



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

**Hampshire Fire and Rescue Authority**

**Draft Statement of Accounts**

**2020/21**

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## Narrative Statement

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### 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 1<sup>st</sup> 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**

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### **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**

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### **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.

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### 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**

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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.

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### 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:

<b>Nominating Authority</b>	<b>Number of Members</b>	<b>Composition</b>
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/> <b>11</b> <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



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- 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:

<b>March 2020</b>	<b>Full-time equivalent employees</b>	<b>March 2021</b>
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:

	<b>2019/20</b>	<b>2020/21</b>
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.

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### 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:

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

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:

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

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

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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:

	<b>Budget</b>	<b>Actual</b>	<b>Variance over / (under) spend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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)
<b>Net cost of Fire and Rescue Services</b>	<b>69,332</b>	<b>67,905</b>	<b>(1,427)</b>
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)
<b>Funding</b>	<b>69,332</b>	<b>69,550</b>	<b>(218)</b>
<b>Net position</b>	<b>-</b>	<b>(1,645)</b>	<b>(1,645)</b>

### 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:

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

  

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

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.

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### 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:

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	<b>Balance 31/03/2020</b>	<b>Balance 31/03/2021</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Total Reserves and Balances</b>	<b>31,320</b>	<b>35,801</b>

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**

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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 31<sup>st</sup> July, with 30<sup>th</sup> September the deadline for publishing the audited accounts.

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### 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**

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### **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](mailto:budget@hants.gov.uk).



## **Statement of Responsibilities for the Statement of Accounts**

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### **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**

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

\* 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
<b>158,572</b>	<b>Long term assets</b>	<b>165,797</b>	
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
<b>25,879</b>	<b>Current assets</b>	<b>29,322</b>	
(4,220)	Short term creditors	(7,807)	17d
(1,214)	Short term borrowing	(509)	17b
<b>(5,434)</b>	<b>Current liabilities</b>	<b>(8,316)</b>	
<b>20,445</b>	<b>Net current assets</b>	<b>21,006</b>	
(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
<b>(751,419)</b>	<b>Long Term Liabilities</b>	<b>(898,524)</b>	
<b>(572,402)</b>	<b>Net Liabilities</b>	<b>(711,721)</b>	
	<b>Financed by:</b>		
	<b>Usable reserves</b>		
(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
<b>(31,320)</b>	<b>Total usable reserves</b>	<b>(35,801)</b>	
<b>603,722</b>	<b>Unusable reserves</b>	<b>747,522</b>	3
<b>572,402</b>	<b>Total reserves</b>	<b>711,721</b>	

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 ( <b>surplus</b> ) or deficit on provision of services	26,012	CIES
<b>(34,083)</b>	Adjustments to net surplus or deficit on the provision of services for non cash movements	<b>(29,887)</b>	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
<b>(3,992)</b>	<b>Net cash (inflow)/outflow from Operating Activities</b>	<b>(3,875)</b>	
<b>(868)</b>	Investing Activities	10,548	31.3
100	Financing Activities	1,150	31.4
<b>(4,760)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>7,823</b>	
<b>(7,402)</b>	Cash and cash equivalents at the beginning of the reporting period	<b>(12,162)</b>	
<b>(12,162)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(4,339)</b>	

## Comprehensive Income and Expenditure Report

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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)	
<b>82,499</b>	<b>87,244</b>	<b>(4,745)</b>	<b>Net cost of Fire and Rescue Services</b>	<b>80,463</b>	84,857	<b>(4,394)</b>	10
			<b>Other income and expenditure:-</b>				
(44)	80	(124)	Other operating income and expenditure	263	308	(45)	
<b>19,749</b>	21,382	<b>(1,633)</b>	Financing and investment income and expenditure	<b>16,018</b>	18,279	<b>(2,261)</b>	5
			<b>Taxation and non-specific grant income</b>				
		(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	
<b>(72,113)</b>		<b>(72,113)</b>	<b>Total taxation and non- specific grant income</b>	<b>(70,732)</b>		<b>(70,732)</b>	
<b>(52,408)</b>	21,462	<b>(73,870)</b>	<b>Total other income and expenditure</b>	<b>(54,451)</b>	18,587	<b>(73,038)</b>	
<b>30,091</b>	<b>108,706</b>	<b>(78,615)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>26,012</b>	<b>103,444</b>	<b>(77,432)</b>	
(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			
<b>(80,966)</b>			<b>Other Comprehensive (Income)/Expenditure</b>	<b>113,307</b>			
<b>(50,875)</b>			<b>Total Comprehensive (Income)/Expenditure</b>	<b>139,319</b>			



## Notes to the core financial statements

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### 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
<b>68,748</b>	<b>13,751</b>	<b>82,499</b>	<b>Net cost of Fire and Rescue Services</b>	<b>68,282</b>	<b>12,181</b>	<b>80,463</b>
(69,689)	17,281	(52,408)	Other income and expenditure	(72,763)	18,312	(54,451)
<b>(941)</b>	<b>31,032</b>	<b>30,091</b>	<b>(Surplus) or deficit on the provision of services</b>	<b>(4,481)</b>	<b>30,493</b>	<b>26,012</b>
(30,379)			Opening General Fund (including earmarked reserves) balance at 1 April	(31,320)		
(941)			Plus (surplus)/deficit on provision of services	(4,481)		
<b>(31,320)</b>			<b>Closing General Fund (including earmarked reserves) balance at 31 March</b>	<b>(35,801)</b>		

## 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
<b>Net cost of services</b>	<b>4,744</b>	<b>7,424</b>	<b>13</b>	<b>12,181</b>
Other income and expenditure from the funding analysis	(1,310)	16,846	2,776	18,312
<b>Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit</b>	<b>3,434</b>	<b>24,270</b>	<b>2,789</b>	<b>30,493</b>
<b>Note a) Adjustments for capital purposes:</b>				
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)	<b>3,479</b>			<b>3,479</b>
Transfer asset sale proceeds to capital receipts reserve	(45)			(45)
<b>Note a) Total</b>	<b>3,434</b>			<b>3,434</b>

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
<b>Note b) Adjustments for pensions:</b>				
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		<b>34,011</b>		<b>34,011</b>
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(9,741)		(9,741)
<b>Note b) Total</b>		<b>24,270</b>		<b>24,270</b>
<b>Note c) Other adjustments:</b>				
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
<b>Note c) Total</b>			<b>2,789</b>	<b>2,789</b>
<b>Total adjustments</b>				<b>30,493</b>
(note i) transfer from capital grants unapplied reserve				0
Use of capital receipts reserve to fund capital expenditure				0
<b>Total adjustments between accounting and funding basis under statute</b>				<b>30,493</b>

## 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
<b>Net cost of services</b>	<b>5,214</b>	<b>8,416</b>	<b>121</b>	<b>13,751</b>
Other income and expenditure from the funding analysis	(2,609)	18,832	1,058	17,281
<b>Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit</b>	<b>2,605</b>	<b>27,248</b>	<b>1,179</b>	<b>31,032</b>
<b>Note a) Adjustments for capital purposes:</b>				
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)	<b>2,729</b>			<b>2,729</b>
Transfer asset sale proceeds to capital receipts reserve	(124)			(124)
<b>Note a) Total</b>	<b>2,605</b>			<b>2,605</b>

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
<b>Note b) Adjustments for pensions:</b>				
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		<b>38,055</b>		<b>38,055</b>
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(10,807)		(10,807)
<b>Note b) Total</b>		<b>27,248</b>		<b>27,248</b>
<b>Note c) Other adjustments:</b>				
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
<b>Note c) Total</b>			<b>1,179</b>	<b>1,179</b>
<b>Total adjustments</b>				<b>31,032</b>
(note i) transfer from capital grants unapplied reserve				0
Use of capital receipts reserve to fund capital expenditure				0
<b>Total adjustments between accounting and funding basis under statute</b>				<b>31,032</b>



## 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
<b>Total unusable reserves</b>	<b>603,722</b>	<b>143,800</b>	<b>747,522</b>	

#### 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	<b>Sub total written off to the capital adjustment account</b>	<b>1,554</b>
(66,207)	<b>Balance at 31 March</b>	<b>(74,696)</b>

## Notes to the core financial statements

### 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:

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

## Notes to the core financial statements

### 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.

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
<b>794,350</b>	<b>Balance 1 April</b>	<b>742,982</b>
(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)
<b>742,982</b>	<b>Balance 31 March</b>	<b>890,602</b>

### 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
<b>Revenue Reserves</b>						
<b>A. General Fund Balance</b>	<b>(2,500)</b>	<b>0</b>	<b>(2,500)</b>	<b>0</b>	<b>(2,500)</b>	
<b>B. Earmarked Revenue Reserves</b>						
<b>Fully Committed to Existing Spend Programmes</b>						
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)	
	<b>(24,078)</b>	<b>(2,299)</b>	<b>(26,577)</b>	<b>(4,256)</b>	<b>(30,833)</b>	
<b>Corporate Reserves</b>						
Transformation Reserve	(3,601)	1,358	(2,243)	(225)	(2,468)	h
	<b>(3,601)</b>	<b>1,358</b>	<b>(2,243)</b>	<b>(225)</b>	<b>(2,468)</b>	
<b>Total Earmarked Revenue Reserves Available</b>	<b>(27,879)</b>	<b>(941)</b>	<b>(28,820)</b>	<b>(4,481)</b>	<b>(33,301)</b>	
<b>Total Revenue Reserves and Balances</b>	<b>(30,379)</b>	<b>(941)</b>	<b>(31,320)</b>	<b>(4,481)</b>	<b>(35,801)</b>	
<b>Capital Reserves</b>						
Capital Grants Unapplied	0	0	0	0	0	i
Capital Receipts Reserve	0	0	0	0	0	j
<b>Total Capital Reserves and Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Usable Reserves</b>	<b>(30,379)</b>	<b>(941)</b>	<b>(31,320)</b>	<b>(4,481)</b>	<b>(35,801)</b>	

- 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:

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
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)
<b>19,749</b>	<b>Total</b>	<b>16,018</b>

### 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.

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
	<b>Credited to taxation non specific grant income:</b>	
(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)
<b>(21,665)</b>	<b>Total</b>	<b>(22,418)</b>
	<b>Credited to services:</b>	
(78)	Marauding Terrorist Firearm Attacks (MTFA)	(58)
(3)	Firesetter Intervention Scheme	
<b>(81)</b>	<b>Total</b>	<b>(58)</b>

### 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	<b>208,851</b>	i
Director of Policy and Planning (1 April 2019 to 14 June 2019)	27,192	0	0	10,044	<b>37,236</b>	
Director of Policy and Planning (15 April 2019 to 31 March 2020)	124,192	0	0	46,324	<b>170,516</b>	
Director of Operations	121,723	172	0	34,970	<b>156,865</b>	
Director of Performance and Assurance	121,723	1,843	0	19,597	<b>143,163</b>	
Chief of Staff	90,471	494	0	14,566	<b>105,531</b>	

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.



## Notes to the core financial statements

	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
<b>Total</b>	<b>98</b>	<b>104</b>

### 7c Exit Packages

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

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
<b>84</b>		<b>84</b>

## Notes to the core financial statements

### 9 External audit costs

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

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

### 10 Nature of expenses

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

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

- 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

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- 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)
<b>(1,541)</b>	<b>Total income from external customers analysed on a segmental basis</b>	<b>(1,723)</b>

### 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.

## Notes to the core financial statements

### 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.

<u>2019/20</u> <u>£'000</u>		<u>2020/21</u> <u>£'000</u>
<b>11,210</b>	<b>Opening capital financing requirement</b>	<b>10,764</b>
	<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
	Sums set aside from revenue:	
(2,504)	Direct revenue contributions (budgeted)	(1,504)
(446)	Minimum revenue provision	(429)
<b>10,764</b>	<b>Closing capital financing requirement</b>	<b>10,347</b>
	<b>Explanation of movements in year:</b>	
0	Increase in borrowing	12
(446)	Minimum revenue provision	(429)
<b>(446)</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>(417)</b>

### 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.

## Notes to the core financial statements

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### 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:

<b>31 March 2020 £'000</b>		<b>31 March 2021 £'000</b>
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
<b>642</b>	<b>Total future payments</b>	<b>627</b>

## Notes to the core financial statements

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### 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:

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
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
<b>1,404</b>	<b>Total future receipts</b>	<b>1,321</b>

## 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

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- 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.



## Notes to the core financial statements

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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

## Notes to the core financial statements

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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
<b>Cost or Valuation:</b>					
<b>At 31 March 2020</b>	<b>144,439</b>	<b>41,862</b>	<b>0</b>	<b>1,707</b>	<b>188,008</b>
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
<b>Gross book value as at 31 March 2021</b>	<b>152,724</b>	<b>39,568</b>	<b>0</b>	<b>1,815</b>	<b>194,107</b>
<b>Accumulated depreciation:</b>					
<b>At 31 March 2020</b>	<b>(7,967)</b>	<b>(30,523)</b>	<b>0</b>	<b>0</b>	<b>(38,490)</b>
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
<b>Accumulated depreciation as at 31 March 2021</b>	<b>(9,023)</b>	<b>(29,442)</b>	<b>0</b>	<b>0</b>	<b>(38,465)</b>
<b>Net book value 31 March 2021</b>	<b>143,701</b>	<b>10,126</b>	<b>0</b>	<b>1,815</b>	<b>155,642</b>
<b>Net book value 31 March 2020</b>	<b>136,472</b>	<b>11,339</b>	<b>0</b>	<b>1,707</b>	<b>149,518</b>

## 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
<b>Cost or Valuation:</b>					
<b>At 31 March 2019</b>	<b>144,788</b>	<b>41,673</b>	<b>0</b>	<b>18</b>	<b>186,479</b>
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
<b>At 31 March 2020</b>	<b>144,439</b>	<b>41,862</b>	<b>0</b>	<b>1,707</b>	<b>188,008</b>
<b>Accumulated depreciation:</b>					
<b>At 31 March 2019</b>	<b>(7,367)</b>	<b>(28,832)</b>	<b>0</b>	<b>0</b>	<b>(36,199)</b>
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
<b>Accumulated depreciation as at 31 March 2020</b>	<b>(7,967)</b>	<b>(30,523)</b>	<b>0</b>	<b>0</b>	<b>(38,490)</b>
<b>Net book value 31 March 2020</b>	<b>136,472</b>	<b>11,339</b>	<b>0</b>	<b>1,707</b>	<b>149,518</b>
<b>Net book value 31 March 2019</b>	<b>137,421</b>	<b>12,841</b>	<b>0</b>	<b>18</b>	<b>150,280</b>

### 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).

<b>Reason for holding the asset</b>	<b>Nature of the contractual cash flows</b>	<b>Classification category</b>
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

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<b>Classification category</b>	<b>Subsequent measurement basis</b>	<b>Presentation of unrealised gains &amp; losses</b>
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

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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)
<b>Total</b>	<b>(7,100)</b>	<b>(6,650)</b>	<b>(4,543)</b>	<b>(3,009)</b>

### 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)
<b>(4,220)</b>	<b>Total creditors</b>	<b>(7,807)</b>

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
<b>Total financial assets</b>	<b>8,228</b>	<b>7,973</b>	<b>20,375</b>	<b>20,369</b>

## Notes to the core financial statements

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### 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.

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

### 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
<b>8,317</b>	<b>Total debtors</b>	<b>9,930</b>

### 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)
<b>12,162</b>	<b>Total</b>	<b>4,339</b>

### 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

## Notes to the core financial statements

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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	
<b>Financial Liabilities</b>						
Long term loans from PWLB	2	(8,250)	(7,100)	(10,257)	(8,982)	
Accrued interest		(64)	(59)			
<b>Total loans borrowed</b>		<b>(8,314)</b>	<b>(7,159)</b>	<b>(10,257)</b>	<b>(8,982)</b>	
Liabilities for which fair value is not disclosed - note i		(3,329)	(2,500)			
<b>Total financial liabilities</b>		<b>(11,643)</b>	<b>(9,659)</b>	<b>(10,257)</b>	<b>(8,982)</b>	
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
<b>Total financial liabilities</b>		<b>(11,643)</b>	<b>(9,659)</b>			
<b>Financial Assets</b>						
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	
<b>Total</b>		<b>17,762</b>	<b>10,918</b>	<b>17,756</b>	<b>10,923</b>	
Assets for which fair value is not disclosed - note i		10,841	17,424			
<b>Total financial assets</b>		<b>28,603</b>	<b>28,342</b>			
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			
<b>Total financial assets</b>		<b>28,603</b>	<b>28,342</b>			

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
<b>Total Investments</b>	<b>8,222</b>	<b>7,967</b>	<b>16,544</b>	<b>18,813</b>

### 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	
<b>Total</b>	<b>(8,250)</b>	<b>(7,100)</b>

### 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:

	<b>£'000</b>
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
<b>Impact on (Surplus) or Deficit on the Provision of Services</b>	<b>(129)</b>
Decrease in fair value of investments held at FVOCI	0
<b>Impact on Comprehensive Income and Expenditure</b>	<b>(129)</b>

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.

## Notes to the core financial statements

### 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)
<b>Balance as at 31 March 2021</b>	<b>(116)</b>	<b>(136)</b>	<b>(252)</b>	<b>(1,020)</b>	<b>(1,272)</b>

### 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
<b>Comprehensive Income and Expenditure Statement</b>				
<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
<b>Total Charge to the Surplus or Deficit on the Provision of Services</b>	<b>32,930</b>	<b>29,230</b>	<b>1,330</b>	<b>1,200</b>
 <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
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(42,420)</b>	<b>141,086</b>	<b>(2,390)</b>	<b>5,220</b>
 <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
<b>Charge on General Fund</b>	<b>7,680</b>	<b>7,485</b>	<b>900</b>	<b>910</b>

## Notes to the core financial statements

	LGPS (Staff)		All schemes - Summary	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
<b>Comprehensive Income and Expenditure Statement</b>				
<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

## Notes to the core financial statements

### 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
<b>31 March</b>	<b>70,723</b>	<b>689,830</b>	<b>27,810</b>	<b>788,363</b>

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
<b>31 March</b>	<b>92,289</b>	<b>823,430</b>	<b>32,120</b>	<b>947,839</b>

## Notes to the core financial statements

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### 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:

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
<b>45,960</b>	<b>1 April</b>	<b>45,380</b>
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)
<b>45,380</b>	<b>31 March</b>	<b>57,237</b>

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).

## Notes to the core financial statements

### 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
<b>100.0</b>		<b>84.8</b>	<b>15.2</b>	<b>100.0</b>

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:

<b>Scheme</b>	<b>Date</b>
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.

<b>31 March 2020</b>		<b>31 March 2021</b>
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

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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

## Notes to the core financial statements

	LGPS		Fire Schemes	
	+ 0.1% p.a.	- 0.1% p.a.	+ 0.1% p.a.	- 0.1% p.a.
<b>Adjustment to discount rate</b>				
* 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%
<b>Rate of general increase in salaries</b>				
* 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%
<b>Rate of increase to pensions in payment and deferred pensions</b>				
* 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%
<b>Adjustment to mortality age rating assumption</b>				
	-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

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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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
(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
<b>(34,083)</b>	<b>Adjustment for non-cash items</b>	<b>(26,836)</b>

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

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

## Notes to the core financial statements

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The cash flow from operating activities includes the following items:

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

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
	<b>Cash outflows</b>	
2,628	Purchase of property, plant and equipment	1,561
33,506	Purchase of short-term and long-term investments	44,221
	<b>Cash inflows</b>	
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
<b>(868)</b>	<b>Net cash inflow from investing activities</b>	<b>10,548</b>

## Notes to the core financial statements

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
	<b>Cash outflows</b>	
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
	<b>Cash inflows</b>	
0	Cash receipts of long and short term borrowing	0
0	Other receipts from financing activities	0
<b>100</b>	<b>Net cash outflow from financing activities</b>	<b>1,150</b>

### 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

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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.

## Notes to the core financial statements

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

## **Notes to the Pension Fund Accounting Statement**

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### **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**

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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

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- 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

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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

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- 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

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- 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

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- 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

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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

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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.

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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

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- 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

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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 multi-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.

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### 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

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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

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- 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**

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- 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**

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- 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

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- 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

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### **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**

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### **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

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### **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**

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### **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**

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### **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**

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Held for independent auditors report