustment Account.....	33
3c	Pensions Reserve	34
3d	Collection Fund Adjustment Account.....	34
3e	Financial Instruments Adjustment Account.....	34
4	Usable Reserves	35
5	Financing and Investment Income and Expenditure.....	36
6	Grant Income.....	36
7	Officers' Remuneration.....	38
8	Members' Allowances.....	40
9	External Audit Costs	41
10	Nature of Expenses	41
11	Income Received from External Customers	42
12	Related Parties	42
13	Capital Expenditure and Capital Financing.....	43
14	Leases.....	45
15	Property, Plant and Equipment.....	46
16	Financial Instruments	52
16a	Financial Instruments – Balances.....	55
16b	Long Term borrowing	55
16c	Short Term borrowing.....	55
16d	Creditors.....	55
16e	Financial Assets	56
16f	Long Term Investments.....	57
16g	Short Term Investments	57
16h	Long term debtors	57
16i	Debtors.....	57
16j	Cash and Cash Equivalents	58
17	Financial Instruments - Fair Values	58
18	Financial Instruments - Risks.....	61

Notes to the core financial statements

19	Provisions	65
20	Defined Benefit Pension Schemes	66
20a	Participation in Pension Scheme	66
21	Transactions relating to Post-Employment Benefits	66
22	Liabilities in relation to Post-Employment Benefits	69
23	Assets in relation to Post-Employment Benefits	70
24	Pension Scheme Assets	71
25	Impact on the Authority's Cash Flows	71
26	Basis for Estimating Assets and Liabilities.....	71
27	Sensitivity Analysis of Financial Assumptions	73
28	Contingent Liabilities and Assets.....	74
29	Events after the Balance Sheet date	75
30	Cash Flow Statement	76
31	Accounting Policies	79
32	Critical Judgements	81
33	Assumptions made about the Future and other major sources of Estimation Uncertainty	82
34	Accounting Standards Issued, Not adopted.....	83
35	Pension Fund Accounting Statement	84
36	Notes to the Pension Fund Accounting Statement	85

1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, Council tax precept and business rates) in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices as presented in the Comprehensive Income and Expenditure Statement. The EFA also shows how this expenditure is allocated for decision making purposes between the authority's services.

The service segments match those presented in the CIES and the prior year figures have been re-stated accordingly. The 'Net cost of Fire and Rescue Services' for 2019/20 is unchanged.

Notes to the core financial statements

Net Expenditure chargeable to the General Fund Balance	2019/20 Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES		2020/21		Net expenditure in the CIES
				Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 2)	
£'000	£'000	£'000		£'000	£'000	£'000
68,486	13,744	82,230	Fire & Rescue Services	67,681	12,161	79,842
262	7	269	Combined Fire Authority Preparation	601	20	621
68,748	13,751	82,499	Net cost of Fire and Rescue Services	68,282	12,181	80,463
(69,689)	17,281	(52,408)	Other income and expenditure	(72,763)	18,312	(54,451)
(941)	31,032	30,091	(Surplus) or deficit on the provision of services	(4,481)	30,493	26,012
(30,379)			Opening General Fund (including earmarked reserves) balance at 1 April	(31,320)		
(941)			Plus (surplus)/deficit on provision of services	(4,481)		
(31,320)			Closing General Fund (including earmarked reserves) balance at 31 March	(35,801)		

Notes to the core financial statements

2 Adjustments between funding and accounting basis

2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Fire & Rescue Services	4,744	7,404	13	12,161
Combined Fire Authority Preparation	0	20		20
Net cost of services	4,744	7,424	13	12,181
Other income and expenditure from the funding analysis	(1,310)	16,846	2,776	18,312
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	3,434	24,270	2,789	30,493
Note a) Adjustments for capital purposes:				
Charges to services for depreciation and impairment	5,173			5,173
Current value of assets disposed	308			308
Statutory minimum revenue provision for capital financing	(429)			(429)
Revenue contributions to capital	(1,504)			(1,504)
Capital grants and contributions applied (note i)	0			0
Movement in the market value of investment properties	(69)			(69)
Total transferred to capital adjustment account (including note i)	3,479			3,479
Transfer asset sale proceeds to capital receipts reserve	(45)			(45)
Note a) Total	3,434			3,434

Continued on next page

Notes to the core financial statements

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Adjustments (Note c) £'000	Total Adjustments £'000
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		17,115		17,115
Past service pension costs		50		50
Interest on net pension liability		16,846		16,846
Total transferred to Pension Reserve		34,011		34,011
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(9,741)		(9,741)
Note b) Total		24,270		24,270
Note c) Other adjustments:				
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account			(747)	(747)
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			3,536	3,536
Note c) Total			2,789	2,789
Total adjustments				30,493
(note i) transfer from capital grants unapplied reserve				0
Use of capital receipts reserve to fund capital expenditure				0
Total adjustments between accounting and funding basis under statute				30,493

Notes to the core financial statements

2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Combined Fire Authority Preparation	0	7	0	7
People & Organisational development	183	580	0	763
Risk & Strategy	0	152	0	152
Operations	4,639	7,595	0	12,234
Performance & Assurance	0	222	0	222
Corporate Services	838	794	0	1,632
Finance	(446)	(934)	121	(1,259)
Past service pension costs			0	0
Net cost of services	5,214	8,416	121	13,751
Other income and expenditure from the funding analysis	(2,609)	18,832	1,058	17,281
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	2,605	27,248	1,179	31,032
Note a) Adjustments for capital purposes:				
Charges to services for depreciation and impairment	5,660			5,660
Current value of assets disposed	80			80
Statutory minimum revenue provision for capital financing	(446)			(446)
Revenue contributions to capital	(2,504)			(2,504)
Capital grants and contributions applied (note i)	0			0
Movement in the market value of investment properties	(61)			(61)
Total transferred to capital adjustment account (including note i)	2,729			2,729
Transfer asset sale proceeds to capital receipts reserve	(124)			(124)
Note a) Total	2,605			2,605

Continued on next page

Notes to the core financial statements

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		19,090		19,090
Past service cost of funded local government pensions		133		133
Interest on net pension liability		18,832		18,832
Total transferred to Pension Reserve		38,055		38,055
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(10,807)		(10,807)
Note b) Total		27,248		27,248
Note c) Other adjustments:				
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account			1,099	1,099
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			80	80
Note c) Total			1,179	1,179
Total adjustments				31,032
(note i) transfer from capital grants unapplied reserve				0
Use of capital receipts reserve to fund capital expenditure				0
Total adjustments between accounting and funding basis under statute				31,032

Notes to the core financial statements

3 Unusable reserves

The following table is a summary of the unusable reserves. Details of each are set out in the following paragraphs.

	2019/20 £'000	Movement £'000	2020/21 £'000	Note
Revaluation reserve	(66,207)	(8,489)	(74,696)	3a
Capital adjustment account	(73,349)	1,880	(71,469)	3b
Pensions reserve	742,982	147,620	890,602	3c
Collection fund adjustment account	(485)	3,536	3,051	3d
Financial Instrument adjustment account	781	(747)	34	3e
Total unusable reserves	603,722	143,800	747,522	

3a Revaluation reserve

The Revaluation Reserve contains the gains made by the Authority since 1 April 2007, arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are

- revalued 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.

2019/20 £'000		2020/21 £'000
(65,259)	Balance as at 1 April	(66,207)
(17,623)	Upward revaluation of assets	(10,240)
15,273	Downward revaluation of assets and impairment losses not charged to the (surplus) / deficit on the cost of services	197
(67,609)	Surplus or deficit on revaluation of non-current assets not posted to the (surplus) / deficit on the cost of services	(76,250)
1,372	Difference between fair value depreciation and historic cost depreciation	1,554
30	Write down of revaluation reserve on assets sold	0
0	Accumulated gains on assets sold or scrapped	0
1,402	Sub total written off to the capital adjustment account	1,554
(66,207)	Balance at 31 March	(74,696)

3b 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 a 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 accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The movement in the reserve is analysed below:

2019/20 £'000		2020/21 £'000	2020/21 £'000
(74,552)	Balance as at 1st April		(73,349)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
5,660	Charges for depreciation and impairment of non-current assets	5,173	
(61)	Revaluation (gain)/loss on investment property	(69)	
80	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	308	
5,679			5,412
(1,402)	Adjusting amounts written out of the revaluation reserve		(1,554)
4,277	Net written out amount of the cost of non-current assets consumed in the year		3,858
	Capital financing applied in the year:		
(124)	Use of the Capital receipts Reserve to finance new capital expenditure	(45)	
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	
(446)	Statutory provision for the financing of capital investment charged against the general fund	(429)	
(2,504)	Capital expenditure charged against the general fund	(1,504)	
(3,074)			(1,978)
0	Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement		0
(73,349)	Balance as at 31 March		(71,469)

3c Pensions 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 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 shortfall in the resources the Authority has set aside to meet the benefits earned by past and current employees. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £'000		2020/21 £'000
794,350	Balance 1 April	742,982
(72,209)	Actuarial (gains) or losses on pensions assets and liabilities	146,084
(9,491)	Government contribution for Firefighter Schemes	(12,355)
3,084	Return on plan assets	(10,379)
38,055	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit in the Comprehensive I&E Statement	34,011
(10,807)	Employer's pension contributions and direct payments to pensioners in the year	(9,741)
742,982	Balance 31 March	890,602

3d Collection fund adjustment account

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

3e Financial instrument adjustment account

The Authority uses this account to manage changes in fair value of pooled investment funds. Fair value changes debited or credited to the provision of services are reversed out of the General Fund balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Notes to the core financial statements

4 Usable Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate heading within the Comprehensive Income and Expenditure Statement in that year and is included in the Surplus or Deficit on 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.

	Balance 31 March 2019 £'000	Movement in 2019/20 £'000	Balance 31 March 2020 £'000	Movement in 2020/21 £'000	Balance 31 March 2021 £'000	note
Revenue Reserves						
A. General Fund Balance	(2,500)	0	(2,500)	0	(2,500)	
B. Earmarked Revenue Reserves						
Fully Committed to Existing Spend Programmes						
Designated Underspending Reserve	(44)	(726)	(770)	219	(551)	a
General Capital Reserve	(23,090)	109	(22,981)	(2,800)	(25,781)	b
Revenue Grants Unapplied	(614)	(1,142)	(1,756)	(2)	(1,758)	c
IT Services Reserve	(75)	0	(75)	(500)	(575)	d
Equipment Replacement Reserve	0	(345)	(345)	(453)	(798)	e
HQ Maintenance Reserve	(373)	(178)	(551)	(70)	(621)	f
Prince's Trust	(82)	(17)	(99)	(25)	(124)	g
Grant Equalisation Reserve	0	0	0	(625)	(625)	
	(24,078)	(2,299)	(26,577)	(4,256)	(30,833)	
Corporate Reserves						
Transformation Reserve	(3,601)	1,358	(2,243)	(225)	(2,468)	h
	(3,601)	1,358	(2,243)	(225)	(2,468)	
Total Earmarked Revenue Reserves Available	(27,879)	(941)	(28,820)	(4,481)	(33,301)	
Total Revenue Reserves and Balances	(30,379)	(941)	(31,320)	(4,481)	(35,801)	
Capital Reserves						
Capital Grants Unapplied	0	0	0	0	0	i
Capital Receipts Reserve	0	0	0	0	0	j
Total Capital Reserves and Balances	0	0	0	0	0	
Total Usable Reserves	(30,379)	(941)	(31,320)	(4,481)	(35,801)	

- a. The designated underspends reserve enables departments to carry forward specific underspends into the next financial year

Notes to the core financial statements

- b. The general capital reserve is used to match the timing of available resources with capital payments. The Authority has had the aim for a number of years to increase this reserve given the withdrawal of Government funding for capital.
- c. The revenue grants unapplied reserve is required as grants have to be accounted for in the year they are received. This reserve contains the value of grants unspent during the year, where there is no repayment conditions attached, in order for them to be applied when the expenditure is incurred.
- d. The IT Services reserve holds funds set aside for IT refresh programmes.
- e. The equipment replacement reserve holds funds available to offset the impact of large-scale equipment replacement.
- f. The HQ maintenance reserve is to fund large repairs and maintenance projects at HQ .
- g. The Prince's Trust reserve holds any surplus from Prince's Trust activities and is ring-fenced for future Prince's Trust activities .
- h. The Transformation Reserve was established in 2014/15 to fund all transformational projects that will support the re-design of the service over the next few years in order to achieve the financial savings that are required to balance the budget.
- i. The capital grants unapplied reserve is the equivalent of the revenue grants unapplied reserve but for capital grants.
- j. The capital receipts reserve is the proceeds from the sale of capital assets (buildings and vehicles) which is available to finance future capital expenditure

5 Financing and investment income and expenditure

The financing and investment income is made up of the following elements:

2019/20 £'000		2020/21 £'000
391	Interest payable	383
(513)	Interest and dividends from short-term investments	(394)
1,038	Pooled Investment Funds & Investment property (gains) & losses	(816)
19,952	Pensions interest cost	17,896
(1,120)	Pensions interest on assets	(1,049)
1	Expected credit losses	(2)
19,749	Total	16,018

6 Government grants and contributions

Government grants and third party contributions are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant or contribution.

Grants and contributions which have outstanding conditions are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, or where there are no conditions attached to the grant or contribution and there is reasonable assurance that the monies will be received and that the expenditure for which the grant has been given has been or will be incurred, the income is credited to the Comprehensive Income and

Notes to the core financial statements

Expenditure Statement as follows:

- To the relevant service for revenue grants and contributions and capital grants used to fund revenue expenditure funded by capital under statute
- To the Taxation and Non-Specific Grant Income section for non-ring-fenced revenue grants and contributions and all other capital grants and contributions.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund in the Movement in Reserves Statement. Capital grants applied in the year are posted to the Capital Adjustment Account. Where the grant has yet to be used to finance capital expenditure, it is transferred to the Capital Grants and Contributions Unapplied Reserve. Amounts in the Capital Grants and Contributions Unapplied Reserve that are subsequently applied in future years will be transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants have been credited to the Comprehensive Income and Expenditure Statement but are yet to be used, they are transferred to an earmarked reserve in the Movement in Reserves Statement. Once used in subsequent years, they are transferred to the General Fund to fund the revenue expenditure.

2019/20 £'000		2020/21 £'000
	Credited to taxation non specific grant income:	
(18,378)	General Government grants (RSG, locally retained business rates & top up grant)	(18,360)
(2,336)	S31 Grant funding	(708)
(951)	New Dimension	(1,266)
0	Radio System	(500)
0	Covid-19 grant	(1,584)
(21,665)	Total	(22,418)
	Credited to services:	
(78)	Marauding Terrorist Firearm Attacks (MTFA)	(58)
(3)	Firesetter Intervention Scheme	
(81)	Total	(58)

7 Officers' remuneration

Employee benefits

Benefits Payable During Employment

Short-term employee benefits, such as salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Authority.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the Comprehensive Income and Expenditure Statement (as part of the cost of services) when a termination notice has been issued to an employee. A provision for termination costs is included in the Comprehensive Income and Expenditure Statement (as part of the cost of services) where there is an agreed business case setting out the estimated termination costs resulting from a proposed restructuring.

Where termination benefits involve the enhancement of pensions by way of added years, legislation requires 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 charges for termination benefits and replace them with a charge for the actual amounts payable to the former employee and the pension fund.

7a The remuneration paid to the Authority's senior employees is as follows:

2020/21	Salary	Benefits in kind (e.g. car allowance)	Compensation for loss of office	Employers pension contributions	Total remuneration
	£	£		£	£
Chief Officer - Neil Odin	165,560	0	0	47,681	213,241
Director of Policy and Planning	132,448	0	0	49,403	181,851
Director of Operations	124,158	4,577	0	35,757	164,492
Director of Performance and Assurance	124,158	4,337	0	20,858	149,353
Director of Corporate Services	99,334	150	0	16,688	116,173

Notes to the core financial statements

2019/20	Salary	Benefits in kind (e.g. car allowance)	Compensation for loss of office	Employers pension contributions	Total remuneration	note
	£	£		£	£	
Chief Officer - Neil Odin	162,231	0	0	46,620	208,851	i
Director of Policy and Planning (1 April 2019 to 14 June 2019)	27,192	0	0	10,044	37,236	
Director of Policy and Planning (15 April 2019 to 31 March 2020)	124,192	0	0	46,324	170,516	
Director of Operations	121,723	172	0	34,970	156,865	
Director of Performance and Assurance	121,723	1,843	0	19,597	143,163	
Chief of Staff	90,471	494	0	14,566	105,531	

note i The Chief Fire Officer's pay increased in line with terms agreed as part of his contract of employment.

Prior to the Hampshire and Isle of Wight Fire Authority commencing on 1 April 2021, the Chief Officer led on services provided to the Isle of Wight Fire Authority for which the Hampshire Fire and Rescue Authority received income as part of the partnership agreement.

The Clerk to the Authority is the Chief Executive of Hampshire County Council. The Chief Financial Officer role (S151 Officer) and Director of Human Resources & Workforce Development are provided by senior officers at Hampshire County Council as part of a joint working agreement for a range of corporate services. These officers are included in disclosures by Hampshire County Council.

7b The number of employees whose remuneration during the year was £50,000 or more, in bands of £5,000, is shown below, excluding those that are senior employees (see table above). Remuneration includes all amounts paid to an employee, including the taxable value of expenses.

	Number of Employees	
	2019/20	2020/21
£50,000 - £54,999	39	29
£55,000 - £59,999	24	38
£60,000 - £64,999	26	21
£65,000 - £69,999	3	11
£70,000 - £74,999	1	0
£75,000 - £79,999	3	0
£80,000 - £84,999	1	2
£85,000 - £89,999	0	3
£95,000 - £99,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£125,000 - £129,999	0	0
£165,000 - £169,999	1	0
Total	98	104

7c Exit Packages

2019/20			Total number of exit packages by cost band	Total cost of exit packages in each band
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed		
£0 to £20,000	4	5	9	£1,296
£20,001 - £50,000	0	2	2	£104,000
	4	7	11	£105,296

There was one exit package in 2020/21. So that the value of individual exit packages cannot be identified, the value is not required to be disclosed.

8 Members' allowances

The Authority paid the following amounts to members of the Authority during the year:

2019/20		2020/21
£'000		£'000
84	Allowances	84
0	Expenses	0
84		84

Notes to the core financial statements

9 External audit costs

Fees charged by the Authority's external auditor can be analysed as follows:

2019/20 £'000		2020/21 £'000
28	External audit services	28
0	Other services	0
28	Total	28

10 Nature of expenses

The Cost of Services includes the following items of income and expenditure:

2019/20 Expenditure in the CIES £'000		Note	2020/21 Expenditure in the CIES £'000
63,137	Employee Benefit Expenses	a	60,524
18,447	Other Service Expenses	b	19,160
5,660	Depreciation and Impairment	c	5,173
87,244	Total Expenditure		84,857
(3,204)	Grants, contributions and reimbursements		(2,671)
(1,541)	Fees, charges and other service income		(1,723)
(4,745)	Total Income		(4,394)
82,499	Net Cost of Services		80,463

- a. Employee benefit expenses include pay, employer national insurance contributions, employer pension contributions and other employee benefits. Accounting adjustments are then made under IAS19 so that the expenditure in the CIES reflects the current service cost of the benefit granted in the period, rather than the payments made.

Notes to the core financial statements

- b. Other service expenses include costs relating to premises, transport, supplies and services. An accounting adjustment is made so that the charge to the CIES also includes revenue expenditure charged to capital under statute (REFCUS).
- c. Depreciation and impairment charges are made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

11 Income received from external customers

Income received from external customers is analysed by service in the table below:

2019/20 £'000		2020/21 £'000
(1,520)	Fire & Rescue Services	(1,651)
(21)	Combined Fire Authority Preparation	(72)
(1,541)	Total income from external customers analysed on a segmental basis	(1,723)

12 Related parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers 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 effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides a proportion of its funding in the form of grants.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances is shown in Note 8. During 2020/21 there were no potential conflicts of interest involving Members of the Authority.

Officers

The Chief Finance Officer (CFO) to the Fire Authority is also the Head of Finance for Hampshire County Council. The Fire Authority's governance arrangements together with the independence and professional status of the Head of Finance, ensure that this relationship is not compromised. The Director of Human Resources & Workforce Development and the Clerk to the Authority, the Chief Executive of Hampshire County Council, are also provided by the County Council and similar assurances as with the CFO would apply.

3SFire Ltd

The Fire Authority has sole control over a company – 3SFire Ltd. It is a company limited by shares held by the Authority and was formed on 20 February 2013. The company has five directors who are independent of the Fire Authority; this ensures that there is no conflict of interest around payment of any dividend to the Fire Authority. Two of the directors of 3SFire Ltd. are also directors for the Hampshire and Isle of Wight Fire and Rescue Service (HIOWFRS) and the Chief Executive and Chief Operating Officer of 3SFire Ltd are independent of HIOWFRS.

The Hampshire Fire and Rescue Service (HFRS) acted as a preferred supplier to 3SFire, for which 3SFire pay the standard charges for the services received. The most significant service provided is running fire and rescue related training courses, but other fire safety work is also provided by HFRS. Other suppliers are used whenever HFRS are unable to provide the service, for whatever reason. Customers of 3SFire Ltd. include a range of private sector companies, other fire and rescue services and local authorities.

During the financial year 2020/21, 3SFire paid £25k to HFRS for the services they provided, including lease of office space. This is in the context of Turnover of £161,353.

13 Capital financing

The Authority's borrowing for capital purposes is controlled under the CIPFA Prudential Code for Capital Finance in Local Authorities. The total borrowing is expressed as the Capital Financing Requirement and is derived from the opening Balance Sheet.

Capital Financing Requirement

The total amount of capital expenditure incurred in the year is shown in the table, 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 CFR is analysed in the second part of this note.

Revenue expenditure funded from capital under statute

Legislation allows some expenditure (for example smoke detectors which are fitted into individual's homes and therefore do not add to the value of the Authority's assets) to be funded from capital resources. Such expenditure is not carried on the Balance Sheet and is charged to the Income and Expenditure Statement in the year it is incurred. However, so that it does not impact on the year's Council tax, an adjustment is made in the Movement in Reserves Statement.

2019/20 £'000		2020/21 £'000
11,210	Opening capital financing requirement	10,764
	<i>Capital investment:</i>	
2,628	Property, plant and equipment	1,561
	<i>Sources of finance:</i>	
(124)	Capital receipts	(45)
0	Government grants and contributions	0
	<i>Sums set aside from revenue:</i>	
(2,504)	Direct revenue contributions (budgeted)	(1,504)
(446)	Minimum revenue provision	(429)
10,764	Closing capital financing requirement	10,347
	Explanation of movements in year:	
0	Increase in borrowing	12
(446)	Minimum revenue provision	(429)
(446)	Increase/(decrease) in capital financing requirement	(417)

Redemption of debt

The Authority's borrowing for capital purposes is determined by the Authority each year in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities. The total borrowing is known as the Capital Financing Requirement which is derived from the opening balance sheet. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 which came into force on 31 March 2008 require the Authority to make provision for the redemption of debt. The Authority has approved the policy that in accordance with requirement a minimum revenue provision is put aside from revenue which will be equal to 4% of the capital financing requirement for capital purposes at the start of the financial year. For unsupported borrowing incurred after 1 April 2008, minimum revenue provision is made on a basis to reflect the life of the assets financed.

14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. The Authority does not have any material finance leases.

The Authority as a lessee:

Where the Authority leases an asset under an operating lease the asset is not recognised in the balance sheet. Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense on a straight-line basis.

The Authority as a lessor:

Where the Authority grants an operating lease on an asset it is retained in the Balance Sheet. Rentals receivable are credited to the relevant service area in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

Assets used under operational lease

Some of the Authority's premises and operational vehicles are leased. The expenditure charged to the cost of services within the Comprehensive Income and Expenditure Statement and the future minimum lease payments due under non-cancellable leases are:

31 March 2020 £'000		31 March 2021 £'000
16	In year payments	16
	Future minimum payments:	
16	Not later than one year	16
60	Later than one year and not later than five years	60
566	Later than five years	551
642	Total future payments	627

The Authority as lessor

The Authority grants operating leases to third parties for example for parking and or storage by other emergency services. The rental income received by services within the Comprehensive Income and Expenditure Statement and the future minimum lease payments receivable in future years are:

31 March 2020		31 March 2021
£'000		£'000
283	in year receipts	287
	Future minimum receipts:	
286	Not later than one year	287
452	Later than one year and not later than five years	464
666	Later than five years	570
1,404	Total future receipts	1,321

15 Property, Plant and Equipment

Property, plant and equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment assets is capitalised on an accruals basis. Expenditure that maintains, but does not extend, the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to the relevant service area within the Comprehensive Income and Expenditure Statement as it is incurred.

Measurement

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

Notes to the core financial statements

- Operational Land and Buildings - current value, determined as the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Assets valued at under £10,000 are not recognised as they do not add to the future economic benefits or service potential of the Authority.
- Surplus Land and Buildings – at fair value in highest and best use, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- Vehicles, Plant and Equipment are measured at depreciated historical cost (as this is not materially different from the fair value).
- Assets under construction are measured by historic cost

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The freehold and leasehold properties of the Authority's property portfolio have been valued under a rolling programme by qualified property services staff from Hampshire County Authority. Valuations were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. For assets not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- 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)
- 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.

Impairment

Decreases in value (due to either physical impairment or market prices) are either charged to the Asset Revaluation Reserve (to the extent that it has any balance relating to the specific asset) or to the relevant service area within the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

However, revaluation losses and subsequent reversals are not permitted by statutory arrangements to have an impact on the General Fund Balance and therefore any gains or losses are reversed out of the General Fund Balance (in the Movement in Reserves Statement) and are transferred to the Capital Adjustment Account.

Depreciation

Depreciation is provided for on all PPE assets with a determinable and finite life by allocating the value of the asset in the Balance Sheet over their useful lives. An exception is made for assets without finite lives (e.g. land) assets that are not yet available for use (e.g. assets under construction) and assets held for sale.

The accounting standard IAS16 requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. However, where parts of the item are individually not significant and there are varying expectations for these parts, approximation techniques may be necessary to depreciate them in a manner that faithfully represents the consumption pattern and/or useful life of its parts. For building assets, the Authority uses a weighted average of all components rather than depreciating components separately. The difference in the depreciation calculated is not material.

Depreciation commences in the year after the year of acquisition and a full year's depreciation is charged in the year of disposal, except for vehicles disposed of in the first six months of a financial year when no depreciation is charged in the final period. Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer. The useful life of a building is the weighted average of all its components. Where material replaced components are derecognised by disposing of their gross book value and accumulated depreciation
- Furniture and equipment - 10 years
- Vehicles - between five and 10 years.

Depreciation is charged to the relevant revenue service area within the Comprehensive Income and Expenditure Statement. However, depreciation charges are not permitted by statutory arrangements to have an impact on the General Fund Balance and therefore any gains or losses are reversed out of the General Fund Balance (in the Movement in Reserves Statement) and are transferred to the Capital Adjustment Account.

Where assets have been re-valued, the revaluation gains held in the Asset Revaluation Reserve are also depreciated, with an amount equal to the difference between current

value depreciation charged on assets and the depreciation that would have been charged, based on their historic cost, being transferred each year from the Asset Revaluation Reserve to the Capital Adjustment Account.

Disposals and assets held for sale

When a material PPE asset is to be disposed of and meets all of the criteria of an asset held for sale, it is reclassified as Assets Held for Sale. If the carrying amount at the time of reclassification is higher than the fair value less the costs of selling the asset, then the asset held for sale will be impaired. This impairment is charged to other costs. Assets that are being abandoned or scrapped are written out without being reclassified.

When the asset is disposed of, or decommissioned, the carrying value of the asset is written out to the Other Operating Income and Expenditure line within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off value of disposals is not a charge against Council tax, as the cost of fixed 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. Any revaluation gains accumulated for the asset in the Asset Revaluation Reserve are written out to the Capital Adjustment Account by way of a transfer between the accounts.

Amounts received in excess of £10,000 are categorised as capital receipts and are credited to the other operating expenditure line within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. They are then appropriated to the Capital Receipts Reserve from the General Fund Balance within the Movement in Reserves Statement and then can only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement).

Heritage Assets

A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. They are intended to be preserved for future generations.

The heritage assets held by the Authority are two vintage vehicles and a small collection of equipment such as helmets.

The collection is not recognised in the financial statements as no information is available on the value of these assets. Obtaining specialist valuations for these assets would be disproportionate in comparison to the benefits to the users of the financial statements.

Notes to the core financial statements

15a Movements

The movements in property, plant and equipment are shown in the following tables.

2020/21	Other land and buildings	Vehicles and equip' t	Surplus assets	Assets under const' n	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:					
At 31 March 2020	144,439	41,862	0	1,707	188,008
Additions in year	199	95	0	1,267	1,561
Donations	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,113	0	0	0	8,113
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(27)	0	0	0	(27)
Derecognition - Disposals	0	(3,548)	0	0	(3,548)
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0
Other movements in cost or valuation	0	1,159	0	(1,159)	0
Gross book value as at 31 March 2021	152,724	39,568	0	1,815	194,107
Accumulated depreciation:					
At 31 March 2020	(7,967)	(30,523)	0	0	(38,490)
Depreciation Charge	(2,986)	(2,160)	0	0	(5,146)
Depreciation written out on revaluation	1,930	0	0	0	1,930
Depreciation written out on the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	0	3,241	0	0	3,241
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
Accumulated depreciation as at 31 March 2021	(9,023)	(29,442)	0	0	(38,465)
Net book value 31 March 2021	143,701	10,126	0	1,815	155,642
Net book value 31 March 2020	136,472	11,339	0	1,707	149,518

Notes to the core financial statements

2019/20	Other land and buildings	Vehicles and equip' t	Surplus assets	Assets under const' n	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:					
At 31 March 2019	144,788	41,673	0	18	186,479
Additions in year	(120)	1,059	0	1,689	2,628
Donations	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	114	0	0	0	114
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(293)	0	0	0	(293)
Derecognition - Disposals	(50)	(870)	0	0	(920)
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
At 31 March 2020	144,439	41,862	0	1,707	188,008
Accumulated depreciation:					
At 31 March 2019	(7,367)	(28,832)	0	0	(36,199)
Depreciation Charge	(2,849)	(2,518)	0	0	(5,367)
Depreciation written out on revaluation	2,236	0	0	0	2,236
Depreciation written out on the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	13	827	0	0	840
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
Accumulated depreciation as at 31 March 2020	(7,967)	(30,523)	0	0	(38,490)
Net book value 31 March 2020	136,472	11,339	0	1,707	149,518
Net book value 31 March 2019	137,421	12,841	0	18	150,280

16 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants do not give rise to financial instruments. Financial instruments are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into one of three categories dependent on both:

- the reason the authority is holding the asset (e.g. to collect the contractual cash flows until maturity and / or to sell before maturity); and
- the nature of the asset's contractual cash flows (e.g. just principal and interest or something more complicated).

Reason for holding the asset	Nature of the contractual cash flows	Classification category
Holding assets in order to collect contractual cashflows	Solely payments of principal and interest	Amortised Cost
Holding assets in order to collect contractual cashflows as well as selling the assets	Solely payments of principal and interest	Fair value through other comprehensive income
Holding assets that do not fall into either of the above categories	Not solely payments of principal and interest	Fair value through profit and loss

As an exception to the above, at initial recognition an authority may make an irrevocable election to present changes in the fair value of investments in equity instruments through other comprehensive income rather than through profit and loss. This is dependant on these investments being held for strategic rather than trading purposes. Such investments are then classified as Fair value through other comprehensive income.

All financial assets are initially measured at fair value and recognised on the balance sheet. How the financial assets are subsequently measured, and how unrealised gains or losses are shown in the accounts is dependent on what category the asset has been classified as.

Notes to the core financial statements

Classification category	Subsequent measurement basis	Presentation of unrealised gains & losses
Amortised Cost	Amortised Cost	A disclosure note
Fair Value through Other Comprehensive Income (FVOCI)	Fair Value	The 'Other comprehensive income' section of the Comprehensive Income & Expenditure Statement (CIES)
Fair Value through Profit & Loss (FVPL)	Fair Value	The 'Financing and investment income & expenditure' section of the CIES.

A financial asset is derecognised from the Balance Sheet when the contractual rights to the cash flows expire, or the financial asset is transferred.

Interest or dividends are credited to the Financing and Investment Income and Expenditure line in the CIES. Dividends are credited when they become receivable by the authority. Interest income is credited based on the amortised cost of the asset multiplied by its effective interest rate.

Financial liabilities

All financial liabilities are classified as subsequently measured at amortised cost. This means they are initially measured at fair value before subsequently being measured at amortised cost. The amount presented in the Balance Sheet is therefore the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The amount payable each year therefore matches to the loan agreement.

Impairment of Financial Instruments – Expected Credit Loss (ECL) model

At each reporting date, using reasonable and supportable forward looking information that is available without undue cost or effort, an authority shall assess whether the risk of default occurring over the life of the financial instrument has increased significantly since it was initially recognised.

The basis of this assessment determines the amount of the ECL that is then charged to the 'Financing and investment income & expenditure' section of the CIES:

Notes to the core financial statements

Risk of default has increased significantly	ECL equal to the anticipated loss over the lifetime of the financial instrument
Risk of default has not increased significantly	ECL equal to the anticipated loss over the next 12 month period

A simplified approach for calculating the ECL can be used for trade receivables, contract assets and lease receivables that do not contain a significant financing component.

The fair value of long term loans and receivables and borrowings are included in disclosure note 18.

Notes to the core financial statements

16a Financial Instruments – liabilities

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31/03/2020 £'000	31/03/2021 £'000	31/03/2020 £'000	31/03/2021 £'000
Loans at amortised cost:				
-Principal sum borrowed	(7,100)	(6,650)	(1,150)	(450)
-Accrued interest	0		(64)	(59)
Total borrowing	(7,100)	(6,650)	(1,214)	(509)
Liabilities at amortised cost:				
-Finance leases	0		0	0
-Trade creditors	0		(3,329)	(2,500)
Total other liabilities	0	0	(3,329)	(2,500)
Total	(7,100)	(6,650)	(4,543)	(3,009)

16b Long- term borrowing

Hampshire Fire & Rescue Authority's long-term borrowing consists of loans from the Public Works Loan Board which are measured at amortised cost.

16c Short term borrowing

This balance represents the interest payable to the PWLB within one year.

16d Creditors

The short term creditors balance on the balance sheet includes non-exchange creditors that do not meet the definition of a financial instrument. Total creditors can be analysed into financial instruments and non-financial instruments as follows:

2019/20 £'000		2020/21 £'000
(3,329)	Financial instrument creditors	(2,500)
(891)	Non-financial instrument creditors	(5,307)
(4,220)	Total creditors	(7,807)

Receipts in advance are also included within creditors. The balance is in the main relating to next year's expenditure and as such the amortised cost in the balance sheet is a reasonable assessment of fair value.

Notes to the core financial statements

16e Financial Instruments - Assets

The financial assets disclosed in the balance sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31/03/2020	31/03/2021	31/03/2020	31/03/2021
	£'000	£'000	£'000	£'000
Investments:				
At amortised cost				
- Principal	2,003	1,002	4,012	14,000
- Accrued interest	0	0	34	24
- Loss Allowance	0	0	0	(1)
At Fair Value through Other Comprehensive Income (FVOCI)				
- Principal at amortised cost	0	0	0	0
- Accrued interest	0	0	0	0
- Loss allowance	0	0	0	0
- Fair value adjustment	0	0	0	0
- Equity investments	0	0	0	0
At Fair Value through profit & loss				
- Fair value (FVPL)	6,219	6,965	0	0
Total investments	8,222	7,967	4,046	14,023
Cash & cash equivalents:				
- Cash (including bank accounts)			(336)	(451)
- At amortised cost			2,958	1,840
- At FVOCI			0	
- At Fair Value through Profit & Loss			9,540	2,950
Total cash and cash equivalents	0	0	12,162	4,339
Loans and receivables:				
- trade debtors	0	0	4,167	2,007
- loans made for service purposes	6	6	0	0
Total financial assets	8,228	7,973	20,375	20,369

16f Long-term investments

Surplus cash balances are lent to borrowers on the Authority's approved list. Long term investments are not due to be repaid until after a year from the balance sheet date for periods of up to two years.

16g Short term investments

Surplus cash balances are lent to borrowers on the Authority's approved list. Short term investments are due to be repaid within a year and so their amortised cost in the balance sheet date is a reasonable assessment of their fair value.

16h Long term debtors and pre-payments

These represent staff car loans which attract a market rate of interest for a period of less than five years and the value in the balance sheet is a reasonable assessment of fair value. All loans are expected to be repaid in full and so a reduction for impairment is not considered necessary.

Prepayments relate to advanced payment of employer pension contributions to the Local Government Pension Scheme (LGPS) permissible within the LGPS Regulations. These pre-payments are classified as non-financial instruments.

2019/20		2020/21
£'000		£'000
6	Financial instrument debtors	6
0	Non-financial instrument pre-payments	1,287
6	Total longterm debtors and pre-payments	1,293

16i Debtors

Receipts are due within one year without interest and as such the fair value of receivables equals the original invoice amount. The total amount has not been reduced to take account of debts that are unlikely to be collectable as it is believed all debts will be repaid in full. Consideration was given as to the need to impair these debts, but no impairment was required for either 2019/20 or 2020/21.

The debtors balance incorporates payments in advance. These represent the proportion of leasing payments made that relate to 2021/22 as payments are made annually in advance. As the balance relates to less than a financial year the fair value is equivalent to the proportion of the original invoice that relates to 2020/21.

The short term debtors balance on the balance sheet includes non-exchange debtors that do not meet the definition of a financial instrument. Total debtors can be analysed into financial instruments and non-financial instruments as follows:

Notes to the core financial statements

2019/20		2020/21
£'000		£'000
4,167	Financial instrument debtors	2,007
4,150	Non-financial instrument debtors	7,923
8,317	Total debtors	9,930

16j Cash and cash equivalents

Cash comprises cash in hand and on demand deposits.

Balances classified as 'cash equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are carried at amortised cost. The balance of cash and cash equivalents is made up of the following elements at the balance sheet date;

2019/20		2020/21
£'000		£'000
14	Cash in hand	9
2,958	Cash equivalents measured at amortised cost	1,840
9,540	Cash equivalents measured at fair value through profit & loss	2,950
(350)	Uncleared BACS payments	(460)
12,162	Total	4,339

17 Financial Instruments – Fair Values

Fair Value Measurement

The Fire & Rescue Authority measures some of its assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Fire & Rescue Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

When measuring the fair value of a non-financial asset, the Fire & Rescue Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the

asset in its highest and best use.

All financial instruments excluding those classified at amortised cost are carried in the Balance Sheet at fair value. For money market funds and pooled funds the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Fire & Rescue Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices

Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 - fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The fair value of long term liabilities held at amortised cost is higher than the balance sheet carrying amount because the Authority's portfolio of loans includes a number of loans, where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Notes to the core financial statements

	Fair Value level	Balance Sheet		Fair Value		Note
		31/03/2020 £'000	31/03/2021 £'000	31/03/2020 £'000	31/03/2021 £'000	
Financial Liabilities						
Long term loans from PWLB	2	(8,250)	(7,100)	(10,257)	(8,982)	
Accrued interest		(64)	(59)			
Total loans borrowed		(8,314)	(7,159)	(10,257)	(8,982)	
Liabilities for which fair value is not disclosed - note i		(3,329)	(2,500)			
Total financial liabilities		(11,643)	(9,659)	(10,257)	(8,982)	
Recorded on balance sheet as:						
Short term creditors		(3,329)	(2,500)			17d
Short term borrowing		(1,214)	(509)			17a
Long term creditors		0	0			
Long term borrowing		(7,100)	(6,650)			17a
Total financial liabilities		(11,643)	(9,659)			
Financial Assets						
Held at fair value:						
Money market funds	1	9,540	2,950	9,540	2,950	
Bond, equity & multi asset funds	1	3,009	3,779	3,009	3,779	
Property funds - note ii	1	3,210	3,187	3,210	3,187	
Certificates of deposit		0	0	0	0	
Corporate & government bonds		0	0	0	0	
Held at amortised cost:						
Corporate & government bonds	1	1,003	1,002	983	1,007	
Long-term loans to local authorities and housing associations	2	1,000	0	1,014	0	
Total		17,762	10,918	17,756	10,923	
Assets for which fair value is not disclosed - note i		10,841	17,424			
Total financial assets		28,603	28,342			
Recorded on balance sheet as:						
Long term investments		8,222	7,967			17e
Long term debtors		6	6			17e
Short term investments		4,046	14,023			17e
Cash and cash equivalents		12,162	4,339			17j
Short term debtors		4,167	2,007			17i
Short term service loans		0	0			
Total financial assets		28,603	28,342			

note i - the fair value of short term liabilities and assets including trade payables and receivables is assumed to approximate to the carrying amount.

note ii - Property funds totalling £3.2m have been moved from level 2 to level 1 of the hierarchy for 2020/21 reflecting that there is an active market in these instruments.

18 Financial Instruments – Risks

Hampshire Fire & Rescue Authority complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, HFRA approves a Treasury Management Strategy before the commencement of each financial year.

The Strategy sets out the parameters for the management of risks associated with financial instruments. HFRA also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. HFRA's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to HFRA
- Liquidity risk: The possibility that HFRA might not have the cash available to make contracted payments on time
- Market risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

HFRA manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which HFRA has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, HFRA has regard to other measures including credit default swaps and equity prices when selecting commercial entities for investment.

A limit of £4m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £2m applies. HFRA also sets limits on investments in certain sectors. No more than £10m in total can be invested for a period longer than one year.

The credit quality of £2m of HFRA's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of HFRA suffering a loss on these investments. The table below summarises the credit risk exposures of HFRA's investment portfolio by credit rating:

Notes to the core financial statements

Credit rating	Long term		Short term	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
AAA	1,003	1,002	1,002	
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	1,439	
A+	0	0	11	
A	0	0	1,518	4,841
A-	0	0	0	0
AAA Money Market Funds	0	0	9,540	2,950
Unrated local authorities	1,000		3,034	11,022
Unrated pooled funds	6,219	6,965	0	0
Total Investments	8,222	7,967	16,544	18,813

Liquidity Risk

HFRA has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that HFRA will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans, limiting the amount of HFRA's borrowing that matures in any one financial year. The maturity analysis of the principal sums borrowed is as follows:

Time to maturity (years)	31/03/2020 £'000	31/03/2021 £'000
Not over 1	(1,150)	(450)
Over 1 but not over 2	(450)	(750)
Over 2 but not over 5	(1,450)	(700)
Over 5 but not over 10	(100)	(100)
Over 10 but not over 20	(5,100)	(5,100)
Over 20 but not over 30	0	
Total	(8,250)	(7,100)

Market Risks: Interest Rate Risk

HFRA is exposed to risk in terms of its exposure 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 interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks through the interest rate risk indicator. At 31 March 2021, the entire net principal borrowed (i.e. debt net of investments) was exposed to fixed rates. £26.8m of HFRA's investment balance at 31 March 2021 was exposed to variable interest rates, including £1m of floating rate notes.

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

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(159)
Decrease in fair value of investments held at FVPL	30
Impact on (Surplus) or Deficit on the Provision of Services	(129)
Decrease in fair value of investments held at FVOCI	0
Impact on Comprehensive Income and Expenditure	(129)

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed.

Market Risks: Price Risk

The market prices of HFRA's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

HFRA's investment in a pooled property fund and pooled equity funds are subject to the risk of falling commercial property and share prices. This risk is limited by HFRA's investment strategy, which limits the amount invested in pooled funds. A fall in commercial property or share prices would result in a charge to the surplus or deficit on the provision of services – this would have no impact on the General Fund until the investment was sold.

19 Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Authority has a present obligation (legal or constructive) and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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 – where it becomes less than probable that payments will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

The Authority holds the following provisions.

- Uninsurable and other claims. This covers costs which may arise as a result of the Authority being uninsured for a period (the Authority's insurers went into liquidation some years ago), possible employment tribunals (together with their associated costs) and other claims made against the Authority. These cases may take a number of years to settle
- Pension liabilities relating to temporary promotions that will be funded by the Authority.
- Business rate appeals relating to valuations, which may impact on future business rates collected by the Authority.

The movement on these provisions can be summarised as follows:

	Uninsurable and other claims	Pension liabilities	Provision charged to net cost of services	Business Rate appeals	Total provision made
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	(86)	(203)	(289)	(1,048)	(1,337)
Payments made in the year	19	67	86		86
(Increase) /decrease	(49)		(49)	28	(21)
Balance as at 31 March 2021	(116)	(136)	(252)	(1,020)	(1,272)

20 Defined benefit pension schemes

20a Participation in pension schemes

As part of the terms and conditions of employment of its employees, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually become payable until the employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in a number of pension schemes:

- the Local Government Pension Scheme (LGPS) for support staff which is administered by Hampshire County Council. This is a funded defined benefit scheme meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Benefits earned up to 31 March 2014 are linked to final salary and benefits after 31 March 2014 are based on a Career Average Revalued Earnings (CARE) scheme. Discretionary arrangements for the award of post retirement benefits upon early retirement can be made. These are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due;
- the 1992 Firefighters' Pension Scheme (FPS);
- the 2006 New Firefighters' Pension Scheme (FPS). This scheme was opened to new members from 1 April 2006;
- the 2015 Firefighters' Pension Scheme (FPS); and
- the Modified 2015 Firefighters' Pension Scheme (FPS) for retained firefighters.

All of the Firefighters pension schemes are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due. All costs in connection with the scheme except those relating to injury pensions and any ill-health early retirement costs are funded by the Government. All costs in relation to injury pensions, ill-health early retirement costs and pensions relating to temporary promotions are met by the employer.

The 2015 scheme is a career average scheme (CARE), and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme, unless they have protected status under one of the existing schemes.

21 Transactions relating to post-employment benefits

The cost of post-employment benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been

Notes to the core financial statements

made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year:

	Firefighters' Pension Schemes		Injury Pensions (firefighters)	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
Current service				
- cost	15,370	13,530	590	570
- Past service costs	0	50	0	0
- (Gain)/loss from settlements	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	17,560	15,650	740	630
Total Charge to the Surplus or Deficit on the Provision of Services	32,930	29,230	1,330	1,200
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
- Government contribution for Firefighter Schemes	(9,491)	(12,355)		
- Actuarial (Gains)/Losses arising	(65,860)	124,211	(3,720)	4,020
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(42,420)	141,086	(2,390)	5,220
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(32,930)	(29,230)	(1,330)	(1,200)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	7,680	7,485	0	0
Benefits paid direct to beneficiaries	0	0	900	910
Charge on General Fund	7,680	7,485	900	910

Notes to the core financial statements

	LGPS (Staff)		All schemes - Summary	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
Current service				
- cost	3,130	3,015	19,090	17,115
- Past service cost	133	0	133	50
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	532	566	18,832	16,846
<i>Total Charge to the Surplus or Deficit on the Provision of Services</i>				
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
- Return on plan assets	3,084	(10,379)	3,084	(10,379)
- Government contribution for Firefighter Schemes			(9,491)	(12,355)
- Actuarial (Gains)/Losses arising:-	(2,629)	17,853	(72,209)	146,084
<i>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
	4,250	11,055	(40,560)	157,361
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(3,795)	(3,581)	(38,055)	(34,011)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	2,227	1,346	9,907	8,831
Benefits paid direct to beneficiaries	0	0	900	910
<i>Charge on General Fund</i>				
	2,227	1,346	10,807	9,741

22 Liabilities in relation to post-employment benefits

The following tables set out the reconciliation of the various schemes' liabilities, discounted to their present value using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.:

2019/20	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	69,280	739,930	31,100	840,310
Current service cost	3,130	15,370	590	19,090
Interest cost	1,653	17,560	740	19,953
Contributions by scheme participants	556	3,390	0	3,946
Actuarial (gains) and losses	(2,629)	(65,860)	(3,720)	(72,209)
Net benefits paid out	(1,400)	(20,560)	(900)	(22,860)
Past service costs	133	0	0	133
31 March	70,723	689,830	27,810	788,363

2020/21	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	70,723	689,830	27,810	788,363
Current service cost	3,015	13,530	570	17,115
Interest cost	1,616	15,650	630	17,896
Contributions by scheme participants	591	3,310	0	3,901
Actuarial (gains) and losses	17,853	124,210	4,020	146,083
Net benefits paid out	(1,509)	(23,150)	(910)	(25,569)
Past service costs	0	50	0	50
31 March	92,289	823,430	32,120	947,839

23 Assets in relation to post-employment benefits

The following table set out the reconciliation of the fair value of the Local Government Pension Scheme:

2019/20		2020/21
£'000		£'000
45,960	1 April	45,380
1,120	Expected return on assets	1,049
(3,084)	Actuarial gains and (losses)	10,379
2,227	Employer contributions	1,346
556	Contributions by scheme participants	591
(1,399)	Net benefits paid out	(1,508)
45,380	31 March	57,237

Fair value means:

- for quoted securities - the current bid price;
- for unquoted securities - this is based on a professional estimate;
- for unitised securities - the current bid price;
- for property - an estimate of the market value.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on assets in the year was a loss of £1.96m (£4.05m gain in 2018/19).

24 Pension Scheme Assets

The Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held by the Fund:

31 March 2020		31 March 2021	31 March 2021	31 March 2021
%		Quoted %	Unquoted %	Total %
52.7	Equities	49.4	7.6	57.0
21.8	Government bonds	0.8	5.3	6.1
7.3	Property	17.3	0.0	17.3
0.0	Corporate bonds	0.0	0.0	0.0
2.0	Cash	1.4	0.0	1.4
16.2	Other (hedge funds, currency holdings, futures, private equities)	15.9	2.3	18.2
100.0		84.8	15.2	100.0

The firefighters' schemes have no assets to cover their liabilities.

25 Impact on the Authority's cash flows

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The liability has a substantial impact on the net worth of the Authority recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

Finance is only required to be raised to cover firefighters' pensions when the pension payments relate to injury pensions and the cost of ill-health early retirement. All other firefighter pensions are paid by the Government.

The deficit on the LGPS will be made good by increased contributions over the remaining life of employees, as assessed by the actuary. The objectives of the LGPS are to keep the employer's contribution rate as constant as possible. The aim is to achieve a 100% funding level over a period of 19 years from 1 April 2017. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The employer's regular contributions to the LGPS fund for the accounting period to 31 March 2021 are estimated to be £1.5m. In addition pension strain contributions may be required.

26 Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of pensions that will be payable in future years dependent on key assumptions covering:

Notes to the core financial statements

- Financial assumptions
- Post Retirement Mortality
- Commutation.

All schemes have been assessed by an independent actuary, AON Hewitt Limited, against a formal actuarial valuation as at the following dates:

Scheme	Date
Local Government Pension Scheme – funded	31 March 2019
Local Government Pension Scheme – unfunded	31 March 2019
1992 Firefighters’ Pension Scheme	31 March 2019
2006 Firefighters’ Pension Scheme	31 March 2019
2015 Firefighters’ Pension Scheme	31 March 2019
Firefighters’ Injury and Ill-Health Pensions	31 March 2019

The post retirement mortality assumptions and key financial assumptions used by the independent actuary are set out in the following table.

31 March 2020		31 March 2021
1.9%	Rate of Inflation (CPI) (LGPS)	2.7%
2.0%	Rate of Inflation (CPI) Firefighter Schemes)	2.7%
2.9%	Rate of increase in salaries (LGPS)	3.7%
3.0%	Rate of increase in salaries (Firefighter Schemes)	3.7%
1.9%	Rate of increase in pensions (LGPS)	2.7%
2.0%	Rate of increase in pensions (Firefighter Schemes)	2.7%
2.3%	Rate for discounting scheme liabilities (LGPS)	2.1%
2.3%	Rate for discounting scheme liabilities (Firefighter Schemes)	2.1%
	Longevity at 65 for current Pensioners (years):	
23.0	Men (LGPS)	23.1
25.5	Women (LGPS)	25.5
21.5	Men (Firefighter Schemes)	21.6
23.6	Women (Firefighter Schemes)	23.7
	Longevity at 65 for future Pensioners (years):	
24.7	Men (LGPS)	24.8
27.2	Women (LGPS)	27.3
23.2	Men (Firefighter Schemes)	23.3
25.4	Women (Firefighter Schemes)	25.5

Notes to the core financial statements

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements.

The commutation assumptions used by the independent actuary are:

	31 March 2019	31 March 2020
LGPS	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.
Firefighter schemes	Assumed that 90% of members of the 1992 Scheme commute 25% of their pension. Assumed that 75% of members of the 2006 and 2015 schemes commute 25% of their pension.	Assumed that 90% of members of the 1992 Scheme commute 25% of their pension. Assumed that 75% of members of the 2006 and 2015 schemes commute 25% of their pension.

27 Sensitivity analysis of financial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the preceding tables. The sensitivity analysis' below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant. For example, the assumptions in longevity assume that life expectancy increases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The assumptions used in the analysis have followed accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous method. A sensitivity analysis has not been undertaken on unfunded benefits as it is immaterial.

Baseline:-

Fire Schemes

Present Value of total obligation (excluding injury benefits) @ 31 March 2020= £823.43m
Projected Service cost 2020/21 = £19.84m

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31 March 2021 = £92.24m
Projected Service cost 2021/22 = £4.62m

	LGPS		Fire Schemes	
	+ 0.1% p.a.	- 0.1% p.a.	+ 0.1% p.a.	- 0.1% p.a.
Adjustment to discount rate				
* Present value of total obligations (£M)	90.12	94.36	806.05	840.98
* % change in present value of total obligations	-2.3%	2.3%	-2.1%	2.1%
* Projected service cost (£M)	4.45	4.80	19.13	20.57
* % change in projected service cost	-3.7%	3.9%	-3.6%	3.7%
Rate of general increase in salaries				
* Present value of total obligations (£M)	92.42	92.06	827.24	819.62
* % change in present value of total obligations	0.2%	-0.2%	0.5%	-0.5%
* Projected service cost (£M)	4.62	4.62	20.23	19.47
* % change in projected service cost	0.0%	0.0%	2.0%	-1.9%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	94.18	90.39	836.88	809.98
* % change in present value of total obligations	2.1%	-2.0%	1.6%	-1.6%
* Projected service cost (£M)	4.80	4.45	20.18	19.50
* % change in projected service cost	3.9%	-3.7%	1.7%	-1.7%
Adjustment to mortality age rating assumption				
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	95.56	89.01	853.90	792.96
* % change in present value of total obligations	3.6%	-3.5%	3.7%	-3.7%
* Projected service cost (£M)	4.80	4.43	20.70	18.99
* % change in projected service cost	4.0%	-4.0%	4.3%	-4.3%

28 Contingent liabilities and assets

Contingent liabilities

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 payments will be required or the amount of the payment cannot be measured reliably.

Notes to the core financial statements

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

There are two contingent liabilities to report. Firstly, the transitional protections provided as part of the introduction of the 2015 Fire Fighter's Pension scheme have been ruled as unlawful and the estimated impact of this has already been included in the pension valuations reported in these accounts. Further claims are being submitted by Firefighters in respect of the transitional protections, which we believe may be to protect the claimants' position in respect of future compensation for injury to feeling awards. Secondly, in the case O'Brien vs Ministry of Justice it was found in favour of the claimant that part time periods of service should also count in calculating future pension benefits. This may have implications for the Firefighter's pension schemes particularly in relation to the Modified scheme covering RDS staff who by their very nature are part time. It is not possible at this stage to estimate the financial impact of these cases.

Contingent assets

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.

29 Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 1 April 2021 Hampshire Fire and Rescue Authority combined with the fire and rescue services from the Isle of Wight Council to form the new combined Hampshire and Isle of Wight Fire and Rescue Authority. This combination was set out in a Statutory Instrument before Parliament, which provides for all property, rights and liabilities in respect of fire and rescue services held by the two former authorities to be transferred to the new authority on 1 April 2021. These financial statements have been prepared on a going concern basis.

Notes to the core financial statements

30 Cash Flow Statement

The adjustment to the surplus or deficit for non-cash items comprises the following items:

30.1 The adjustment for non-cash items

2019/20 £'000		2020/21 £'000
(5,367)	Depreciation	(5,146)
(293)	Impairments & downward revaluations	(27)
0	Amortisations	0
0	(Increase)/Decrease in expected loss allowance for receivables	0
866	(Increase)/Decrease in creditors	748
(1,282)	Increase/(Decrease) in debtors	596
379	Increase/(Decrease) in inventories	(324)
(310)	(Increase)/Decrease in provisions	999
291	Actual cash payments made from provisions	86
(27,248)	Movement in pension liability	(24,270)
(1,038)	Movement in the value of investment properties & financial instruments	807
(80)	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	(307)
(1)	Other non-cash items charged to the net surplus or deficit on the provision of services	2
(34,083)	Adjustment for non-cash items	(26,836)

30.2 The adjustment for items that are financing or investing cash flows comprises the following items:

2019/20 £'000		2020/21 £'000
0	Proceeds from the sale of fixed assets	0
0	Capital grants and contributions received	0
0	Adjustment for activities that are investing or financing cash flows	0

Notes to the core financial statements

The cash flow from operating activities includes the following items:

2019/20 £'000		2020/21 £'000
(171)	Interest received	(526)
(206)	Dividends received	0
401	Interest paid	399
24	Net cash outflow from operating activities	(127)

30.3 The cash flow from investing activities comprises the following items:

2019/20 £'000		2020/21 £'000
	Cash outflows	
2,628	Purchase of property, plant and equipment	1,561
33,506	Purchase of short-term and long-term investments	44,221
	Cash inflows	
0	Proceeds from the sale of property, plant and equipment	0
(37,002)	Proceeds of sale of short-term and long-term investments	(35,234)
0	Capital grants received	0
0	Other income	0
(868)	Net cash inflow from investing activities	10,548

Notes to the core financial statements

30.4 The cash flow from financing activities comprises the following items:

2019/20 £'000		2020/21 £'000
	Cash outflows	
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
100	Repayments of long and short term borrowing	1,150
0	Other payments for financing activities	0
	Cash inflows	
0	Cash receipts of long and short term borrowing	0
0	Other receipts from financing activities	0
100	Net cash outflow from financing activities	1,150

31 Accounting policies

General principles

The Statement of Accounts summarises the Authority's transactions for the relevant financial year and its position at the relevant year end of 31 March. It has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is based on International Financial Reporting Standards (IFRS).

Going Concern

As local authorities cannot be created or dissolved without statutory prescription, the going concern assumption in the Accounting Code of Practice assumes that a local authority's services will continue to operate for the foreseeable future.

A new combined Hampshire and Isle of Wight Fire and Rescue Authority will be formed from 1 April 2021, with fire and rescue services transferred from Hampshire Fire and Rescue Authority and the Isle of Wight Council. While technically this means that Hampshire Fire and Rescue Authority will cease to exist on 31 March 2021, the Accounting Code of Practice sets out that transfers of services under combinations of public sector bodies do not negate the presumption of going concern. All property, rights and liabilities in respect of fire and rescue services held by the two former authorities will be transferred to the new authority on 1 April 2021.

Accruals of income and expenditure

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

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- 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.
- Employee benefits, including pension benefits are accounted for as they are earned.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where

Notes to the core financial statements

debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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.

Intangible assets

Intangible assets do not have physical substance but are identifiable and controlled by the Authority and bring benefits to the Authority for more than one year. Typical examples include software licences and internally developed websites developed to deliver services rather than information about services. The Authority does not have any material intangible assets. Capital expenditure on immaterial intangible assets is classified as furniture and equipment.

Inventories and long term contracts

Inventories are included in the Balance Sheet at latest procured cost as this is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value. Long term contracts are accounted for on the basis of charging services with the value of works and services received under the contract during the financial year. The cost of capital schemes that are in progress at the date of the balance sheet are included as Assets Under Construction within Property, Plant and Equipment.

VAT

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.

Interests in Companies and Other Entities

The Authority reviews their collaborative arrangements on an annual basis and will account for these accordingly or disclose their material interests in other entities where they exist.

Disclosures of material involvement with other entities are provided under note 12.

Under IFRS10 the Authority is required to produce consolidated group accounts as it has sole ownership and therefore control over a company '3SFire Ltd'. However, as permitted the Authority will not produce group accounts until the financial impact of their interest in the Company becomes material.

32 Critical judgements in applying accounting policies

In applying accounting policies set out in note 32, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events including the following:

- There is a high degree of uncertainty about future levels of funding for local government. The Authority has made decisions as to how much it should be adding to both the capital payments and transformation reserves in order to help minimise the impact of reduced funding.
- The Authority has made judgements on whether its vehicle lease arrangements are operating leases or finance leases. These judgements are based on an assessment as to whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are that front line appliances are finance leases and support vehicles remain as operational leases. The accounting treatment for operating and finance leases is significantly different but would have a significant effect on the accounts if any new lease entered into were of an extremely high value.
- Judgements have been made on whether any contracts for services include embedded leases. None have been identified.
- Judgements about the likelihood of pending and potential liabilities have been made and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties and legal claims that could eventually result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending cases based on experience in previous years or in other local authorities.

The Authority has made certain judgements about how to classify their partnership working. Not all partnership working has been deemed to meet the definition of a collaborative arrangement.

The following arrangements have been deemed outside the scope of group accounts, but due to the Authority having contractual rights and obligations and rights to assets and liabilities arising from their partnership agreements the transactions associated with the collaborative arrangement are included in the authority's accounts:

- Network Fire Control Services Partnership.
- South Central Ambulance Service (SCAS) Co-responder scheme.

- Joint working with Hampshire County Council and Hampshire Constabulary.

In the case of 3SFire Ltd they have been judged to be a subsidiary of the Authority and therefore group accounts will be required when their turnover becomes material. However, for 2020/21 this has been judged immaterial as their turnover is less than 1% of the Authority's total income.

Financial sustainability

The Chief Financial Officer has a statutory obligation to keep the financial position of the Authority under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate. The Authority regularly reviews and updates its Medium Term Financial Strategy, incorporating known factors that will have a positive or negative impact upon its financial strategy and making realistic assumptions to allow for the inevitable risk and uncertainty that accompanies any financial forecast. This is underpinned by the Authority's well established reserves policy. Annual contributions to reserves in excess of £5m per annum to fund future expenditure are built into the Authority's budget. In the event of an adverse financial settlement, these reserve contributions would be temporarily reduced to give the Authority time to appropriately plan for and deliver savings. Quarterly financial updates are prepared by budget managers across the service and with support from finance these are presented and discussed quarterly at the Executive Group. The medium term strategy and current assumptions on funding, priorities and pressures informs the annual budget setting process, with outcomes monitored throughout each financial year taking a risk based approach with the escalation of issues through senior officers and elected members as appropriate.

At the end of 2020/21 reserves stood at £35.8m of which 7% comprised the General Fund balance. The Authority's significant reserves balance ensures that it can conduct its Treasury Management activity to make sure sufficient cash is available to meet its operational obligations whilst also taking a longer term view to investments where appropriate, enabling greater returns to be made in support of the revenue budget, whilst also adhering to the CIPFA TM Code in prioritising the security of its investment balances.

The Authority's financial forecast for 2021/22 has been reviewed alongside assumptions for 2022/23 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2023. The reserves balance coupled with the anticipated timing of cash flows and the liquidity profile of its investments means that that the Authority can meet its operational obligations over the period, with the option to sell longer term investments and make use of its borrowing headroom as a short term solution to any unforeseen liquidity pressures, although this would have an impact on the longer term financial sustainability of the Authority.

33 Assumptions made about the future and other major sources of estimation uncertainty

The Authority commissions a 5 year rolling programme of PPE valuations, unless events indicate that a valuation is required ahead of the next planned valuations. Valuations are undertaken by qualified valuers within Hampshire County Council's Property department in

accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. These take account of current trends in building costs, local planning policies and other relevant factors. For assets not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices. However, because valuations cannot be determined with complete certainty, actual results could be different from the assumptions and estimates. A 1% change in valuations equates to £1.4m. COVID-19 was declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020. During 2020/21 market activity has reduced in many real estate sectors. Consequently, there is material uncertainty regarding the valuations.

34 Accounting Standards Issued, Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The additional disclosures that will be required in the 2021/22 financial statements in respect of accounting changes introduced in the 2021/22 Code are:

- **Definition of a Business: Amendments to IFRS 3 Business Combinations**
 - The amendments clarify the definition of a business. The changes are not expected to be material, as the authority rarely acquires businesses.

- **Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 and Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**
 - Both of these reforms affect how some investments are valued, due to a change in the interest rates used. The authority's main activity is the provision of public services, rather than investing in the financial markets, so we do not expect that these changes will have a material impact on the authority.

Pension Fund Accounting Statement

35 Pension Fund Account

2019/20 £'000	2020/21	
	£'000	£'000
	Contributions receivable:	
(7,594)	(7,430)	
(111)	(51)	
<u>(3,383)</u>	<u>(3,308)</u>	(10,789)
(11,088)		
(138)		
	Transfers in	
	Benefits payable:	
16,913	17,566	
3,929	5,339	
<u>0</u>	<u>97</u>	23,002
20,842		
	Payments to and on account of leavers:	
0	0	
<u>0</u>	<u>103</u>	103
0		
9,616		12,316
(9,616)		(12,316)
<u>0</u>		<u>0</u>

Notes to the Pension Fund Accounting Statement

36 Notes to the Pension Fund Accounting Statement

The accounting policies for the Pension Fund Account are the same as those of the main Authority and can be found in note 32 of the main Authority's financial statements.

Funding arrangements

The funding arrangements changed for the Firefighters' Pension scheme on 1 April 2006 at the same time as the New Firefighters' Pension Scheme was introduced. Before, the Authority was responsible for the cost of paying the pensions of its own former employees on a pay-as-you-go basis. Under the new arrangements the schemes remain unfunded and as before do not have any investment assets. The Authority no longer meets the outgoing pensions directly, instead it pays an employer's pension contribution based on a percentage of pay into the pension fund account. All Fire Authorities are required by legislation to operate a Pension Fund Account and the amounts paid into and out of it are specified by regulation.

The Account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government equal to the amount by which the amount payable from the Account exceeded the amount receivable. Should the position arise where the amounts receivable ever exceed those payable then the surplus would be paid over to the Government.

Accounting for future liabilities

These accounts do not take into account the liabilities to pay pensions and other benefits after the end of the financial year. As this liability rests with the Authority it is included in the Authority's own Income and Expenditure Account and Balance Sheet. Further details can be found in notes 21 - 28 to the main Authority accounts.

Temporary borrowing or lending

This represents the balance held in or owed to Hampshire Fire & Rescue Authority's bank account.

Annual Governance Statement for Hampshire Fire and Rescue Authority

1. Scope of responsibility

- 1.1. Hampshire Fire and Rescue Authority (HFRA) (the Authority) is responsible for ensuring that:
- its business is conducted in accordance with the law and to proper standards;
 - public money is safeguarded and properly accounted for, and used economically, efficiently and effectively;
 - pursuant to the Local Government Act 1999, it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy; and
 - pursuant to the The Accounts and Audit Regulations 2015, there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which include arrangements for the management of risk.
- 1.2. This Annual Governance Statement (AGS) is a retrospective statement for the previous financial year. On 1 April 2021, Hampshire and the Isle of Wight combined to create Hampshire and the Isle of Wight Fire and Rescue Authority (HIWFRA). References in this statement will be made to the governance surrounding the transfer with the Hampshire and Isle of Wight Fire and Rescue Shadow Authority however the statement itself refers to the HFRA.
- 1.3. The Authority has delegated to the Standards and Governance Committee (S&GC), as per its terms of reference, to consider and approve the Annual Governance Statement, and once approved the AGS will be signed by the HIWFRA Chair and the Chief Fire Officer.
- 1.4. This AGS explains how the Authority meets the requirements of The Accounts and Audit (England) Regulations 2015, and complies with the principles contained in the The Chartered Institute of Public Finance and Accountancy (CIPFA) Delivering Good Governance in Local Government Framework 2016 edition.
- 1.5. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

2. The purpose of corporate governance

- 2.1. Governance comprises the arrangements put in place to ensure the intended outcome of stakeholders are defined and achieved. Good governance will enable fire and rescue authorities (FRAs) to set strategic policy agenda that meets the needs of communities and discharges its statutory responsibilities efficiently and effectively. To ensure that the policy agenda and defined outcomes are delivered on time, on budget, and to the required standard.
- 2.2. The Service's corporate governance framework comprises the systems and processes, and cultures and values, by which the Service is directed and controlled.

Annual Governance Statement

It enables the Authority to monitor the achievement of its priorities and to consider whether they have led to the delivery of appropriate, cost effective and efficient services.

- 2.3. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve its aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Authority's priorities. It evaluates the likelihood of those risks being realised and the impact should they be realised, to manage them efficiently, effectively and economically.
- 2.4. The Authority set strategic direction, monitors, scrutinises and ensures delivery of services, whilst accountability for the achievement of the Authority's priorities sit with the Service. The Service's corporate governance framework demonstrates and enables the ability to deliver its core purpose of making life safer, through cohesive working and clear routes of governance.
- 2.5. The corporate governance framework is designed to provide a robust governance process, streamline decision making and support efficient and effective operations for the Service. The effectiveness of the framework is evaluated throughout the year.
- 2.6. Executive Group is chaired by the Chief Fire Officer and its purpose and responsibilities are clearly defined within its terms of reference. The Executive Group considers reports identified on the organisation's Forward Plan (a tool that supports the effective operation of the corporate governance framework identifying agenda, report topics and the responsible Directors). The Forward Plan supports a robust planning and control cycle for strategic and operational plans ensuring informed decision making and transparency of decisions being recorded.

3. Core principles of good governance

3.1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- 3.1.1 The role of scrutiny in good governance is reflective of the decisions about the values and associated behaviours that will guide the organisation.
- 3.1.2 The Authority continues to operate with 10 Members, since the review of governance arrangements during 2015/2016. The Police and Crime Commissioner (PCC) can attend Authority meetings and has the ability to speak on items on the agenda. The new structure and arrangements have resulted in a strategic and business focus from the Authority with improved member engagement and scrutiny. The Authority is in the best position to continue to lead the Service in delivering excellent quality services to the residents of Hampshire whilst remaining resilient and responsive to challenges in the future.

Annual Governance Statement

- 3.1.3 The key policies that set out the scope of responsibilities for Members and delegation to officers is detailed within the Constitution's Scheme of Delegation, Contract Standing Orders and Financial Regulations. Members and officers are aware of their responsibilities within these policies.
- 3.1.4 The Authority review and approve minor amendments to the Constitution at their annual Authority General Meeting (AGM) and as needed throughout the year.
- 3.1.5 The organisation's values are embedded in our ways of working. These values are underpinned by a range of policies and procedures including Members' codes of conduct, the registers of interests and disclosure of pecuniary interests, gifts and hospitality and protocol for member and officer relations which is included within the Constitution.
- 3.1.6 The Authority is committed to the highest ethical standards. A code of corporate governance is included within the Constitution, which demonstrates a comprehensive commitment on the part of the Authority to accountability, integrity, ethical values and the rule of law.
- 3.1.7 Senior Management have the relevant professional external networks and expertise to identify the impacts of new legislation, and legal advice is also provided to ensure the Authority continues to comply with legislation and regulation.
- 3.1.8 Within the Corporate Governance Framework to underpin the Executive Group, there are five Directorate Boards to oversee key areas; such as the Policy and Planning Board, Operations Management Board, Integrated Performance and Assurance Board, People and Organisational Development Board, and the Corporate Services Management Board. These boards provide cohesive working, clear routes of governance and extra scrutiny on behalf of the Executive Group.
- 3.1.9 The Corporate Governance Framework's Directorate Boards have all reviewed their ToR this financial year. The creation of a Corporate Governance Procedure with an Officer Scheme of Authorisation has strengthened the robust decision making processes already in place. It has also provided clarity on decision making for Officers and illustrated where the Constitution Scheme of Delegation links with the Officer Scheme of Authorisation. During 2021-2022 the Service will welcome a new Deputy Chief Fire Officer which will result in making amendments to the Governance Framework. The necessary amendments will be made to ensure continued openness, transparency, accountability and clarity.
- 3.1.10 A policy, procedure and guidance (PPG) framework has been developed and approved and is implemented across the organisation. The PPG are documents that capture and define the way the organisation operates and how it delivers its services and functions. The framework establishes how to manage those documents in a robust and sustainable way. The PPG framework includes Authority owned Policies.

Annual Governance Statement

3.1.11 The Service have four values (Supporting Others, Showing Respect, Everyone Playing Their Part, Reaching Further) which are integral to everything we do. Further work to embed the values into the Service and encourage behaviour that demonstrates the Values will be carried out during 2021-2022.

3.2 Ensuring openness and comprehensive stakeholder engagement.

3.2.1 The role of scrutiny in good governance is reflective of the decisions on how the organisation demonstrates openness and engage stakeholders.

3.2.2 The Authority approved the Hampshire and Isle of Wight safety plan 2020-2025 in February 2020. HFRA and Isle of Wight Council (IWC) agreed that due to the imminent Combined Fire Authority (CFA) that this would be a fully aligned Safety Plan for both HFRA and the IWC.

3.2.3 The Safety Plan incorporates the Integrated Risk Management Plan (IRMP) requirement and the annual Service Plan into a single document. The Safety Plan 2020-2025 is a live document which is updated annually. This approach to managing risk in our communities will ensure the organisation is able to report on how effective its risk reduction activities are. The Safety Plan is on the website and available to stakeholders electronically and in paper format (upon request).

3.2.4 The Authority operates in an open and transparent way. It complies with The Openness of Local Government Bodies Regulations 2014. The Authority's meetings are open to the public, and its papers and decisions are available through the website (save for individual items of a sensitive nature properly considered in confidential session). In addition, Authority meetings are filmed to enable staff and the public better access to view decision making.

3.2.5 The Authority publish data in line with the Local Government Transparency Code 2015 to provide open data sources ensuring transparency and accountability.

3.2.6 During the Coronavirus pandemic, local government temporarily removed the legal requirement for local authorities to hold public meetings in person. A change was made to the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel meetings) (England and Wales) Regulations 2020. This gave the ability to hold meetings virtually using video and telephone conferencing technology. HFRA and Hampshire and Isle of Wight Shadow Authority meetings continued to be open and transparent and took full advantage of the technology available to continue with its obligations. Clear guidance and protocols have been written and are followed.

3.2.7 Clear guidance and protocols on decision making, templates for reports and effective arrangements for the approval of exempt reports, ensures that the Authority takes decisions in public when appropriate and after full consideration of relevant information.

Annual Governance Statement

- 3.2.8 The Authority, through the Service, enjoys a constructive relationship with the trade unions and associations representing staff groups across the organisation, through which meaningful consultation and negotiation on service issues takes place.
- 3.2.9 Public consultation to listen to stakeholders and inform decision making is undertaken where required and expected. Extensive consultation was undertaken during the Authority's risk review and creation of the Safety Plan. The consultation process enables our staff, the public and other stakeholders to have their say on how their fire and rescue service should operate in the future.
- 3.2.10 Extensive consultation was also undertaken for the proposed creation of a Combined Fire Authority (CFA). The consultation enabled our staff, the public and other stakeholders to have their say on how their fire and rescue authority should operate in the future. These processes were quality assessed by the Consultation Institute and found to have conformed to best practice.
- 3.2.11 The Authority has a long history of collaborative working with partner agencies. In particular, blue light collaboration with South Central Ambulance Service (SCAS) and Hampshire Constabulary which continues as business as usual. The COVID-19 pandemic has really demonstrated the need for collaboration, all working together towards the same goal. The Service have worked closely with the Local Resilience Forum (LRF), Local Authorities and the National Health Service (NHS) as well as our blue light partners, to ensure good governance and robust frameworks in the collaborative environment which has resulted in successful outcomes. The Authority receive an annual report which explains all the collaborative work that has taken place and demonstrates how we are effectively complying with the Policing and Crime Act 2017 and the Fire and Rescue Services National Framework.

3.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.

- 3.3.1 The role of scrutiny in good governance is reflective of the decisions on outcomes to be achieved.
- 3.3.2 Delivery of fire and rescue services and the associated community safety activity remains the Authority's core activity.
- 3.3.3 In February 2020, the Authority approved the Hampshire and Isle of Wight Safety Plan 2020-2025. It sets out our five-year strategy that establishes a long-term approach to achieving our purpose of 'Together We Make Life Safer' and to ensure we constantly provide a service to our communities that makes life safer and that our staff are proud to deliver.

Annual Governance Statement

- 3.3.4 The safety plan sets out our approach, and that we are keen to consider how we make life safer and have therefore taken a wider view of risk and safety in our approach.
- 3.3.5 Year one of Safety Plan has now been completed with an end of year report submitted to the HIWFRA in June 2021. Performance against the priorities is measured and reported to the Authority throughout the year.
- 3.3.6 Our strategic assessment of risk provides the understanding for us to set out our services and priorities in order to manage, control and mitigate that risk. We also consider the learning from significant events locally, nationally and internationally to inform our planning, while gaining information about best practice from inspections by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).
- 3.3.7 Our safety plan is underpinned by our strategic assessment of risk, which is a detailed and constantly updated analysis, which has been developed by:
- Identifying risk
 - Assessing the risk
 - Prioritising the risk
 - Mitigating the risk
 - Reviewing the risk
- 3.3.8 To achieve our purpose, we must fully understand the risks that our communities face. By engaging with those most affected by the risks identified we are able to create the most effective services to protect them. On this basis we have developed five priorities that we are committed to for the life of the Safety Plan:
- Our communities
 - Our people
 - Public value
 - High performance
 - Learning and improving
- 3.3.9 These focus our resources to the relevant community risks, environmental risks and economic risks. It also provides focus on organisational improvements to support our service delivery to ensure that we are efficient and effective. We must constantly reassess our communities to make sure our assessment of risk is still accurate.
- 3.3.10 The Safety Plan is underpinned by detailed Directorate plans and our corporate portfolio of projects which is monitored through the Integrated Performance and Assurance Board. Progress against these plans are monitored through regular performance updates to assess the deliverables to HFRS Executive Group and the Authority.

Annual Governance Statement

- 3.3.11 Detailed Directorate Plans that align to the Safety Plan have been in operation for a year. The Directorate Plans provide the link from the Safety Plan through to an individuals objectives and goals and enables everyone to see how the work they do contributes to the bigger picture and the Safety Plan.
- 3.3.12 People Impact Assessments (PIAs) are used to identify any significant impact on people, and in particular, those who share a characteristic which is protected under equality law. PIAs also identify any environmental, economic and legislative risks. PIAs are carried out prior to implementing a policy, procedure, change or decision with a view to ascertaining its potential impact. PIAs are also carried out during formal report writing to identify any impact on the recommendations within reports.
- 3.3.13 The Service's Change Management Framework has a core focus on the outcomes and benefits achieved by projects and programmes (change activity) – with these being considered throughout the lifecycle of change activity. In April 2020, the Change Management Framework was launched, and in early 2021 it was independently audited by our internal auditors who concluded it provided 'substantial' assurance with: *"A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited."*
- 3.3.14 Furthermore, during 2020, work commenced to look at 'lessons learned' (including and beyond lessons from projects and programmes) with an aim to ensure all lessons learned are captured centrally, and monitored for action. This work continues into 2021/2022.

3.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

- 3.4.1 The role of scrutiny in good governance is reflective of the decisions on interventions/services necessary to achieve the outcomes.
- 3.4.2 There are clear guidance and protocols for decision making. The involvement of legal and finance officers in all significant decisions of the Authority, ensures that decisions are only made after relevant options have been weighed and associated risks assessed.
- 3.4.3 The budget setting process is well established and prioritises budgets and spending to achieve intended outcomes. In recent years, the budget setting process has focussed on the achievement of savings to meet reductions in government grant funding. However, it is clear that financial resources are focussed to deliver the Authority's aims and priorities which underpinned continuous improvement.
- 3.4.4 Risks associated with the delivery of Directorate plans and the Safety Plan are detailed in project, department and Directorate risk registers and are escalated to the Organisational risk register when necessary. The risk

Annual Governance Statement

registers evaluate the effectiveness of existing control measures as well as identifying proposed mitigation.

- 3.4.5 In 2020, the Authority approved a refreshed Risk Management Policy agreeing a risk management approach and approved a new Organisational Risk Register. The Organisational Risk Register is in place to identify current operational and organisational risks that could affect delivery of the Service. The Organisational Risk Register is monitored by Executive Group regularly and all Directorates maintain a Directorate Risk Register which feeds into the Organisational Risk Register should risks need escalating. The Authority regularly monitor the organisational risk register through formal reporting. To ensure risks are captured efficiently and well managed with effective control measures, a Risk Management System will be implemented throughout the Service from 1 April 2021. This system will effectively manage risks in all of the risk registers in one place. It will ensure the Authority determine relevant risks to delivery of the Safety Plan and have effective control mechanisms in place.
- 3.4.6 As a category 1 responder, the Service has played a key role in responding to the Covid-19 pandemic, both as an emergency service and as part of the Local Resilience Forum (LRF) command structure. This has included supporting other agencies to achieve their own outcomes during the crisis and working collaboratively.

3.5 Developing the entity's capacity including the capability of its leadership and the individuals within it.

- 3.5.1 The role of scrutiny in good governance is reflective of the decisions to ensure that the organisation has the human and financial resources it needs.
- 3.5.2 The relationship between Members and officers is established on a professional culture of mutual respect, trust and co-operation. Within the Constitution, the member officer protocol is included providing clarification around the two roles.
- 3.5.3 The role of scrutiny by Members as a means to holding officers to account is central to exercising effective governance. Members provide constructive challenge to officers, it is this 'critical friendships' that tests the reliability and consistency of advice, information and quality decision making.
- 3.5.4 The Authority holds pre-authority meetings which supports awareness and preparations. Effective questioning is a crucial component of constructive challenge offered by 'critical friends' and achieved through combination of good preparation, knowing which questions to ask and when to ask them; pre-meetings are helpful to determine how the meetings will be conducted.
- 3.5.5 A member's champions scheme is operated in support of an effective and professional relationship between Members and officers in which both understand each other's role. Officers engage proactively to provide information and in support of scrutiny activity, using their professional

Annual Governance Statement

expertise to help Members better understand the context within which the organisation is operating and make robust judgements about performance.

- 3.5.6 Members also receive copies of key internal staff communications.
- 3.5.7 The Authority have a Policy and Planning Champion who supports and oversees the management of risk in a number of ways, such as providing scrutiny and community insight.
- 3.5.8 HFRS develop Members knowledge and understanding through delivery of an induction programme and periodic training to Members. Both Members and officers enjoy Local Government Association (LGA) membership that entitles them to attendance at training and conferences, targeted at raising awareness of national themes and in development of their leadership and scrutiny roles.
- 3.5.9 Members attend the Authority Policy Advisory Group (APAG) meetings which are delivered during the year. The meetings are chaired by the Chief Fire Officer and facilitates the two-way exchange and update of information between Members and officers. It is a forum providing the opportunity for Members and officers to informally discuss and shape policy. The group receives updates on matters of interest and consider the future strategic direction of the Authority and service business.
- 3.5.10 To ensure capability of leadership, the Executive Group have been enrolled onto the Institute of Directors (IOD) Certificate in Company Direction, with professional membership to the IOD included. The leadership training will ensure professionalism of the Executive Group, governance and leadership, imparting wider benefits of resilience and skills to the service.
- 3.5.11 The Authority, its committees and the Chief Fire Officer have access to a full range of professional advisers to enable them to carry out their functions effectively and in compliance with statutory requirements. Some legal and democratic services are provided through service level agreements with Hampshire County Council (HCC). The shared service partnership with HCC and Hampshire Constabulary provides a wide pool of professional advice for areas such as human resources (HR), finance and procurement.
- 3.5.12 The development of our People and Organisational Development Directorate (POD) has placed Workforce Development (WFD) and Academy under the same leadership, enabling a joined-up Learning and Development function which will deliver leadership, management and technical and professional development.
- 3.5.13 Delivery of leadership and management training to supervisory and middle managers across the organisation has started virtually, and will also be delivered in person when appropriate to do so.
- 3.5.14 Our POD framework identifies leadership and management development as a strategic priority, which is supported by our current HMICFRS action plan.

Annual Governance Statement

The content of our leadership and management training aligns with the NFCC Leadership Framework and Code of Ethics, as well as our own Service Values.

- 3.5.15 We will be using the insights gained from our cultural survey, HMICFRS inspections and wellbeing survey, to develop an updated people and development strategy for the Service. This will help make our organisation a great place to work for everyone whilst delivering excellent services to our communities through a professional, well equipped and agile workforce.
- 3.5.16 Our priorities are captured within the Safety Plan and include the importance that our staff at all levels are skilled and feel equipped to undertake their responsibilities. We align the skills and capabilities of our teams to ensure they can perform at the highest levels, based on our priorities. Our leadership development framework supports the growth of our staff in their capacities as both leaders and managers.
- 3.5.17 It is vital that we have the right people in the right roles to be effective. We must focus on our recruitment to find and retain talented people who embody the values we feel are central to representing our organisation. Embedding our values throughout our recruitment processes will help us to build a great working environment of which our workforce will be proud.
- 3.5.18 HFRS regularly reviews the shape of its workforce against the context of its capacity and capability requirements to meet the needs of communities. This then informs a range of strategies such as recruitment, retention and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of the service.
- 3.5.19 HFRS is developing a culture of on-going coaching style conversations which focus upon high performance in all aspects of our work. Staff take personal responsibility for their own performance and how this contributes to the overall performance of their team. They are encouraged to use the range of learning opportunities that are available across the organisation.
- 3.5.20 The Service is committed to driving high performance by unlocking the potential of all employees. The Service have rolled out a revised Personal Development Review (PDR) system, with personal goals and objectives to link back to the objectives within directorate plans, priorities within the safety plan and behaviours linked to the organisational values. This focus on performance will ensure we deliver the best possible service to the communities we serve.

3.6 Managing risks and performance through robust internal control and strong public financial management.

- 3.6.1 The role of scrutiny in good governance is reflective of the decisions regarding the adequacy of progress and associated risk management arrangements.

Annual Governance Statement

- 3.6.2 The Authority operates a risk management methodology following the Risk Management Policy, with oversight of the arrangements provided by the Policy and Planning Board, which reports to the Executive Group. To ensure the most effective management of risks across the Authority and to ensure continued delivery of the Safety Plan priorities, a new risk management system will be introduced to the Service on 1 April 2021.
- 3.6.3 Performance management is in place to measure progress against aims and priorities to prompt remedial action where appropriate. The Integrated Performance and Assurance Board adds improved scrutiny of the performance management process.
- 3.6.4 The Executive Group review key performance indicators (KPIs) on a regular basis and the Chief Fire Officer holds Directors to account for performance of their areas across the organisation.
- 3.6.5 The Authority has a framework for regularly monitoring its performance with timely and relevant information. The Authority holds the Chief Fire Officer to account and receives regular performance reports at its public meetings.
- 3.6.6 The internal management structure operates under a structure that promotes improved efficiency, effectiveness and improvement of its ability to make communities safer.
- 3.6.7 We compare our performance to that of other fire and rescue services; for example, we make use of national benchmark information. This continues to show that we are performing well when compared with other similar fire and rescue services.
- 3.6.8 The internal audit plan was developed to operate at a strategic level providing a value-adding, and proportionate level of assurance aligned to the Authority's key risks and priorities. This includes a regular review of the organisation's risk management processes.
- 3.6.9 The internal audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an Anti Theft, Fraud, Corruption and Bribery Policy. HFRS approach is to identify areas that could present greatest risk or where managers have identified indicators that improvement is needed.
- 3.6.10 This financial year, the Anti-Theft, Fraud, Corruption and Bribery Policy and Procedure have been reviewed and updated alongside other relevant procedures such as Gifts and Hospitality, Register of Interests and the Certificate of Assurance. Fraud Awareness Training has also been delivered by Southern Internal Audit Partnership (SIAP) as part of the internal audit plan.
- 3.6.11 The delivery of the resulting internal audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk

Annual Governance Statement

management and control which is reported to the Authority, and later published within the Annual Statement of Accounts in compliance with statute.

- 3.6.12 The Authority's Standards and Governance Committee (S&GC) has a clear terms of reference, to provide an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment. The S&GC consider the delivery and outcomes of the internal audit plan, along with scrutinising the service performance in delivering against agreed actions.
- 3.6.13 The Authority has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessments. The Section 151 Officer is the Chief Finance Officer and all formal significant financial decision making has the benefit of advice and review from this officer or the wider finance team.
- 3.6.14 Financial management in key risk areas across the organisation, focusses on activity and performance management alongside the budget management processes. The financial management framework throughout the organisation is appropriately advised and supported by the finance team.
- 3.6.15 The Authority has an interim financial plan to inform its corporate planning given the absence of grant figures beyond the current financial year. This concentrates on the period up to the end of 2021/22 and a budget was set that required a draw from reserves in line with that interim strategy. Whilst there are risks within this approach these are mitigated by the level of our reserves and the contributions to reserves contained in the base budget. Once a mutli-year spending review has been announced, a full update of the Medium-Term Financial Plan (MTFP) will be produced. The MTFP is overseen and monitored by our Executive Group and is regularly formally reported to the Authority at its public meetings.
- 3.6.16 The first budget for the new Combined Fire Authority (CFA) has been set in readiness for the implementation date of 1 April 2021.
- 3.6.17 Financial planning and management are fully integrated with, and driven by, the corporate planning and monitoring processes set out above. This includes processes for the forward planning of expenditure, consultation on budget proposals, setting and monitoring income and budgets, and the completion of final accounts. The Treasury Management Strategy is reviewed regularly and approved by the Authority annually with the budget.
- 3.6.18 The Service has been responding to the Covid-19 pandemic, but in most cases this has been using existing capacity within the workforce. Some additional costs around RDS call outs, overtime and PPE purchase have been incurred, but these are more than covered by the grant that has been received from central government.

Annual Governance Statement

3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.

- 3.7.1 The role of scrutiny in good governance is reflective of the decisions on what will be reported to the public in order to ensure transparency and practice accountability.
- 3.7.2 The Authority meetings are open to the public and reports are written in an understandable style appropriate to the audience and published on the website ensuring that they are easy to access and interrogate. Authority meetings remained open to the public during the COVID-19 pandemic ensuring transparency and accountability
- 3.7.3 Members provide performance oversight and bring a mixture of experience and expertise from their professional backgrounds as well as their time in politics. It is also important to have access to requisite knowledge regarding the subject matter so Members are supported by officers for any knowledge needs. It is also necessary to co-opt independent expertise to support scrutiny so that constructive challenges are taking place from well-informed positions.
- 3.7.4 The 'Internal Audit Charter' is presented annually for approval by the S&GC. The purpose of the Internal Audit Charter is to formally define its purpose, authority, and responsibility. The Chief Internal Auditor has direct access to elected Members of the Authority and those who serve on the S&GC.
- 3.7.5 The on-going work of internal audit is presented routinely through the progress reports to the S&GC, providing an overview of service performance. It considers delivery against the plan and the progress made by the service in the implementation of management actions that have been agreed to mitigate risks identified through internal audit work.
- 3.7.6 Where appropriate, internal audit will gain assurances from third parties to contribute to their overall assurance opinion.
- 3.7.7 Representatives of External Audit routinely attend S&GC meetings and present external audit reports. Any recommendations for corrective action detailed within internal or external audit reports are highlighted to Members.
- 3.7.8 Financial reporting complies with relevant statute, codes and good practice guidance. Financial and performance information are reported consistently throughout the year. Where relevant and appropriate, performance comparisons are made to other organisations.
- 3.7.9 The Authority have a trading company, 3SFire. During 2020-2021 the trading company carried out a strategic review of its business activities which led to the Authority approving the change to the legal structure to enable the trading company to operate with the main aim of providing community benefit. On 1 April 2021 3SFire became a Community Interest Company (CIC). The company operate under the same governance of a Board of

Annual Governance Statement

Directors and the 3SFire CIC Stakeholder Committee. The 3SFire CIC Stakeholder Committee ensure appropriate controls and scrutiny are in place for the trading company. To ensure and maintain separation of the Service and 3SFire CIC, which are separate legal entities, the internal governance of reports and performance is monitored by the Company Board and is reported to the Authority at its public committee meetings twice yearly, or as needed. 3SFire CIC are bound by the Regulator of Community Interest Companies (CIC) which requires full compliance with the regulation in order to operate.

3.7.10 Governance of our internal safeguarding arrangements are provided through various safeguarding audit activity work which is generated from both the local Adults Safeguarding Boards and the Local Childrens Safeguarding Partnership.

3.7.11 The implementation of an Officer Scheme of Authorisation as part of the Corporate Governance Framework has provided the ability to ensure effective accountability of Officers.

4. Obtain assurances on the effectiveness of key controls.

- 4.1 Key controls relating to risks, internal control (including financial management) and governance processes are identified by senior managers as part of the governance framework.
- 4.2 Senior managers complete the annual certificate of assurance which is a self-assessment and declaration that they and their teams are familiar and operate within policy and internal control mechanisms.
- 4.3 The Authority receives an Annual Assurance Statement which is published on the website. The Annual Assurance Statement provides an accessible way in which communities, local authorities and other partners may make a valid assessment of their local fire and rescue authority's management of performance and key controls on financial, governance and operational matters and show how they have due regard to the expectations set out in the IRMP.
- 4.4 Risks are managed as determined by the risk management policy and progress monitored through risk registers.
- 4.5 Internal Audit, as part of its planned review of internal controls, regularly evaluates the key controls to determine their adequacy and carries out tests to confirm the level of compliance. An audit opinion on effectiveness is provided to management and any actions for improvement to be agreed.
- 4.6 HFRS in compliance with the General Data Protection Regulations (GDPR) which came into effect in May 2018 has developed and continues to deliver training to staff and raise awareness to Members. This will remain an ongoing and evolving commitment and progress reported to the Authority through the annual and mid-year performance reports.

Annual Governance Statement

- 4.7 The Authority prides itself on being a professional learning organisation that actively seeks challenge and review.
- 4.8 In 2018, HMICFRS concluded HFRS and IWFRS are 'Good' at effectively understanding risks within its community, 'Good' at efficiently managing its resources, and as 'Requires Improvement' at looking after its people. The Authority's S&GC and the Isle of Wight Council's Corporate Scrutiny Committee approved the joint action plan for HFRS and IWFRS, which ensured measurable actions were identified to deliver improvement. Progress against the action plan is routinely monitored by the Executive Group, and regularly reported to the Authority and Isle of Wight Council as an integral part of governance and performance assurance/improvement arrangements. The action plans were formally closed in July 2020.
- 4.9 In the summer of 2020, the Government commissioned HMICFRS to proceed with a COVID-19 inspection of all fire and rescue services and their response to COVID-19 with particular focus on: what is working well and what is being learnt; how the fire sector is responding to COVID-19; how fire services are dealing with the problems they face; and what changes are likely as a result of the COVID-19 pandemic.
- 4.10 The inspection was conducted entirely virtually for two weeks from 26 October 2020. There was also various information provided to the inspectorate in early September in advance of the inspection. Given our coordinated response to the pandemic, HFRS and IWFRS were inspected collectively. Following the completion of inspection activity, the inspectorate generated a findings letter for each fire and rescue service accompanied by a national report.
- 4.11 HMICFRS's HIWFRS report concluded that: "In summary, we are impressed by how the service adapted and responded to the pandemic effectively to fulfil its statutory functions, protect the public and support staff wellbeing". The report also identified our aim to continue and develop several new ways of working to give longer lasting change. The report did, however, flag three areas of focus for us (which are being responded to):
- determining how we will adopt for the longer-term, the new and innovative ways of working introduced during the pandemic, to secure lasting improvements.
 - making sure all wholetime firefighters are fully productive, while continuing to minimise the risk of them contracting or spreading the virus.
 - evaluate how effective our extra activities have been.
- 4.12 From a governance perspective it is important for Members to secure assurance that the organisation is well-prepared for HMICFRS inspections, which will significantly increase the chances of a positive inspection result. As appropriate Members have received reports on HMICFRS inspection readiness.

Annual Governance Statement

- 4.13 The Fire Standards Board continues to consult on the development of Standards. Officers have been fully engaged in the process and have fed into the development of the Standards.
- 4.14 Other external reviews include the following:
- ISO27001 Information Security Audit accreditation meaning that HFRS are compliant to the internationally recognised information security standard;
 - Complete annual Code of Connection (CoCo) review and Home Office submission for our Public Sector Network (PSN) / Emergency Services Network (ESN) connectivity;
 - Complete annual audit and Code of Connection (CoCo) statement return for Airwave;
 - Annual penetration tests by authorised third-party companies to conform to ISO27001, Public Sector Network and Emergency Services Network accreditation requirements;
 - The National Fire Chiefs Council (NFCC) have published a Fire and Rescue Service (FRS) Safeguarding Guidance document which includes a requirement to provide a self-assessment return.
 - Peer review of the Combined Fire Authority (CFA) project management activities and method.

5. Evaluate assurances and identify gaps in control/assurance.

- 5.1 One of the key elements of the corporate governance framework and the production of the AGS is the methodology applied to obtain the necessary assurance. This has included:
- a self-assessment assurance statement (certificate of assurance) being sent every year to members of senior management;
 - consultation with other relevant officers throughout the organisation.
- 5.2 The certificate of assurance covers a range of corporate governance and assurance issues and they refer to the existence, knowledge and application within departments of governance policies generally.
- 5.3 HFRS corporate governance framework illustrates how decisions are made and by whom. This framework works alongside the HFRA Constitution to ensure clarity around all governance arrangements. To provide a greater understanding around this an HFRS Corporate Governance procedure has been created which contains an Officer Scheme of Authorisation. This provides further assurances to all stakeholders on governance arrangements.

Annual Governance Statement

- 6. Action Plan ensuring continuous improvement of the system of governance.**
- 6.1 There is a requirement for the AGS to include an agreed action plan showing actions taken or proposed to deal with significant governance issues.
- 6.2 HFRS corporate governance framework provides a robust mechanism to ensure significant governance issues are identified, and an appropriate action plan is agreed to continue improvement of the system of governance.
- 6.3 The following identifies the actions to ensure continuous improvement of key governance issues that will be carried out over the next year 2021-2022:
- 6.3.1 To ensure the Corporate Governance Framework is updated as a result of restructures at Director level and that the Corporate Governance Framework and associated documents are made available for all staff.
- 6.3.2 As a result of the CFA, to carry out a Authority Member Allowances review.
- 6.3.3 To ensure that the Authority's new governance arrangements for the Combined Fire Authority are effectively and efficiently working.
- 6.3.4 To embed the Values into the organisation and encourage behaviours that demonstrate the Values positively.
- 6.3.5 To embed the new Risk Management System into the organisation to encourage good practices in risk management and reporting.
- 6.3.6 To carry out a gap analysis of each of the Fire Standards as they are released, particularly the Code of Ethics, to ensure the organisation is in a strong place and can give assurances to HMICFRS.
- 7. In response to the Action Plan outlined in the 2020/21 Annual Governance Statement:**
- 7.1 There is a requirement for the AGS to include reference to how issues raised in the previous year's AGS been resolved.
- 7.2 The following identifies the actions resolved in 2020/2021:
- 7.2.1 The establishment of the Constitution and governance arrangements for the shadow period prior to the 1 April 2021 go-live date for the combined fire authority of Hampshire and Isle of Wight Fire.
- 7.2.2 Delivery of year one aims and objectives outlined within the Hampshire and Isle of Wight Safety Plan.
- 7.2.3 The establishment of directorate plans that align department activities to the aims and objectives outlined within the Hampshire and Isle of Wight Safety Plan.

Annual Governance Statement

- 7.2.4 As a result of the Covid-19 pandemic, the establishment of governance arrangements for local authority public meetings to be held as virtual meetings – the establishment of resilience and continued operation of local government decision making as an open and transparent process.
- 7.2.5 The review and publication of the Anti-Theft, Fraud, Corruption and Bribery Policy and procedure and Whistleblowing policy. The review and publication of Register of Interests, Gifts and Hospitality and Certificate of Assurance procedure. Awareness sessions held, available to all staff, to provide an overview of all the areas above.
- 7.2.6 The successful delivery of year one of operating with the new Personal Development Review (PDR) system for all staff.
- 7.2.7 The approval by the Authority of an improved Organisational Risk Register and the establishment of a process for scrutiny and review of risk by the Service and Authority.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this statement.

We propose over the coming year to take steps to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Neil Odin

Chief Fire Officer

Date: 26 July 2021

Signed:

Rhydian Vaughan

HIWFRA Chair

Date: 26 July 2021

Glossary

Accruals basis

Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

Actuary

A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of contributions needed to keep it solvent.

Actuarial gains and losses

These are changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

Amortisation

The process of writing down the cost of an asset or liability through depreciation or repayment of principle over a suitable period of time.

Assets held for sale

Assets that the Authority intends to sell within the next year and are actively marketed as such.

Budget requirement

Planned spending to be met from council tax, general Government grants and business rates.

Capital adjustment account

An account that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital expenditure

Expenditure on the acquisition or creation of a fixed asset or expenditure that adds to and does not merely maintain the value of an existing fixed asset.

Capital receipt

Proceeds from the sale of capital assets (e.g. land, buildings and equipment).

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body for public services which recommends accounting practice for the preparation of local authority accounts.

Comprehensive Income and Expenditure Statement (CIES)

Statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Contingent asset

A potential asset that is uncertain because it depends on the outcome of a future event.

Contingent liability

A potential liability that is uncertain because it depends on the outcome of a future event.

Glossary

Council tax

A domestic property tax based on capital values with a personal element (a 25% discount for single-adult households). Each property is allocated to one of eight tax bands according to its capital value.

Creditor

An individual or body to which the Authority owes money at the Balance Sheet date.

Current asset

An asset that is realisable or disposable within less than one year without disruption to services.

Current liability

A liability that is due to be settled within one year.

Current service costs

The increase in the present value of pension liabilities expected to arise from employee service in the current period.

Debtor

An individual or body that owes money to the Authority at the Balance Sheet date.

Deferred liability

An amount owed by the Authority that will be repaid over a significant period of time.

Defined benefit pension scheme

A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and either final salary or average earnings.

Deposit

Receipt held that is repayable in prescribed circumstances.

Depreciated historical cost

The valuation of fixed assets at their original cost less depreciation charged to date.

Depreciated replacement cost

Relating to fixed assets, the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Discretionary increase in pension payments

This increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

Glossary

Earmarked reserve

See Reserve.

Exceptional item

An item identified separately in the accounts because of its exceptional nature to make sure the presentation of the accounts is fair.

Expected credit loss

An estimate of the losses an Authority expects it will incur from financial instruments.

Expected loss allowance

The Authority is unlikely to recover some debts because something has happened since the debt was raised. An assessment of the reduction in recoverable debt is made both individually (for individually significant debts) and collectively.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Finance lease

Under this type of lease, the risks and rewards of ownership of the leased goods transfer to the lessee.

Financial instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Fixed asset

An asset that yields benefits to the Authority and the services it provides for a period of more than one year.

General Fund

The accumulated credit balance on the General Fund. It is the excess of income over expenditure in the Income and Expenditure Account after adjusting for movements to and from reserves and other non-cash items. This balance is needed as a cushion against unforeseen expenditure.

Gross book value (GBV)

The original or revalued cost of an asset before the deduction of depreciation.

Gross expenditure

The total cost of providing the Authority's services before deducting income from Government grants, or fees and charges for services.

Historical cost

The amount originally paid for a fixed asset.

Impairment loss

A loss arising from an event that significantly reduces an asset's value, such as physical damage or a fall in market value.

Glossary

Internal trading account

A service within the Authority that operates on a trading basis with other parts of the Authority.

International Financial Reporting Standards (IFRS)

International accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts.

Inventories

Goods that are acquired in advance of their use in the provision of services or their resale. At the year-end inventories are a current asset in the balance sheet and they will be charged to the CIES in the year they are consumed or sold.

Investment property

Property (land or buildings) that are held (by the owner or by the lessee under a finance lease) to earn rental income or for capital appreciation or both.

Lessee

The party that leases an asset that is owned by another party.

Lessor

The owner of an asset which is leased to another party.

Local Government Pension Scheme (LGPS)

The LGPS is a nationwide scheme for employees working in local government or working for other employers participating in the Scheme.

Long-term asset

An asset that may be held indefinitely for the provision of services or is realisable over a longer period than one year.

Long-term borrowing

A loan repayable in more than one year from the Balance Sheet date.

Long-term debtor

An individual or body that owes money to the Authority that is not due for payment within one year from the Balance Sheet date.

Minimum revenue provision (MRP)

The minimum amount (as specified in statute) which must be charged to the CIES each year and set aside as a provision for repaying external loans and meeting other credit liabilities.

Net assets

The amount by which assets exceed liabilities (same as net worth).

Net book value (NBV)

The value of an asset as recorded in the accounts. This usually equates to the net current replacement or original cost less any depreciation charged against the asset over its life to date.

Glossary

Net current liabilities

The amount by which current liabilities exceed current assets.

Net worth

The amount by which assets exceed liabilities (same as net assets).

Non-ringfenced government grants

Amounts received from central Government towards funding the Authority's activities that are not required to be spent on a particular service.

Operating lease

Under this type of lease, the risks and rewards of ownership of the leased goods remain with the lessor.

Operational asset

A fixed asset held and occupied, used or consumed by the Authority in the direct delivery of services.

Past service cost

For a defined benefit pension scheme, the increase in the present value of the scheme's liabilities related to employee service from prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Payment in advance

A payment for a service due to be received in a future financial year.

Precept

The demand made by the Fire Authority on the collection funds maintained by the district councils for council taxpayers' contribution to its services.

Provisions

An estimated figure within the accounts for liabilities that are known to exist but cannot be measured accurately.

Public Works Loan Board (PWLB)

A central government agency that provides loans to local authorities at a slightly higher rate than the Government is able to borrow. In most cases, the interest rates offered are lower than local authorities can achieve in the open market.

Receipt in advance

A receipt that is attributable to a future financial year.

Related party

An organisation, body or individual that has the potential to control or significantly influence the Authority, or to be controlled or influenced by the Authority.

Reserve

The Authority's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Authority's accounts for specific purposes.

Glossary

Revaluation reserve

Records unrealised net gains from asset revaluations made after 1 April 2007.

Revenue contributions to capital

The use of revenue funds to finance capital expenditure.

Revenue expenditure

The operating costs incurred by the Authority during the financial year in providing its day-to-day services. It is distinct from capital expenditure on projects that benefit the Authority over a period of more than one financial year.

Revenue expenditure funded from capital under statute (REFCUS)

Expenditure that is classified as capital expenditure under statutory provisions but does not result in the creation or enhancement of fixed assets owned by the Authority. Such expenditure incurred during the year is treated as revenue expenditure and charged to the relevant service in the CIES.

Short-term investments

An investment that is readily realisable within one year.

Specific grants

Central Government grants to finance a particular service.

Straight-line basis

Dividing a sum equally between several years.

Surplus assets

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. These are assets that do not meet the criteria to be classified as either investment property or assets held for sale.

Transfer value

The value of an employee's pension rights, which can be transferred from one pension scheme to another.

Useful life

The period over which the Authority will benefit from the use of a fixed asset.

Write-off

Elimination of an asset or liability over a defined period, usually by means of charging or crediting the CIES.

Independent Auditors Report

Held for independent auditors report

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Letter of representations: Audit of single entity Local Authority financial statements

[Date]

Appendix 2

Ernst & Young
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Hampshire Fire & Rescue Authority (“the Authority”) for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Hampshire Fire & Rescue Authority as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate

Form 410GL(R) GPS – Single entity Local Authority (11 August 2021)

Letter of representations: Audit of single entity Local Authority financial statements

financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [\[specify reasons for not correcting misstatement\]](#).

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Letter of representations: Audit of single entity Local Authority financial statements

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Authority and Standards & Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *year* to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter (14 January 2021) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Letter of representations: Audit of single entity Local Authority financial statements

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note [X] to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and IAS19 pensions liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings and IAS19 pensions liability (the accounting estimates) have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

Letter of representations: Audit of single entity Local Authority financial statements

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out any specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Chief Financial Officer

Chairman of the Standards & Governance Committee

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**Hampshire
& Isle of Wight**
FIRE & RESCUE SERVICE

Standards and Governance Committee

Purpose: Noted

Date : **29 September 2021**

Title: **External Audit Results 2020/21**

Author: Catherine Edgecombe, Deputy Chief Financial Officer,
catherine.edgecombe@hants.gov.uk, 0370 779 6214

Director: Rob Carr, Chief Financial Officer, rob.carr@hants.gov.uk, 0370 779
2647

SUMMARY

1. Attached to this report, in Appendix 1, is the External Auditor's Audit Results report for the year ended 31 March 2021. It summarises the findings from the audit of the Authority's financial statements, and the work undertaken to assess arrangements in place to secure value for money in our use of resources.
2. The Auditor proposes to issue an unqualified audit report on the financial statements subject to concluding the matters listed in the draft report, and has concluded that we have proper arrangements for securing economy, efficiency, and effectiveness in the use of our resources.

BACKGROUND

3. The Accounts and Audit (Amendment) Regulations 2021 require the Authority's Statement of Accounts to be approved and published by 30 September 2021.
4. The audit work is now substantially complete and the results are set out and reported on in the draft Audit Results Report, which is attached as Appendix 1.
5. The results once again are positive in that, subject to concluding the outstanding matters listed in the draft report, an unqualified opinion on the

accounts is expected and EY have concluded that we have proper arrangements for securing economy, efficiency, and effectiveness in the use of our resource.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

6. Good financial management is essential to enable the Service to achieve its plans and priorities and the audit results report provides external confirmation around the quality and content of the final accounts and the overall financial resilience of the Authority

CONSULTATION

7. No consultation is required for this report as it is based on historic information and is a purely factual document.

RESOURCE IMPLICATIONS

8. There are no direct resource implications contained within this report, but appropriate financial resources have been made available to fund the estimated cost of the 2020/21 audit fee. Proposed changes to this fee are set out in the draft report and would need to be agreed by the Authority or referred to the Public Sector Audit Appointments Ltd (PSAA) for consideration.

IMPACT ASSESSMENTS

9. This is a factual report presenting the external audit results for 2020/21 so no impact assessments are required.

LEGAL IMPLICATIONS

10. This external audit results are part of the final accounts process. There is a legal requirement under the Accounts and Audit (Amendment) Regulations 2021 that the Statement of Accounts be approved and published by 30 September 2021.

OPTIONS

11. This report deals with the approval of the annual accounts that have been prepared in line with the Code of Practice for Local Authority Accounting and there are therefore no options for consideration in this report.

RISK ANALYSIS

12. Areas of risk are identified by the auditor as part of the planning process and examination of these areas form part of the formal audit and the results are reported in the attached Appendix.

CONCLUSION

13. The presentation of the annual external audit results is an important part of the overall governance framework for the Authority and the Committee is therefore requested to consider and approve the external audit results alongside the accounts.

RECOMMENDATION

14. That the Committee receives and notes the External Auditor's Audit Results Report for the year ended 31 March 2021.

APPENDICES ATTACHED

15. Appendix 1 – External Audit Results (draft) 2020/21

BACKGROUND PAPERS

16. Section 100 D - Local Government Act 1972

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Hampshire Fire and Rescue Authority Audit results report

Year ended 31 March 2021

September 2021

Page 137

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world



September 2021

Dear Standards & Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Standards & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Hampshire Fire and Rescue Authority for 2020/21.

We have substantially completed our audit of Hampshire Fire and Rescue Authority for the year ended 31 March 2021.

The audit is designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Hampshire Fire and Rescue Authority's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the use of the Standards & Governance Committee of the Hampshire & IOW Fire & Rescue Authority as the successor body to HFRA, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We welcome the opportunity to discuss the contents of this report with you at the Standards & Governance Committee meeting on 29 September 2021.

Kevin Suter

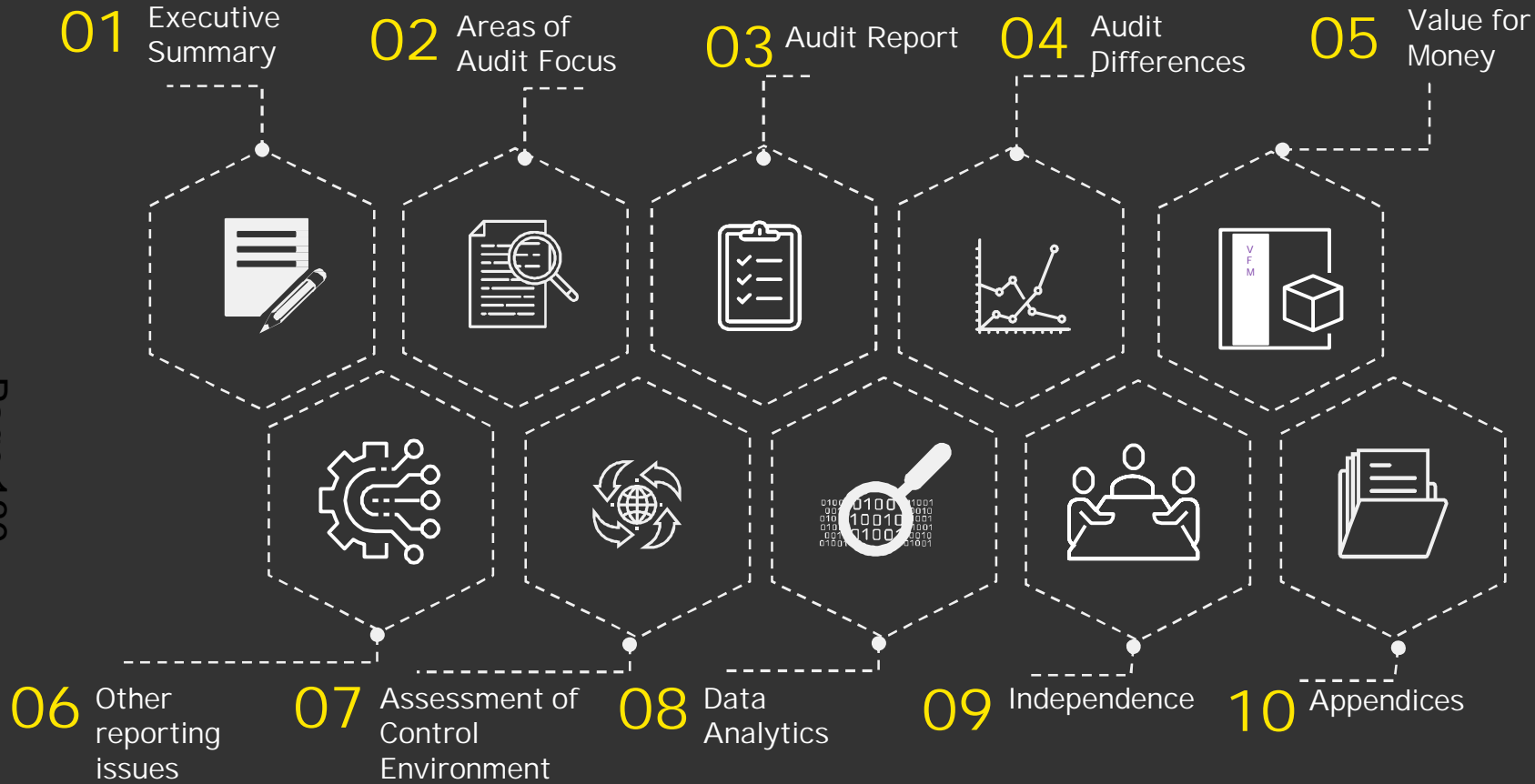
Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Page 139



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the July 2021 Standards & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes in materiality

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £2.15m, with performance materiality, at 75% of overall materiality, of £1.61m, and a threshold for reporting misstatements (nominal amount) of £0.1m. This was based on prior year's final materiality. This was re-assessed at the year end based on the 2020/21 Accounts. Audit procedures have been performed using a materiality of £2.06m, with performance materiality, at 75% of overall materiality, of £1.55m, and a threshold for reporting misstatements (nominal amount) of £0.1m.

The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on services.

Information Produced by the Entity (IPE): As a result of Covid-19, we identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited;
- Agree IPE to scanned documents or other system screenshots; and
- Gained our own access to the accounting software to enable us re-run reports ourselves

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.



Executive Summary

Status of the audit

We have substantially completed our audit of HFRA's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. . However until work is complete, further amendments may arise. A list of outstanding items can be seen at Appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Accounts which could influence our final audit opinion.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether HFRA has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to HFRA a commentary against specified reporting criteria (see below) on the arrangements HFRA has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How HFRA plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the HFRA ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the HFRA uses information about its costs and performance to improve the way it manages and delivers its services.



Executive Summary

Status of the audit – Value for Money

In the Audit Plan, we reported that we were yet to finalise our value for money (VFM) risk assessment. We have now completed this work and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary within 3 months of issuing our opinion on the accounts, as part of issuing the Auditor's Annual Report.

Audit differences

We have identified 1 audit difference in the draft financial statements which management have agreed to adjust due to materiality. This was in relation to Council Tax and NDR Income and is down to timing differences of when returns were received by billing authorities (£3m).

We also note that there have been a number of disclosure errors which have been adjusted for by management.

Details can be found in Section 4 Audit Differences.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool and update the guidance that is available for preparers. Based on the last available update the data collection tool and guidance was not expected to be available until Autumn 2021. Therefore the 2020-21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020-21 will necessarily follow any changes HMT make to the DCT and process.

We will report any matters arising to the Standards & Governance Committee, and certify the completion of the audit after these procedures are completed.

We have no other matters to report.



Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Audit findings and conclusions: Misstatements due to fraud or error

- We have no findings to report to the Standards & Governance Committee

Audit findings and conclusions: PPE valuation

- We noted a disclosure difference of £5m in relation to opening PPE balances – this has been agreed and adjusted by management.

Audit findings and conclusions: IAS 19 Pension Accounting

- We are waiting to receive the final results of the work performed by the Pension Fund Auditor.

We have engaged our specialists EY Pensions to assist in our conclusions over the completeness and accuracy of the model used by the actuaries in determining the obligation attributable to the Authority, in order to satisfy the requirements of the revised ISA. This work is still ongoing.

Our procedures to date have not noted any issues to be brought to the attention of the Standards and Governance Committee, and we will provide a verbal update at the September Committee meeting.

Audit findings and conclusions: Going Concern

- We have agreed with management the layout of the Going Concern disclosure and will review on receipt of final accounts
- We have no other findings to report to the Standards & Governance Committee

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Standards & Governance Committee.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Section 10 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

The risk of management override at the HFRA is mainly through the possibility that management could override controls and manipulate in-year financial transactions that have an impact on the General Fund's medium- to longer-term projected financial position.

The risk is focused in non-routine transactions as they are not protected by system controls and the robust segregation of duties in routine transactions. These non-routine and estimation transactions are also more subjective and therefore more susceptible to management override. We are specific that at the authorities, this risk only manifests itself in any estimates and judgements that impact the General Fund.

What did we do?

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

Our journal testing did not identify any journal entries without a valid business purpose.

We did not identify any other transactions during our audit which appeared unusual or outside the HFRA's normal course of business.





Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?

Valuation of Land and Buildings

Land and buildings is one of the most significant balances in the HFRA's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

What did we do?

We have:

- Considered the competence, capability and objectivity of the organisation's valuer;
- Considered the scope of the valuer's work;
- Ensured L&B assets have been revalued within a 5 year rolling programme as required by the Code;
- Considered if there are any specific changes to assets that should have been communicated to the valuer;
- Sample tested key inputs used by the valuer when producing valuations;
- Considered the results of the valuer's work;
- Challenged the assumptions used by the valuer by reference to external evidence;
- Tested journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- Tested a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- Reviewed assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated.

Conclusion:

We noted a disclosure difference of £5m in relation to opening PPE balances - this has been agreed and adjusted by management.

Our work is not yet complete however, as at the date of this report, we have no other findings to report.



Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Authority must also do similar in respect of the Firefighter Pension Fund.

HFRA's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets.

At 31 March 2020 this totalled £25m. The information disclosed is based on the IAS 19 report issued to HFRA by the actuary to the County Council and also the Firefighter Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hampshire Fire & Rescue Authority;
- Assessed the work of the LGPS Pension Fund actuary (AoN Hewitt) and the Firefighter Pension actuary (also AoN Hewitt) including the assumptions they used by relying on the work of PWC – Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the financial statements in relation to IAS19.

One issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 29 September 2021 meeting.

Conclusion: We are yet to conclude on this work and will provide the Standards & Governance Committee with an update at the 29 September meeting.



Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p>Going Concern There is a presumption that the Authority will continue as a going concern for the foreseeable future. However, the Authority is required to carry out a going concern assessment that is proportionate to the risks it faces. There is a need for the Authority to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.</p> <p>The Authority is then required to ensure that its going concern (or basis of preparation) disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.</p> <p>We consider the unpredictability of the current environment to give rise to a risk that the Authority will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.</p> <p>We will also look to see that management have considered within their assessment and disclosed the merger with Isle of Wight (IoW) Fire Service creating the new Hampshire & IOW Fire & Rescue Authority.</p> <p>There are also additional procedures we will need to perform to comply with the new International Standard of Auditing in relation to Going Concern which is applicable for this year end (ISA 570),</p>	<p>We:</p> <ul style="list-style-type: none"> • Obtained Management’s going concern assessment and reviewed for any evidence of bias and consistency with the accounts; • Reviewed the financial modelling and forecasts prepared by the Authority. We considered and tested key assumptions, focusing on the reasonableness of the liquidity forecasts up to a date of 12 months after the signing date of the accounts and opinion. This assessment therefore needed to extend beyond the 2021/22 financial year, and into 2022/23; • Ensured that an appropriate going concern disclosure has been made within the financial statements; • Reviewing HFRA’s approach to identifying and disclosing events after the balance sheet date; and • Considering the impact on our audit report and complied with EY consultation requirements. <p>Conclusion: We have reviewed the cashflow forecasts prepared by the Authority and are satisfied with the reasonableness of the assumptions which covers the period to 31 March 2022.</p> <p>We have agreed the layout and content of the disclosure with management and will review on receipt of the final Statement of Accounts.</p>



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE HAMPSHIRE FIRE AND RESCUE AUTHORITY

Opinion

We have audited the financial statements of the Hampshire Fire and Rescue Authority for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- Firefighters' pension fund financial statements comprising the Pension Fund Account the related note 36.

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

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below.

We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to 31 March 2023, from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

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

We have nothing to report in this regard.



Audit Report

Draft audit report

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Director of Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to



Audit Report

Draft audit report

Our opinion on the financial statements

fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the council/authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

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

We understood how Hampshire Fire & Rescue Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority and committee minutes, through enquiry of employees to confirm authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified management override of controls to be our fraud risk.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

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

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

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



Audit Report

Draft audit report

Our opinion on the financial statements

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

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



04 Audit Differences



Audit Differences

Summary of adjusted differences

There have been no unadjusted misstatements identified at the time of writing this report.

We have highlighted below (and on the following page) the following misstatements to the financial statements and disclosures which agreed with management:

Corrected misstatements 31 March 2021	Effect on the current period:	Balance Sheet (Decrease)/Increase				Equity components Debit/(Credit)
		Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	Equity components Debit/(Credit)
	£'000	£'000	£'000	£'000	£'000	£'000
Known differences:						
Council tax and NDR income understatement (timing difference)	(3,050)	3,050				
Balance sheet totals		3,050				
Income effect of corrected misstatements (before tax)	(3,050)					



Audit Differences

Summary of adjusted differences

We highlight the following material disclosure error which has been corrected by management:

The error relates to the Gross Book Value and Accumulated Depreciation figures in the PPE Note. We note that these adjustment do not impact the Net Book Values and therefore there is no impact on the Balance Sheet. The differences noted are as follows:

Other Land and Buildings - £920k

VPF&E - £6,514k

These are historical difference that have arisen due to a difference between SAP GL Codes and SAP Asset Register. The GL balances included a number of NBV which were not loaded into the asset register.



05

Value for Money



Value for money

Hampshire Fire and Rescue Authority responsibilities for value for money (VFM)

Hampshire Fire and Rescue Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, Hampshire Fire and Rescue Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, Hampshire Fire and Rescue Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

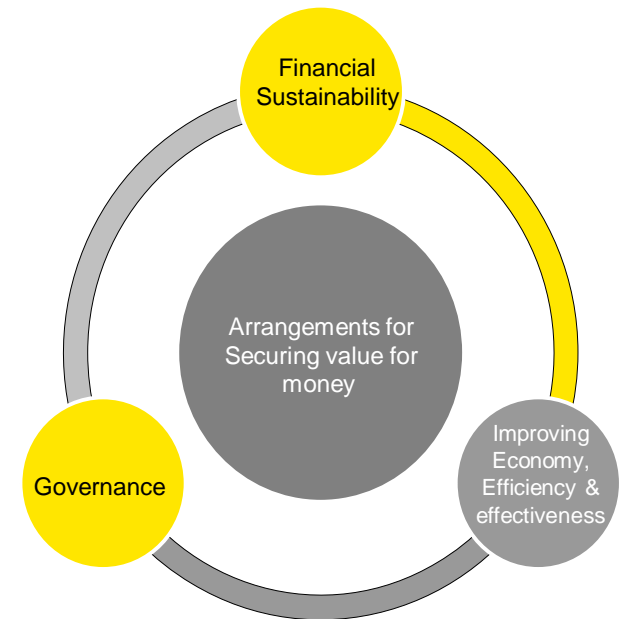
Throughout the Audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

No significant risks were identified throughout the risk assessment stage.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary within 3 months of giving our opinion on the accounts, as part of issuing the Auditor's Annual Report.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Autumn 2021. Therefore the 2020-21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020-21 will necessarily follow any changes HMT make to the DCT and process

We will report any matters arising to the Standards & Governance Committee.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Consideration of laws and regulations; and
- Group audits

We have no significant findings to communicate.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a substantive approach (with some reliance on the ISAE 3402 report on the IBC), we have therefore not tested the operation of any controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08 Data Analytics



Use of Data Analytics in the Audit

▶ Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21 our use of these analysers in the Authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



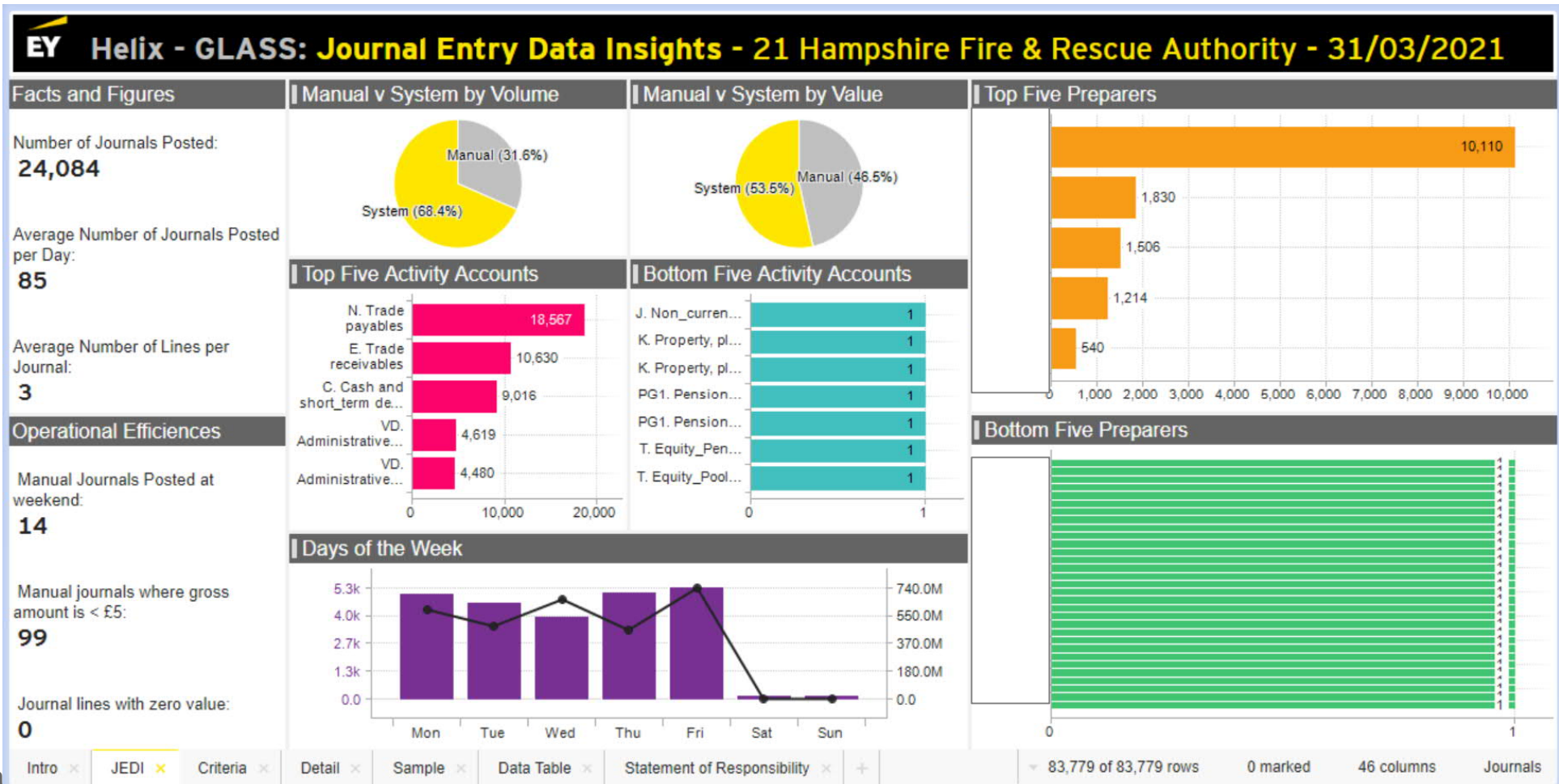
Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2020/21. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

Page 168





Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – 31 March 2021

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



Page 169

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



Page 170

09

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated July 2021.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Standards & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards & Governance Committee on 29 September 2021.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2021.

	Planned fee 2020/21	Final Fee 2019/20*
	£	£
Total Fee	27,893	27,893
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk	15,860	15,860
Scale fee variation – Covid-19 and Going Concern considerations, addressing risks on PPE valuations & IAS 19 work, and new Value for Money requirements	TBC	6,684
Total audit	TBC	50,437

2020/21 Fees:

We are not yet able to provide a final fee for the 2020/21 audit. This is for two reasons:

- The audit is not fully complete, as noted in the list of outstanding procedures set out in the appendices of this report.
- We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements.


The areas in which we have completed additional work and as such we will be proposing a fee variation to the base scale fee are:

- Revised ISAs in respect of Estimates and Going Concern as noted in the Audit Plan presented in July 2021
- Additional procedures in relation to COVID-19 and new value for money requirements
- Use of experts in relation to Pensions to satisfy revised ISA requirements.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Standards & Governance Committee.

* the variation to 19/20 scale fee is still subject to approval by PSAA

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)



10 Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:





- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	No change
Tangible Fixed Assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Trade payables	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	No change
Cash, borrowings and investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Pension Liability	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	Substantively tested all relevant assertions	We engaged our pensions specialists due to the requirements of ISA540 (revised)

Appendix B

Required communications with the Standards & Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the standards & governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report dated July 2021	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report dated July 2021	
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	This Audit results report	

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	<p>This Audit results report</p> <p>No conditions or events were identified, either individually or together to raise any doubt about the HFRA’s ability to continue for the 12 months from the date of our report</p>
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	<p>This Audit results report</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the S&G committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Attending S&G Committee - 29 September 2021</p>
Fraud	<ul style="list-style-type: none"> • Enquiries of the S&G committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to S&G Committee responsibility. 	<p>Formal enquiry letter sent and response received from Chair of S&G Committee. and</p> <p>This Audit results report</p>

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	This Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report dated July 2021 and</p> <p>This Audit results report</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	This Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	This Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	This Audit results report
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	This Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report dated July 2021 and This Audit results report

Page 979

Management representation letter

Management Representation Letter – to be finalised on completion of all outstanding audit procedures

Ernst & Young LLP

Grosvenor House,
Grosvenor Square,
Southampton SO15 2BE,

This letter of representations is provided in connection with your audit of the financial statements of the Fire and Rescue Authority for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Hampshire Fire and Rescue Authority as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations and cash

flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
 4. As members of management of the authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls
 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and therefore we have not corrected these differences.
- ### B. Non-compliance with law and regulations, including fraud
1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

Management representation letter

Management Rep Letter

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. have made available to you all minutes of the meetings of the Hampshire Fire and Rescue Authority and Standards & Governance Committee held through the period to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter (14 January 2021) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

Management representation letter

Management Rep Letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 20 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note [X] to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and the IAS19 pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings and IAS19 pensions liability (the accounting estimates) have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out any specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Management representation letter

Management Rep Letter

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I confirm that this letter has been discussed and agreed by the Standards and Governance Committee.

Signed:

Position: Chief Finance Officer

Date:

Signed:

Position: Chairman of the Standards & Governance Committee

Date:

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Investments	Investment confirmations for 7 investment balance held by the Authority remain outstanding	Management and EY
Payables, Receivables, Property Plant & Equipment Valuations	Substantive testing to be finalised and reviewed	EY
IAS 19 Pension Liability	EY Pensions report in relation to completeness and accuracy of model used by actuary in determining Authority obligation. Pension Fund auditor final report outstanding	EY
Workpaper finalisation	Finalisation of workpapers to be completed	EY
Management representation letter	Receipt of signed management representation letter	Management and S&G committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
WGA	Receipt of Instruction in relation to WGA	NAO
Check of Final Account i.e. post any adjustments made, including GC disclosure note	Receipt and review of Final Accounts	EY and Management
Senior Manager and Associate Partner Final Review	Final Review of Audit Procedures	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 3.

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