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

NOTICE OF MEETING

<i>Meeting</i>	HIWFRA Standards and Governance Committee	<i>Clerk to the Hampshire & Isle of Wight Fire and Rescue Authority</i> CFO Neil Odin
<i>Date and Time</i>	Wednesday 27th September, 2023 2.00 pm	<i>Fire & Police HQ</i> <i>Leigh Road,</i> <i>Eastleigh</i> <i>Hampshire</i> <i>SO50 9SJ</i>
<i>Place</i>	Room A - Fire & Police HQ, Eastleigh	
<i>Enquiries to</i>	<u>members.services@hants.gov.uk</u>	

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

Agenda

1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

2 **DECLARATIONS OF INTEREST**

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

3 **MINUTES OF PREVIOUS MEETING** (Pages 5 - 8)

To confirm the minutes of the previous meeting.

4 **DEPUTATIONS**

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

5 **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

6 **ANNUAL STATEMENT OF ACCOUNTS** (Pages 9 - 132)

To consider a report from the Chief Financial Officer on the Annual Statement of Accounts.

7 **ANNUAL ASSURANCE STATEMENT 2022/2023** (Pages 133 - 158)

To consider a report from the Chief Fire Officer, which is a retrospective look back at the period April 2022 to March 2023.

8 **ORGANISATIONAL RISK REGISTER REPORT** (Pages 159 - 164)

To receive a report from the Chief Fire Officer, which updates the Standards and Governance Committee on the status of the Organisational Risk Register in line with the Risk Management Procedure.

9 **ASSURANCE REPORT: FIRE STANDARDS AND HMICFRS AREAS FOR IMPROVEMENT PROGRESS UPDATE** (Pages 165 - 178)

To receive a report from the Chief Fire Officer, which provides Members with an assurance update on the Service's progress in adopting and embedding Fire Standards within the Service and also on the progress being made against the His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Areas for Improvement (AFIs).

10 **INTERNAL AUDIT PROGRESS REPORT** (Pages 179 - 194)

To receive a report from the Chief Internal Auditor, which provides an overview of internal audit work completed in accordance with the approved audit plans and the status of 'live' reports.

11 **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT** (Pages 195 - 200)

To receive a report from the Chief Fire Officer, asking the Committee to note the progress made towards the implementation of the internal audit management actions and the delivery of the audit plan.

ABOUT THIS AGENDA:

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

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Agenda Item 3

AT A MEETING of the HIWFRA Standards and Governance Committee held at
Fire & Police HQ, Eastleigh, on Monday 24th July, 2023

Chairman:

* Councillor Derek Mellor

Councillor David Harrison
* Councillor David Drew

Councillor Hugh Lumby
* Councillor Fran Carpenter

86. APOLOGIES FOR ABSENCE

Apologies were received from Councillors David Harrison, Karen Lucioni and Hugh Lumby. Councillor Fran Carpenter attended as a deputy for Hugh Lumby.

87. DECLARATIONS OF INTEREST

Members were mindful to disclose to the meeting any disclosable pecuniary interest they may have in any matter on the agenda for the meeting, where that interest was not already entered in the Authority's register of interests, along with any other pecuniary or non-pecuniary interests in any such matter that Members wished to disclose.

88. MINUTES OF PREVIOUS MEETING

The minutes of the last meeting were reviewed and agreed.

89. DEPUTATIONS

There were no deputations for the meeting.

90. CHAIRMAN'S ANNOUNCEMENTS

The Chairman confirmed that the Principal Officer Pay Review report was due to go to the July Full Authority meeting.

91. ANNUAL GOVERNANCE STATEMENT 2022/23

The Committee considered a report from the Chief Fire Officer (item 6 in the minute book) regarding the Annual Governance Statement for 2022/23.

Following a summary of the report by the Deputy Chief Fire Officer and questions by Members, the subsequent points were clarified:

- The Director of Operations would provide further information to Members on the strategy with regards to electric and alternative fuel vehicles.
- Further information would be found on the follow-up process to whistleblowing and the reporting of errors and faults and provided to Members

Members thanked officers for their work on the report.

RESOLVED

a) The Annual Governance Statement (AGS) 2022/23 as set out in **Appendix A** was approved by the HIWFRA Standards and Governance Committee

b) Members acknowledged that the arrangements continue to be regarded as fit for purpose in accordance with the Framework 2016.

c) It was agreed that the approved AGS be included into the Annual Statement of Accounts, to meet the Authority's statutory requirement.

92. EXTERNAL AUDIT - AUDITOR'S ANNUAL REPORT 2021/22 AND AUDIT PLANNING REPORT 2022/23

The Committee considered a report from the Chief Financial Officer (item 7 in the minute book) regarding the external auditors annual and audit planning reports.

The report was summarised and it was confirmed that a letter from Minister Rowley regarding the backlog experienced by external auditors had been circulated to Members for information.

The delays were being experienced nationally and it was anticipated that there may be subsequent delays to the 2022/23 audit, but it was positive that the 2021/22 accounts had been signed-off.

RESOLVED

The Auditor's Annual Report for 2021/22 and the Audit Planning Report for 2022/23 from EY was noted by the HIWFRA Standards and Governance Committee.

93. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report from the Chief Internal Auditor (item 8 in the minute book) regarding the progress of internal audit.

The report was summarised and it was acknowledged that whilst there were four overdue management actions all actions are logged and monitored closely until they are completed.

RESOLVED

The progress in delivering the internal audit plans for 2022/23 and 2023/24 and the outcomes to date was noted by Hampshire & Isle of Wight Fire & Rescue Authority Standards and Governance Committee.

94. INTERNAL AUDIT ANNUAL REPORT & OPINION 2022-23

The Committee considered a report from the Chief Internal Auditor (item 9 in the minute book), providing the annual report and opinion.

The report was summarised and attention was drawn to the overall internal audit assurance opinion for 2022-23 which concluded that HIWFRA's framework of governance, risk management and management control is considered to be reasonable and audit testing has demonstrated controls to be working in practice.

The report also confirmed that Internal audit remains compliant with the Public Sector Internal Audit Standards (PSIAS) and that the revised internal audit plan for 2022-23 had been delivered, with the exception of three reviews which were nearing completion.

The report summarised internal audit findings in the areas reviewed during the year and confirmed that where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, appropriate corrective actions and a timescale for improvement were agreed with the responsible managers. The number of open and overdue actions had reduced significantly over the last few years and remains low, demonstrating the Authority's commitment to improving the overall framework of control.

RESOLVED

The Hampshire and Isle of Wight Fire and Rescue Authority Standards and Governance Committee accepted the Chief Internal Auditor's annual report & opinion statement for 2022-23.

95. INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT

The Committee considered a report from the Chief Fire Officer (item 10 in the minute book) on the management actions progress report.

The report was summarised and Members were taken through the management actions in section 6 of the report. There were no questions.

RESOLVED

The Standards and Governance Committee noted the progress made towards the implementation of the internal audit management actions and the delivery of the audit plan.

96. FIRE PENSION BOARD ANNUAL REPORT

The Committee received a report from the Chief Financial Officer (item 11 in the minute book), which summarised the work of the Pension Board for the 2022/23 financial year in the exercise of its functions.

Members were given the history of the Board and why it was initially set up and it was confirmed that a briefing session would be provided to Members after the

next meeting on the role of Standards and Governance Committees responsibilities as a Pension Scheme Manager.

RESOLVED

The content of the report was noted by the HIWFRA Standards and Governance Committee

Chairman,



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

HIWFRA Standards and Governance Committee

Purpose: Approval

Date: **27 SEPTEMBER 2023**

Title: **Statement of Accounts 2022/23**

Report of Chief Financial Officer

SUMMARY

1. The Authority published its unaudited draft accounts for 2022/23 on 31 May 2023, allowing the period of public inspection to begin in line with the requirements of the Accounts and Audit Regulations (2015). Following the conclusion of the period of public inspection, the regulations require the Authority to consider and approve the statement of accounts. The Authority has delegated this responsibility to the Standards and Governance Committee. The Statement of Accounts is included at Appendix 1.
2. The Accounts and Audit Regulations require the Authority's audited Statement of Accounts to be published by 30 September 2023. If the audited accounts cannot be published by this date, the regulations require the Authority to publish a notice stating that it has not been able to publish the statement of accounts and the reasons for this. The audited accounts must then be published as soon as reasonably practicable. The audit of the 2022/23 accounts has not been completed and therefore the Authority will publish a notice at the end of September.
3. The audit has not been completed due to national challenges in the local audit market that have resulted in a significant backlog in audit opinions, as has been discussed in previous meetings of the Standards and Governance Committee
4. Lee Rowley MP (Parliamentary Under-Secretary of State for Local Government and Building Safety) wrote to local authorities and local audit firm partners on 18 July 2023. This letter provided an update on the work

conducted by the Department for Levelling Up, Housing and Communities (DLUHC) and colleagues from the Financial Reporting Council (FRC) to address the backlog and develop a sustainable solution going forward and included a number of proposals. This followed oral evidence given to the Levelling Up, Housing and Communities Committee on 17 July 2023 as part of the inquiry into [financial reporting and audit in local authorities](#).

5. One of the key proposals being put forward is the introduction of a series of statutory deadlines for the conclusion of delayed audits for financial years 2015/16 onwards. The intention is to reset the system as auditors will be required either (a) to complete their audits by these statutory deadlines or (b) where this is not possible, to provide as much assurance as they can and provide a limited opinion on the accounts. It is understood this may result in qualifications and disclaimers of opinion in the short term for a number of local authorities.
6. At the time of writing, it is not known how the proposals will impact the completion of the audit of the Authority's 2022/23 accounts, as DLUHC is conducting a process of engagement and consultation prior to implementing any changes. The Authority's auditors, EY, had intended to present the audit plan at the July meeting of the committee, however the audit plan was put on hold pending more information on the impact of the proposals from DLUHC.
7. The unaudited draft accounts were reviewed and signed by the Chief Financial Officer on 31 May as a true and fair view of the financial position at the end of March 2023. Although the accounts have not yet been audited, they are being presented to the Standards and Governance Committee to allow timely discussion, scrutiny and approval of the accounts by Members of the committee.
8. This report recommends that, if the Standards and Governance Committee approves the accounts for 2022/23 at this meeting, the authority to make minor amendments to the accounts as a result of the audit should be delegated to the Chief Financial Officer. However, if any amendments are required that are non-trivial in nature, the accounts will be brought back to the Standards and Governance Committee for review and re-approval.

BACKGROUND

9. The Authority is required by the Accounts and Audit Regulations (2015) to produce an annual Statement of Accounts. These accounts must be audited in accordance with the Local Audit and Accountability Act (2014).

10. The timescales for the publication of draft and audited accounts have been temporarily extended through amendments to the Accounts and Audit Regulations over recent years due to the impact of Covid-19 and resourcing issues within the local audit sector. Despite these extended deadlines, the national picture is that the audits of a significant majority of local authority accounts were not completed on time in 2021/22 (only 27% had been completed by July 2023).
11. The proposals to address the backlog in local audit opinions and to develop a sustainable solution for the future are set out in full on the UK Parliament website of the Levelling Up, Housing and Communities Committee as part of that committee's inquiring into financial reporting and audit in local authorities:
<http://committees.parliament.uk/publications/40932/documents/199432/default/>.
12. In summary, the key short-term proposal being put forward by DLUHC is the introduction of a series of statutory deadlines for the conclusion of delayed audits for financial years 2015/16 onwards. The intention is to reset the system as auditors will be required either (a) to complete their audits by these statutory deadlines or (b) where this is not possible, to provide as much assurance as they can accompanied by a limited opinion on the accounts. It is understood this may result in qualifications and disclaimers of opinion in the short term for a number of local authorities.
13. Longer term the proposals focus on ways to prevent the backlog occurring again by addressing the underlying issues. This includes creating a sustainable local audit market, with the FRC working across the system:

"...to improve competition, capability, and supply within the audit market."
14. The proposals will also look to:

"...ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place."
15. The Chief Financial Officer is supportive of the comment in the proposals that local authority financial reporting:

"...must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer."

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

16. The attached Statement of Accounts has been drawn up in the form prescribed by the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom, which constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. In addition, the Accounts and Audit Regulations 2015 contain certain requirements for disclosure in the Statement of Accounts.

STATEMENT OF ACCOUNTS

17. The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).
18. It aims to provide information so that members of the public, including electors and residents of Hampshire and the Isle of Wight, 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 2022/23;
 - 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.
19. The unaudited accounts were reviewed and signed by the Chief Financial Officer on 31 May 2023 as a true and fair view of the financial position at 31 March 2023. The draft accounts were published on the Authority's website in line with requirements of the regulations and enabled the commencement of the period for the exercise of public rights on or before the first working day of June 2023.
20. The Authority's accounts are externally audited by EY. Due to wider difficulties in the national public sector audit market, there has yet to be significant progress on the 2022/23 audit.
21. Following the conclusion of the period for the exercise of public rights, the Accounts and Audit Regulations require the Authority to:

- consider, either by way of a committee or by the members meeting as a whole, the statement of accounts
 - approve the statement of accounts by a resolution at that committee or meeting
 - ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.
22. The Authority has delegated responsibility for the approval of the Statement of Accounts to the Standards and Governance Committee and this report therefore presents the Statement of Accounts for 22/23 for approval for by the Committee. Should the audit identify the need for non-minor adjustments to the accounts, they will need to be represented to a later committee. Otherwise, the committee is asked to delegate authority to the Chief Financial Officer to make minor amendments.
23. As the audit of the accounts has not yet taken place, a notice will be published on the Authority's website at the end of September under regulation 10(2)(a) of the Accounts and Audit Regulations stating that it has not been able to publish the statement of accounts and the reasons for this.
24. There are no major changes to the format of the statement of accounts from a technical perspective compared with the accounts presented to the Authority in 2021/22. Some presentational enhancements have been made to aid readers of the accounts.
25. The accounts continue to follow the requirements of the Code of Practice for Local Authority Accounting (the Code) as set by the Chartered Institute of Public Finance and Accounting (CIPFA). The narrative report within the Statement of Accounts includes an explanation of how the required accounting presentation relates to the financial performance of the Authority as set out in the end of year financial report, which was presented to HIWFRA Full Authority in July 2023.
26. The following paragraphs provide a summary of each section of the Statement of Accounts.

NARRATIVE REPORT

27. The narrative report provides information about the key issues affecting the Authority and reports on the Authority's financial and non-financial performance, risks and future prospects.

28. The narrative report is designed to help readers understand the Authority and its operating environment and to assist in the understanding and interpretation of the Statement of Accounts.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

29. This statement records the responsibility:

- of the local authority to appoint an officer with the responsibility for the proper administration of its financial affairs. Within the Authority, this is the Chief Financial Officer
- of the Chief Financial Officer to prepare the accounts in accordance with proper practices as set out in the Code of Practice, and to certify that the accounts present a true and fair value of the Authority
- of the Chairman of this Committee to confirm that the accounts have been considered and approved by the Committee.

MOVEMENT IN RESERVES STATEMENT

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

BALANCE SHEET

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

CASH FLOW STATEMENT

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

NOTES TO THE ACCOUNTS

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

PENSION FUND ACCOUNT

35. All Fire Authorities are required by legislation to operate a Pension Fund Account for firefighter pensions and the amounts paid into and out of it are specified by regulation. Members will be aware that the Authority pays an employer's pension contribution based on a percentage of pay into the pension fund account.
36. The Account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government equal to the amount by which the amount payable from the Account exceeded the amount receivable. Should the position arise where the amounts receivable ever exceed those payable then the surplus would be paid over to the Government.

ANNUAL GOVERNANCE STATEMENT

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

LETTERS OF REPRESENTATIONS

38. As part of the production and audit of the final accounts, the external auditors also require the Chief Financial Officer and Chairman of Standards and Governance Committee to provide a Letter of Representations. This letter will be requested at the conclusion of the audit.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

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

CONSULTATION

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

RESOURCE IMPLICATIONS

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

IMPACT ASSESSMENTS

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

LEGAL IMPLICATIONS

43. This report is part of the final accounts process. There is a requirement under the Accounts and Audit Regulations (2015) that the Statement of Accounts be considered and approved either by way of a committee or by the members meeting as a whole. The Accounts and Audit (Amendment) Regulations (2022) require the audited accounts to be published by 30 September 2022 or where this is not possible for a notice to be published under regulation 10(2)(a) stating that it has not been possible to publish the statement of accounts and the reasons for this.

RISK ANALYSIS

44. The Statement of Accounts is an important element of the Authority's corporate governance arrangements. It has been prepared in accordance with the appropriate statutory code. Together with the budget report, the medium term financial plan, and the outturn report for 2022/23 it provides evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

EVALUATION

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

CONCLUSION

46. The presentation and approval of the annual accounts is an important part of the overall governance framework for the Authority and the Committee is therefore requested to consider and approve the accounts, noting that the audit has not yet been carried out due to the impact of the national backlog in audit opinions. The Authority will therefore publish a notice on its website explaining why it has not been possible to publish the audited accounts by the 30 September deadline set out in regulations.

RECOMMENDATION

47. That the unaudited Statement of Accounts for 2022/23 (attached at Appendix 1) be approved by the HIWFRA Standards and Governance Committee
48. That authority is delegated to the Chief Financial Officer to approve minor changes to the Statement of Accounts agreed with the auditors prior to publication of the audited accounts. Should any non-minor changes be required as a result of the audit of the accounts, the Statement of Accounts for 2022/23 will be brought back to the Standards and Governance Committee to review and re-approve.
49. That it noted that the cause of the delayed audit of the accounts is due to issues outside the control of the Authority resulting from the backlog in local audit opinions across the country.
50. That it is noted that the Authority will publish the unaudited accounts on the its website together with a notice in accordance with regulation 10(2)(a) of the Accounts and Audit Regulations 2015 stating that it has not been possible to publish the audited statement of accounts and the reasons for this.
51. That it is noted that the Letter of Representations will be signed by the Chairman of the Standards and Audit Committee and Chief Financial Officer as required by the external auditor at the conclusion of the audit

APPENDICES ATTACHED

52. Appendix 1 – Statement of Accounts (unaudited) and Annual Governance Statement 2022/23

BACKGROUND PAPERS

53. Outturn Report for the financial year 2022/23 to Hampshire and Isle of Wight Fire and Rescue Authority in June 2023.

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



Statement of Accounts

2022/23



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

NAVIGATION GUIDE

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- To go back to a previous slide press the left arrow key on your keyboard. 
- This document can be viewed on computers, laptops and mobile devices
- Our finance team can be contacted at: budget@hants.gov.uk

- To navigate to particular sections of the accounts, use the index. Click on the desired section to be taken there.

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NARRATIVE REPORT

NARRATIVE REPORT

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 and the Isle of Wight, 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 2022/23;
- 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 and Isle of Wight Fire and Rescue Authority are, by their nature, both technical and complex.

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 and the Isle of Wight, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2023 and is structured as below:

- Statement from the Chairman of the Hampshire and Isle of Wight Fire and Rescue Authority
- Introduction from the Chief Financial Officer
- An Introduction to Hampshire and the Isle of Wight Fire and Rescue Authority
- The Fire and Rescue Authority's Performance
- Financial Performance of the Authority 2022/23
- Corporate Risks
- Summary Position including an explanation of the financial statements and changes during 2022/23
- Where you can get further information

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 2022/23. This year we have seen the impact of the Covid-19 pandemic followed by several shocks to the national economy, which have impacted the Fire and Rescue Service as well as individuals and organisations across Hampshire and the Isle of Wight.

Reflecting on the year gone by, I am therefore immensely proud of the way that the Service, supported by members of the Authority, has continued to effectively serve our communities while also maintaining a stable financial position throughout this challenging period.

The Authority is committed to ensuring an efficient and effective fire service which makes life safer for everyone. To do this, we must ensure not only that we balance the books in the current financial year, but that we plan for a financially sustainable future for the Service. I have therefore been pleased to see the continued investment in our estate and vehicles as well as prudent planning for future IT and equipment replacement. The Authority has also approved the investment in carbon reduction measures that will not only help us to meet our net zero commitments but also provide value for money to our taxpayers.

Challenging times can also bring opportunities and the Service has continued to offer tremendous support to health partners and to work actively with other Fire and Rescue Services for the benefit of the people of Hampshire and the Isle of Wight.

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, 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 of 31 March 2023. 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.

Catherine Edgecombe

Chief Financial Officer



Introduction to Hampshire & Isle of Wight Fire and Rescue Authority

These accounts cover the year to 31 March 2023 for the Hampshire and Isle of Wight Fire and Rescue Authority. The Authority covers 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 the Isle of Wight Unitary Councils.

There are several 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/>

Key Facts about Hampshire

Hampshire is a large county based in the South of England which covers an area of more than 1,400 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

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.

Key facts about the Isle of Wight

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.

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 Island is sparsely populated with 80% of the population based in 20% of the land mass.

The 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.

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 2023/24

Fire and Rescue Authorities were granted flexibility to increase council tax for 2023/24 for a Band D property by £5 (6.6%). In setting the budget, the Authority took advantage of this flexibility given the significant impact of inflation during 2022/23, which will result in a permanently higher baseline for pay costs and ongoing non-pay cost pressures.

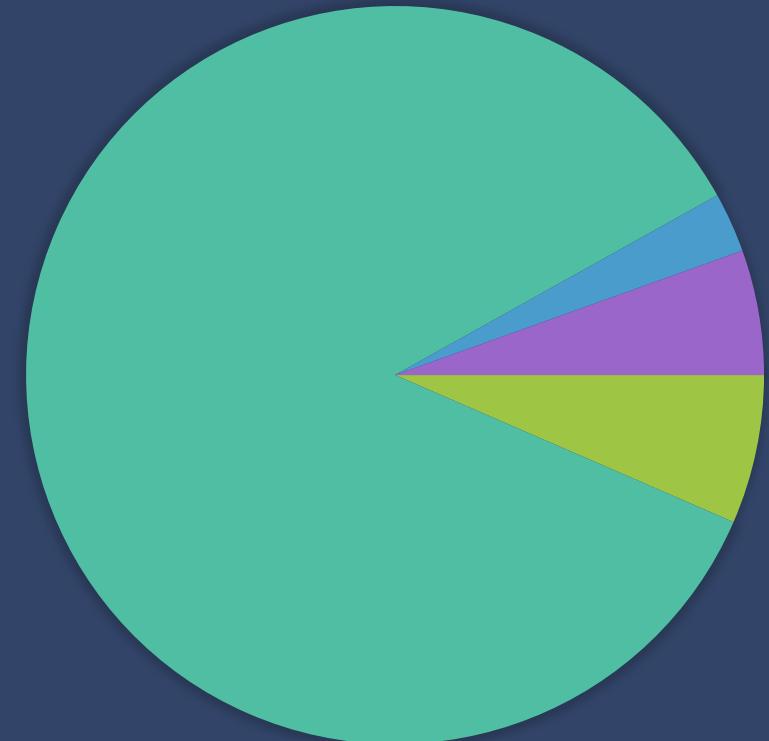
This increased council tax revenue plus a commitment to deliver further efficiencies meant that a balanced budget could be set for 2023/24. The Authority will complete the second of a two-year efficiency plan to deliver £1.3m of cashable savings in 2023/24, with directors also tasked as part of the Year 4 Safety Plan with the delivery of 3% efficiencies on operational budgets to enable reinvestment in improving performance and managing future pressures.

The Authority is aware of the need to continue to invest in its estate, vehicles, IT and equipment to enable its firefighters to fulfil their roles safely and effectively. 2023/24 will see the continued delivery of the capital programme, supported by regular contributions to reserves to enable future expenditure to happen in a planned and efficient way alongside ensuring budgetary provision for the capital financing costs necessary to continue to invest in the estate.

Price inflation continues to be a risk as the Authority heads into 2023/24 and beyond, coupled with no certainty beyond this year of central government funding. The Authority held reserves balances of £38.3m at the end of 2022/23, the majority of which (£32.7m) is committed to planned expenditure, however the general fund balance (£2.5m) and reserves for risk mitigation (£2.1m) provide an appropriate buffer for risk and uncertainty.

Committed reserves and future planned reserves contributions could also be reprioritised to mitigate future financial challenges if required, although this would have an impact on service delivery. A strong focus on financial management will continue to be a priority for the Authority in 2023/24.

Useable reserves at 31 March 2023



- General Fund
- Fully earmarked
- Specific reserves
- Risk mitigation

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 (MTFS), 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 £6m 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 2022/23, reserves stood at £38.3m of which 6.5% 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. This approach enables 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 2023/24 has been reviewed alongside assumptions to 2025/26 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2025.

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.

The Authority's capital programme includes schemes to be funded by prudential borrowing, the revenue impacts of which have been factored into the MTFS and are affordable.

Ongoing uncertainty around the future of key funding streams for local government coupled with external pressures such as inflation, carbon reduction requirements and the need to modernise the estate, mean that the longer-term position of the Authority remains unclear. The Authority may need to consider changes that would impact on service delivery beyond this time.

Key Facts about the 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 in 2023/24 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 were nominated to serve on the Authority by Hampshire County Council, Southampton and Portsmouth City Councils and Isle of Wight Council during 2022/23.

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 at the time of the publication of these accounts is shown in the accompanying table.

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

Nominating Authority	Number of Members	Composition
Hampshire County Council	8	6x Conservative, 2x Liberal Democrat
Southampton City Council	1	1x Labour
Portsmouth City Council	1	1x Independent
Isle of Wight Council	1	1x Independent
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Structure and responsibility for decision making

The Authority is a statutory corporation, which means it is a body created by government legislation. It can only do things it is specifically authorised to do by legislation or law.

The Authority is made up of elected members from its constituent authorities, as set out on the previous page. It meets 6 times per year and its role is to take decisions on strategic and policy matters and to establish the framework within which the Hampshire and Isle of Wight Fire and Rescue Service operates.

The Authority has two standing committees – Standards and Governance Committee (S&GC), which is responsible for audit and scrutiny functions, and the 3SFire CIC Stakeholder Committee, which exercises the Authority's functions as shareholder of 3SFire. Appointments to these committees are made each year at the Annual Meeting of the Authority.

In addition, the Authority has established a Firefighters Pension Board in accordance with the requirements of the Public Service Pensions Act 2013. This Board assists HIWFRA as the administering authority of the Hampshire and Isle of Wight Firefighter's Pension Scheme. The Board comprises 4 employer representatives and 4 scheme member representatives.

The Authority also has in place an Authority Policy Advisory Group (APAG) made up of senior officers and Members. APAG does not make decisions but acts as a forum for members to informally discuss and consider the future strategic direction of policy.

The Authority has established a Scheme of Delegation. This delegates responsibility for a wide range of decisions relating to operational delivery to officers.

The Executive Group

Supporting the work of the Fire Authority is the Executive Group comprised of 5 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 members of the Executive Group during the 2022/23 financial year are set out below:

- Chief Fire Officer – Neil Odin
- Deputy Chief Fire Officer and Director of Policy, Planning and Assurance – Shantha Dickinson
- Assistant Chief Fire Officer and Director of Operations – Stewart Adamson
- Director of Corporate Services – Matt Robertson
- Director of People and Organisational Development – Molly Rowland
- Chief Financial Officer – Catherine Edgecombe

The role of Monitoring Officer for the Authority is fulfilled by Paul Hodgson.

The Fire and Rescue Authority's Non-financial Performance

An end of year performance report is prepared annually and discussed by at a meeting of the Authority. The report for 2022/23 can be found here: [June 2023 meeting](#)

Overview from the Director of Corporate Services

“Thanks to the hard work, dedication and professional tenacity of our workforce, we have successfully navigated a challenging and eventful year.

2022 saw unprecedented hot weather which led to three extreme heatwaves in June, July and August; alongside this our teams responding to external and internal risks from the rising cost of living (including through our successful ‘5Cs’ campaign) all while completing our latest inspection by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). We have also navigated and managed the potential risk of industrial action.

Despite all this we have continued to deliver various activities as part of the third year of the Authority's 2020-2025 Safety Plan, including:

- the opening of a new fire station at Bishop's Waltham.
- further investment to improve our estate on the Isle of Wight.
- embedded our behaviours within our recruitment and promotion processes, and within our leadership and management development programmes.
- launched our new ‘Our Inclusive Strategy’ to continue to progress our equality, inclusion and diversity activity.

Our ability to respond quickly to changing operational needs has stood us in good stead throughout the past year. We continue to provide critical support to our ambulance colleagues, with our co-responding calls considerably outstripping those of comparative fire and rescue services.

These fantastic achievements would not have been possible without the dedication and expertise of our diverse teams, who continue to work tirelessly across Hampshire and the Isle of Wight.

“2022 has seen our teams work tirelessly through a challenging and eventful year to keep our communities safe.”

Looking ahead to 2023/24, we will continue to build on our successes and focus on improving the Service in response to the findings of our 2022 inspection.

Finally, I want to celebrate the amazing efforts of Stu Vince and Craig Sadler who [completed a trans-Atlantic row](#) to raise money for Solent Minds and the Firefighter's Charity.”

Matt Robertson

Director of Corporate Services



The approach to performance

The Service assesses its performance against each of the Hampshire and Isle of Wight Fire Authority's Safety Plan priorities through a range of performance metrics, with comparisons made against previous years and to other fire and rescue services.

The Service uses performance reporting and data analysis to assess our effectiveness, efficiency, and financial position; and to inform decisions it makes and where it targets its resources.

The Service's performance measures help it find areas for improvement, as well as identifying successes and good practice to be shared, where applicable, across public services and the fire sector.

Safety Plan improvements

Each year the Fire Authority approves a range of in-year improvements to contribute towards the achievement of the five-year Safety Plan. The Safety Plan sets out the Service's priorities and values, identifies how the Service will build on its strengths, and also how it will address the areas that require focus and improvement.

12 of the 17 Safety Plan improvements for 2022/23 (Year 3) were completed during the year with ongoing progress being made on the remaining 5 improvements.

Looking ahead, there are 10 improvements within the fourth year of the Safety Plan. 2023/24 will be a significant year for the Service as it advances the next iteration of its Community Risk Management Plan (CRMP), setting the foundation for the longer term, and beginning responding where required to the HMICFRS inspection report. The Service will also be advancing various other improvements to its efficiency, effectiveness and how it supports its people.



OUR COMMUNITIES	OUR PEOPLE	PUBLIC VALUE	HIGH PERFORMANCE	LEARNING & IMPROVING
We work together to understand different community needs and deliver accessible, local services which build safer places.	We look after each other by creating great places to work and promoting the health, wellbeing and safety of our people.	We plan over the longer-term to ensure our decisions and actions deliver efficient and effective public services.	Our diverse teams are trusted, skilled and feel equipped to deliver a leading fire and rescue service today and into the future.	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.

Non-financial performance metrics

An end of year performance report is prepared annually and discussed at a meeting of the Authority.

This report covers:

- Progress against Safety Plan deliverables and activities in the completed year
- Performance against key operational and corporate health measures
- Activities identified for the following year which the Service will be focused on delivering

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A number of the key performance metrics reported in the annual performance report are shown in the table on this page of the narrative report.

Commentary on these and other metrics along with historical trend data and benchmarking against other similar Fire and Rescue Services can be found in the Annual Performance Report:

[Annual Performance Report](#)

2021/22	Performance metric	2022/23
21,193	Number of incidents	20,394
07:35 mins	Average critical response time	07:41 mins
92%	Whole-time availability	98%
62%	On-call availability	59%
8	Fire fatalities	6
106	Fire casualties	103
9,837	Safe and well visits	11,927
1,365	Fire safety audits	945

The Fire and Rescue Authority's Financial Performance

Funding the Authority's revenue budget

The 2022/23 budget was based on assumptions that were deemed prudent at the time, including the creation of additional contingencies within the budget to allow for risk and uncertainty. The Authority took advantage of the flexibility granted to the eight Fire Authorities with the lowest council tax rates to increase council tax by £5 (7.1%) for a Band D property. This coupled with the planned delivery of £0.8m of efficiency savings helped the Authority to set a balanced budget for 2022/23. This was achieved while also maintaining the planned reserves contributions essential to the ongoing investment in vehicles and the estate, the cyclical refresh of equipment and IT resources, and further investment in the Isle of Wight estate specifically following the creation of the combined authority for Hampshire and the Isle of Wight from April 2021.

Most of the Fire and Rescue Authority's income comes from Government grants, Council tax and business rates. The Authority generates income, primarily from the estate and investments. The proportion of the Authority's income obtained from these sources is as follows:

2021/22 %		2022/23 %
57	Council tax	58
12	Business rates	9
29	General Government grants	29
2	Fees, charges & interest	4
0	Specific Government grants	0
100		100

How the budget is spent

The costs of the day-to-day operations of the Fire and Rescue Authority are known as revenue expenses. 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.

2021/22 %		2022/23 %
74	Employee benefit expenses	71
26	Other service expenses	29
100		100

Full Time Equivalent (FTE) Employees

At the end of March 2023 the Authority employed the following number of employees:

31 March 2022	Full Time Equivalent employees	31 March 2023
720	Whole time fire fighters/ICU	732
501	Retained duty system fire fighters	499
34	Control room	33
292	Support staff (non-uniformed staff)	304
1,547		1,568

End of year revenue budget outturn

During 2022/23 the UK economy experienced a period of significant inflation which in turn led to a rising interest rate environment. The Fire and Rescue Authority's budget included provision for pay and non-pay contingencies based on prudent assumptions when the budget was set, however the higher than anticipated inflation created an unfunded pressure of about £1.6m.

Despite this pressure, the Authority was able to deliver a small net underspend of £0.165m. This underspend will be added to reserves to support the future priorities of the Authority. The outturn position was achieved through strong financial management of expenditure budgets as well as several temporary factors impacting costs (such as difficulties in recruiting to specialist posts) and higher than budgeted income. Additional income included the beneficial impact of higher interest rates on reserves balances, while the Authority also benefited from temporarily lower capital financing costs due to slower than planned progress in delivering the approved capital programme.

The Authority was also able to deliver the £0.8m of efficiency savings built into the budget, which were achieved through a strong focus on financial management within the Operations directorate and the removal of an Assistant Chief Officer role from the structure.

The main components of the 2022/23 budgeted and actual income and expenditure are set out here:

	Budget	Actual	Variance over / (under)
	£'000	£'000	£'000
People and Organisational Development	5,340	5,600	260
Operations	43,661	43,730	69
Policy, Planning and Assurance	5,363	5,278	(85)
Corporate Services	23,077	23,493	416
Finance	3,112	3,954	842
Net cost of Fire and Rescue Services	80,553	82,055	1,502
Net contribution to reserves	(3,078)	(3,078)	0
Revenue Contributions to Capital	8,656	8,656	0
Capital Financing and investment income	1,319	(395)	(1,714)
Funding	(87,450)	(87,403)	47
Other income and expenditure	(80,553)	(82,220)	(1,667)
Net (under)/over spend	0	(165)	(165)

How the revenue budget is spent

The chart below shows a breakdown of the revenue budget in year expenditure and planned reserves transfers for 2022/23. This shows that a significant proportion of the budget is allocated to the cost of wholetime and on-call firefighters and staff. The underspend of £0.165m was approximately 0.2% of the total.



Reconciliation to Comprehensive Income & Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. The Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The table shows the differences between the two presentations. The surplus or deficit on the provision of services chargeable to the general fund comprises planned contributions to reserves built into the revenue budget and the net in year under or over-spend against the budget.

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	Management outturn	Adjustments between accounting and funding basis	Other adjustments to outturn	CIES
Fire & Rescue Services	82,055		(380)	81,675
Adjustments for capital purposes		7,089		7,089
Adjustments for pensions		7,933		7,933
Adjustment for financial instruments		803		803
Total Fire & Rescue Services	82,055	15,825	(380)	97,500
Other income and expenditure	(82,220)			(82,220)
Adjustments for capital purposes		(8,728)		(8,728)
Adjustments for pensions		24,721		24,721
Adjustment for collection fund		(1,657)		(1,657)
Adjustment for financial instruments (incl interest)		20	381	401
Adjustment for net contribution from reserves			3,078	3,078
Total other income and expenditure	(82,220)	14,356	3,459	(64,405)
(Surplus) / deficit on the provision of services	(165)	30,181	3,079	33,095

Capital expenditure

In 2022/23 the Fire and Rescue Authority spent £13.1m on capital projects, which was lower than forecast. This was mainly a result of delays in the purchase of vehicles and slower than planned progress with the estates programme linked to updates to the programme in December 2022.

Scheme	£'000
Estates	6,305
Vehicles	6,400
Carbon reduction and EV charging	439
Total	13,144

The total capital expenditure was financed in the following way:

Source of funding:	£'000
Capital payments reserve	8,616
Prudential borrowing	4,387
Capital receipts	101
Partner contributions	40
Total	13,144

Capital financing

Capital expenditure is spending on assets that will be used for more than one year. It may be funded from capital receipts, capital grants and contributions from other bodies. It may also be funded directly from revenue and the Authority makes a regular annual contribution to capital from the revenue budget. Prudential borrowing provides another option, albeit one that results in ongoing costs to the revenue budget that must be factored into decision making. The Authority has agreed to use this source of funding for elements of its estates capital programme, although to date has used internal borrowing (temporarily using cash balances not yet required for other purposes) rather than taking on new external debt. Total external debt at 31 March 2023 relating to prior years' capital programmes decreased from £6.8m to £5.7m.

The Authority is required to set and monitor against Prudential Indicators to demonstrate the prudence, sustainability and affordability of its capital plans and expenditure in line with the Prudential Code. The Authority has ensured compliance with these requirements during 2022/23. Further information was provided in the outturn report presented to the Fire Authority in [June 2023](#).

Treasury Management

Treasury Management is about 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 meet operational obligations like paying staff and suppliers throughout the year. 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 2022/23, and all relevant statute, guidance and accounting standards. Further information is provided in the Treasury Management Appendix to the outturn report for 2022/23.

Pension Fund Liability

The estimated future pension liability as calculated by the Authority's actuary is £720.7m.

Changes in the 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 several useable reserves, as detailed in the Balance Sheet.

At the end of the 2022/23 financial year the Fire and Rescue Authority's useable reserves stand at £38.5m - a decrease of £2.9m on the previous year. This net movement includes the overall surplus for the year and agreed contributions to reserves, offset by planned draws from reserves to cover expenditure in the year. Investment balances totalled £27m at the end of the year. These balances fluctuate during the year because of changing cashflows but do tend to track the total value of reserves held by the Authority.



NARRATIVE REPORT

The table below summarises the total level of reserves and balances that the Fire and Rescue Authority holds.

The General Fund Balance of £2.5m (just over 2.5% of the revenue budget requirement for 2023/24) is not earmarked for any specific purpose but represents a minimum level of balances recommended by the Chief Financial Officer to provide a buffer against any significant unexpected expenditure during the year.

Although reserves balances are currently relatively high, about 85% (£32.9m) is fully committed, including for investment in the estate, vehicles and planned future replacement of IT and equipment. The Authority also holds risk mitigation reserves (about 5% of the total balance) in the budget equalisation and capital & investment risk reserves, with a smaller amount in specific reserves relating to HQ maintenance and the Prince’s Trust.

	Balance 31 March £'000
General Fund Balance	2,500
Fully Committed to existing spend programmes	32,900
Specific Reserves	1,007
Risk Mitigation	2,098
Total Useable Revenue Reserves	38,505

Corporate Risks

The Authority has an embedded process to manage risks and assist the achievement of its objectives. The Organisational Risk Register plays an integral role to support production of the Safety Plan and is subject to regular review by the Standards and Governance Committee. Directors and other relevant senior officers 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 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 considered 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, the war in Ukraine and the cost-of-living crisis on the national and global economy and the knock-on impact this may have on council tax, business rates and grant levels in the future alongside any changes in Government funding resulting will be of greater significance. Any significant movements and events in the year were reported to the 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 2022/23 continues to be good. The revenue underspend of £0.165m is a strong position following a challenging year given the impact in particular of high inflation on the budget. This amount will be contributed to reserves to fund essential future capital spend. 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 2023/24 although the impact of inflation 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, this puts the Fire Authority in a good position to face future risks and challenges.

Changes to the Accounts

The Accounts and Audit Regulations (Amendment) 2022 extended the timeline for the publication of audited accounts to 30 September. Draft accounts must be published by 31 May to allow the commencement of the period for the exercise of public rights.

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 2023. 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 2022/23 are contained in the following pages and can be read sequentially or specific sections can be accessed directly via the [index](#).

The accounts 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 Standards and Governance 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 2023.
- **Cash Flow Statement** – This summarises the movement in cash and cash equivalents during 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 based on 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.

Where you can get further information

You can get more information about the accounts from the Chief Financial Officer, Hampshire and Isle of Wight Fire and Rescue Authority, Fire and Police Headquarters, Eastleigh, SO50 9SJ, or contact the Finance Team: Telephone: 0370 779 1556, e-mail: budget@hants.gov.uk.



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 for the final accounts)*

2.1 I certify that the Statement of Accounts for 2022/23 were considered and approved at the Standards and Governance Committee Meeting

Signature not required for draft accounts

Cllr Derek Mellor

Chairman

Standards and Governance Committee

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

Catherine Edgecombe

Chief Financial Officer / Section 151 Officer

31 May 2023



CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'

Usable reserves can be used to fund expenditure or reduce taxation.

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 amount 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	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2021	(36,784)	0	0	(36,784)	824,732	787,948
Movements During 2021/22:						
Total Comprehensive Income and Expenditure	34,563	0	0	34,563	(108,339)	(73,776)
Adjustments between accounting basis and funding basis under regulations	(39,198)	0	0	(39,198)	39,198	0
Net (Increase)/Decrease in year	(4,635)	0	0	(4,635)	(69,141)	(73,776)
Balance as at 31 March 2022	(41,419)	0	0	(41,419)	755,591	714,172
Movements During 2022/23:						
Total Comprehensive Income and Expenditure	33,095	0	0	33,095	(316,308)	(283,213)
Adjustments between accounting basis and funding basis under regulations	(30,181)	0	0	(30,181)	30,181	0
Net (Increase)/Decrease in year	2,914	0	0	2,914	(286,127)	(283,213)
Balance as at 31 March 2023	(38,505)	0	0	(38,505)	469,465	430,960

* includes earmarked reserves



BALANCE SHEET

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31 March 2022		31 March 2023	
£'000		£'000	
182,295	Property, plant and equipment	203,914	Note 19
700	Investment property	754	
8,698	Long term investments	6,874	Note 20
20	Long term debtors and pre-payments	6	Note 20
191,713	Long term assets	211,548	
1,155	Inventories	1,135	
13,154	Short term debtors	14,974	Note 20
13,036	Short term investments	5,050	Note 20
10,400	Cash and cash equivalents	14,988	Note 20
37,745	Current assets	36,147	
0	Grants received in advance	(110)	
0	Short term provisions	(711)	Note 24
(7,889)	Short term creditors	(10,817)	Note 20
(806)	Short term borrowing	(405)	Note 20
(8,695)	Current liabilities	(12,043)	
29,050	Net current assets	24,104	
(927,737)	Net liabilities relating to defined benefit pension schemes	(660,138)	Note 23
(1,298)	Long term provisions	(924)	Note 22
(5,900)	Long term borrowing	(5,550)	Note 20
(934,935)	Long Term Liabilities	(666,612)	
(714,172)	Net Liabilities	(430,960)	
	Financed by:		
	Usable reserves		
(2,500)	Revenue account	(2,500)	
(37,619)	Earmarked reserves	(34,906)	
(1,300)	Revenue grants unapplied reserve	(1,099)	
(41,419)	Total usable reserves	(38,505)	Note 8
755,591	Unusable reserves	469,465	Note 2
714,172	Total reserves	430,960	

The Balance Sheet shows the value of assets and liabilities held by the Authority. The net assets are matched by the reserves held by the authority.

- Usable reserves can be used to provide services, subject to statutory limitations on their use and the need to maintain a prudent level of reserves for financial stability.
- Unusable reserves that cannot be used to fund services at the Balance Sheet date.

Certification by the Chief Financial Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31 March 2023 and its income and expenditure for the year then ended.

Signed

Catherine Edgecombe

Chief Financial Officer / Section 151 Officer

31 May 2023

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.

2021/22 £'000		2022/23 £'000	
34,563	Net (surplus) or deficit on provision of services	33,095	<i>CIES</i>
(40,787)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(43,590)	<i>Note 26</i>
0	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,197	<i>Note 26</i>
(6,224)	Net Cash Flows from Operating Activities	(9,298)	
696	Net Cash Flows from Investing Activities	3,960	<i>Note 26</i>
450	Net Cash Flows from Financing Activities	750	<i>Note 26</i>
(5,078)	Net (increase)/decrease in cash and cash equivalents	(4,588)	
(5,322)	Cash and cash equivalents at the beginning of the reporting period	(10,400)	<i>Balance Sheet</i>
(10,400)	Cash and cash equivalents at the end of the reporting period	(14,988)	<i>Balance Sheet</i>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services rather than the amount funded by taxation.

The Authority raises 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 directorates used by the Authority are reviewed and changed to meet operational and management requirements. These segments are not material in the context of the Statement of Accounts or the CIES and therefore they are combined into one segment called Fire and Rescue Services.

Gross expenditure	Gross Income	2021/22 Net Expenditure		Gross expenditure	Gross Income	2022/23 Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
103,135	(4,424)	98,711	Fire & Rescue Services	102,586	(5,086)	97,500	
103,135	(4,424)	98,711	Net cost of Fire and Rescue Services	102,586	(5,086)	97,500	Note 9
			Other income and expenditure:-				
21	0	21	Other operating income and expenditure	85	(101)	(16)	
21,904	(2,189)	19,715	Financing and investment income and expenditure	27,499	(2,813)	24,686	Note 11
			Taxation and non-specific grant income				
0	(24,805)		Non-ring fenced grants	0	(27,340)		Note 10
0	(9,234)		Locally retained business rates	0	(8,485)		
0	(49,845)		Council Tax Income	0	(53,250)		
0	(83,884)	(83,884)	Total taxation and non-specific grant income	0	(89,075)	(89,075)	
21,925	(86,073)	(64,148)	Total other income and expenditure	27,584	(91,989)	(64,405)	
125,060	(90,497)	34,563	(Surplus)/deficit on the provision of services	130,170	(97,075)	33,095	
		(18,404)	(Surplus) or deficit on revaluation of PPE assets			(16,055)	
		(89,935)	Net (gain)/loss on the pension assets and liabilities			(300,253)	
		(108,339)	Other Comprehensive (Income)/Expenditure			(316,308)	
		(73,776)	Total Comprehensive (Income)/Expenditure			(283,213)	



NOTES TO THE CORE FINANCIAL STATEMENTS



NOTE 1. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis (EFA) shows how the Authority has used available funding for the year (such as government grants, Council Tax precept and business rates) to provide services, in comparison with those resources that the Authority has consumed or earned by authorities in accordance with generally accepted accounting practices as presented in the Comprehensive Income and Expenditure Statement (CIES). Note 1(A) provides further detail on the adjustments made from the General Fund to arrive at the amounts in the CIES.

Net Expenditure chargeable to the General Fund Balance	2021/22 Adjustments between accounting and funding basis (see note 1(B))	Net expenditure in the CIES		2022/23		
				Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 1(A))	Net expenditure in the CIES
£'000	£'000	£'000	£'000	£'000	£'000	
76,148	22,563	98,711	Fire & Rescue Services	81,675	15,825	97,500
76,148	22,563	98,711	Net cost of Fire and Rescue Services	81,675	15,825	97,500
(80,782)	16,634	(64,148)	Other income and expenditure	(78,761)	14,356	(64,405)
(4,634)	39,197	34,563	(Surplus) or deficit on the provision of services	2,914	30,181	33,095
(36,784)			Opening General Fund (including earmarked reserves) balance at 1 April	(41,419)		
(4,634)			Plus (surplus)/deficit on provision of services	2,914		
(41,418)			Closing General Fund (including earmarked reserves) balance at 31 March	(38,505)		

NOTE 1(A). ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

2022/23				
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	7,089	7,933	803	15,825
Net cost of services	7,089	7,933	803	15,825
Other income and expenditure from the funding analysis	(8,728)	24,721	(1,637)	14,356
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	(1,639)	32,654	(834)	30,181

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Note a) Adjustments for capital purposes:

Charges to services for depreciation and impairment	7,496	7,496
Current value of assets disposed	85	85
Statutory minimum revenue provision for capital financing	(407)	(407)
Revenue contributions to capital	(8,656)	(8,656)
Movement in the market value of investment properties	(56)	(56)
Total transferred to capital adjustment account	(1,538)	(1,538)
Transfer asset sale proceeds to capital receipts reserve	(101)	(101)
Note a) Total	(1,639)	(1,639)

	Net change for the Pensions Adjustments (Note b) £'000	Total Adjustments £'000
Note b) Adjustments for pensions:		
Current service cost of funded local government pensions	19,156	19,156
Past service pension costs	127	127
Interest on net pension liability	24,721	24,721
Total transferred to Pension Reserve	44,004	44,004
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(11,350)	(11,350)
Note b) Total	32,654	32,654

Note c) Other adjustments:

	Other Adjustments (Note c) £'000	Total Adjustments £'000
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account	823	823
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	(1,657)	(1,657)
Note c) Total	(834)	(834)
Total adjustments		30,181
Total adjustments between accounting and funding basis under statute		30,181

NOTE 1(B). ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS (CONTINUED)

2021/22				
2021/22 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	5,831	16,641	91	22,563
Net cost of services	5,831	16,641	91	22,563
Other income and expenditure from the funding analysis	(335)	20,341	(3,372)	16,634
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	5,496	36,982	(3,281)	39,197

Note a) Adjustments for capital purposes:		
Charges to services for depreciation and impairment	6,265	6,265
Current value of assets disposed	21	21
Statutory minimum revenue provision for capital financing	(434)	(434)
Revenue contributions to capital	(551)	(551)
Movement in the market value of investment properties	195	195
Total transferred to capital adjustment account (including note i)	5,496	5,496
Note a) Total	5,496	5,496

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Net change for the Pensions Adjustments (Note b)	Total Adjustments
	£'000	£'000
Note b) Adjustments for pensions:		
Current service cost of funded local government pensions	27,564	27,564
Past service cost of funded local government pensions	83	83
Interest on net pension liability	20,341	20,341
Total transferred to Pension Reserve	47,988	47,988
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(11,006)	(11,006)
Note b) Total	36,982	36,982

	Other Adjustments (Note c) £'000	Total Adjustments £'000
Note c) Other adjustments:		
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account	(731)	(731)
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	(2,550)	(2,550)
Note c) Total	(3,281)	(3,281)
Total adjustments		39,197
Total adjustments between accounting and funding basis under statute		39,197

NOTE 2. UNUSABLE RESERVES AND NOTE 3. REVALUATION RESERVE

This is the overall summary of the unusable reserves; details of each are set out in the following tables and explanations.

	1 April 2022 £'000	Movement £'000	31 March 2023 £'000
Revaluation Reserve	(97,233)	(13,826)	(111,059)
Capital Adjustment Account	(74,716)	(3,868)	(78,584)
Pensions Reserve	927,736	(267,599)	660,138
Collection Fund Adjustment Account	501	(1,657)	(1,156)
Pooled Investment Fund Adjustment Account	(697)	823	126
Total unusable reserves	755,591	(286,127)	469,465

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority, 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.

2021/22 £'000		2022/23 £'000
(74,696)	Balance at 1 April	(97,233)
(5,984)	Adjustment to opening balance	
(80,680)	Revised balance at 1 April	(97,233)
(21,971)	Upward revaluation of assets	(17,783)
3,567	Downward revaluation of assets and impairment losses not charged to the (surplus) / deficit on the cost of services	1,728
(99,084)	Surplus or deficit on revaluation of non-current assets not posted to the (surplus) / deficit on the cost of services	(113,288)
1,851	Difference between fair value depreciation and historic cost depreciation	2,229
0	Write down of revaluation reserve on assets sold	0
0	Accumulated gains on assets sold or scrapped	0
1,851	Sub total written off to the capital adjustment account	2,229
(97,233)	Balance at 31 March	(111,059)

NOTE 4. CAPITAL ADJUSTMENT ACCOUNT

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.

2021/22 £'000		2022/23 £'000
(71,470)	Balance as at 1 April	(74,716)
(6,891)	Adjustment to opening balance	
(78,361)	Revised balance as at 1 April	(74,716)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
6,265	Charges for depreciation and impairment of non-current assets	7,496
195	Revaluation (gain)/loss on investment property	(56)
21	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	85
6,481		7,525
(1,851)	Adjusting amounts written out of the revaluation reserve	(2,229)
4,630	Net written out amount of the cost of non-current assets consumed in the year	5,296
	Capital financing applied in the year:	
0	Use of the Capital receipts Reserve to finance new capital expenditure	(101)
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
(434)	Statutory provision for the financing of capital investment charged against the general fund	(407)
(551)	Capital expenditure charged against the general fund	(8,656)
(985)		(9,164)
0	Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	0
(74,716)	Balance as at 31 March	(78,584)

NOTE 5. PENSIONS RESERVE

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, changes in actuarial 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.

2021/22 £'000		2022/23 £'000
980,689	Balance 1 April	927,737
(73,900)	Actuarial (gains) or losses on pensions assets and liabilities	(291,432)
(13,036)	Government contribution for Firefighter Schemes	(13,425)
(2,998)	Return on plan assets	4,604
47,988	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit in the Comprehensive I&E Statement	44,004
(11,006)	Employer's pension contributions and direct payments to pensioners in the year	(11,350)
927,737	Balance 31 March	660,138



NOTE 6. COLLECTION FUND ADJUSTMENT ACCOUNT AND NOTE 7. POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT

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.

Pooled Investment Fund 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 Pooled Fund Adjustment Account in the Movement in Reserves Statement.



NOTE 8. 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 2021 £'000	Movement in 2021/22 £'000	Balance 31 March 2022 £'000	Movement in 2022/23 £'000	Balance 31 March 2023 £'000	note
Revenue Reserves						
A. General Fund Balance	(2,500)	0	(2,500)	0	(2,500)	
B. Earmarked Revenue Reserves Fully Committed to Existing Spend Programmes						
Designated Underspend Reserve	(551)	(65)	(616)	316	(300)	a
Capital Payments Reserve	(25,781)	(4,818)	(30,599)	5,392	(25,207)	b
Revenue Grants Unapplied	(1,758)	458	(1,300)	201	(1,099)	c
IT Services Reserve	(575)	(445)	(1,020)	(806)	(1,826)	d
Equipment Replacement Reserve	(798)	(624)	(1,422)	(764)	(2,186)	e
Transformation Reserve	(2,468)	(134)	(2,602)	320	(2,282)	h
	(31,931)	(5,628)	(37,559)	4,659	(32,900)	
C. Specific Reserves						
HQ Maintenance Reserve	(621)	(194)	(815)	(166)	(981)	f
Prince's Trust	(124)	50	(74)	48	(26)	g
	(745)	(144)	(889)	(118)	(1,007)	
D. Risk Mitigation						
Budget Equalisation Reserve	(625)	153	(472)	(625)	(1,097)	i
Capital and Investment Risk Reserve	0	0	0	(1,001)	(1,001)	j
	(625)	153	(472)	(1,626)	(2,098)	
Total Earmarked Revenue Reserves Available	(33,301)	(5,619)	(38,920)	2,915	(36,005)	
Total Revenue Reserves and Balances	(35,801)	(5,619)	(41,420)	2,915	(38,505)	
Total Usable Reserves	(35,801)	(5,618)	(41,420)	2,915	(38,505)	

- a. The Designated Underspending Reserve enables departments to carry forward specific underspends into the next financial year.
- b. The Capital Payments Reserve is used to match the timing of available resources with capital payments. The Authority makes annual contributions to this reserve from the revenue budget. The Government does not provide capital funding to the Authority.
- c. The Revenue Grants Unapplied Reserve contains the value of grants unspent during the year that have no repayment conditions attached, for them to be applied in future years 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 used to fund large repairs and maintenance projects at the headquarters building.
- 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 is used to fund all transformational projects that will support the re-design of the service in order to achieve the financial savings required to set a balanced budget.
- i. The Budget Equalisation Reserve (redesignated from the Grant Equalisation Reserve in 2022/23) is held to mitigate funding and cost risks.
- j. The Capital and Investment Risk Reserve was introduced in 2022/23 in response to inflationary and interest rate risks associated with the capital programme.

NOTE 9. NATURE OF INCOME AND EXPENDITURE CHARGED TO NET COST OF SERVICES

The Net Cost of Services in the Comprehensive Income and Expenditure Statement includes the following items of income and expenditure:

2021/22 £'000		2022/23 £'000
76,761	Employee Benefit Expenses	72,938
20,109	Other Service Expenses	22,152
6,265	Depreciation and Impairment	7,496
103,135	Total Expenditure	102,586
(2,746)	Grants and contributions	(2,542)
(1,678)	Other income	(2,544)
(4,424)	Total Income	(5,086)
98,711	Net Cost of Services	97,500

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Employee Benefit Expenses: Includes pay, employer national insurance contributions, employer pension contributions and other employee benefits. This also includes accounting adjustments relating to pensions so that the expenditure in the CIES reflects the current service cost of the benefit granted in the period, rather than the payments made.

Other Service Expenses: Includes 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).

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.

Grants and contributions: Recognised when there is reasonable assurance that the authority will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as creditors (receipts in advance) until the conditions have been satisfied.

Other income: Includes rental income and other sales income that relates to the services provided by the authority and is recognised in accordance with the revenue recognition policy set out in the accounting policy.

NOTE 10. 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, specifically as receipts in advance. When grant conditions are satisfied, the Authority has 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 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 Unapplied Reserve. Amounts in the Capital Grants 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 the Revenue Grants Unapplied Reserve via the Movement in Reserves Statement. Once used in subsequent years, they are transferred to the General Fund to fund the revenue expenditure.

2021/22 £'000		2022/23 £'000
	Credited to taxation and non specific grant income:	
(21,726)	General Government grants	(22,939)
(1,389)	S31 Grant funding	(3,132)
(976)	New Dimension grant	(976)
(26)	Covid-19 grant	0
(364)	Protection Uplift grant	0
(324)	Firelink grant	(293)
(24,805)	Total	(27,340)
	Credited to services:	
(84)	Marauding Terrorist Firearm Attacks (MTFA)	(39)
(15)	NHS Covid Support	0
(133)	Vaccination booster funding	0
(103)	Tax income compensation scheme	0
(130)	Pensions Administration grant	0
(47)	Community Outreach and Support	0
(14)	Audit fees grant	(15)
0	Protection Uplift grant	(311)
(526)	Total	(365)



NOTE 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure

The financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement is made up of the elements detailed in the table.

2021/22 £'000		2022/23 £'000
329	Interest payable	311
(420)	Interest and dividends from short-term investments	(1,114)
(536)	Pooled Investment Funds & Investment property (gains) & losses	768
21,575	Pensions interest cost	26,420 <i>Note 23(B)</i>
(1,233)	Pensions interest on assets	(1,699) <i>Note 23(C)</i>
0	Expected credit losses	0
19,715	Total	24,686

External audit costs

External audit fees incurred by the Authority can be analysed as follows:

2021/22 £'000		2022/23 £'000
28	Fees payable to the appointed auditor for services carried out for the year	35
0	Scale fee variations paid to the appointed auditor for services carried out in the prior year	15
28	Total	50

NOTE 12. 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.

Exit Packages

Exit packages 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 the cost of exit packages 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.

NOTE 12(A). OFFICERS' REMUNERATION CONTINUED

Officers' Remuneration

The number of employees whose remuneration during the year was £50,000 or more, in bands of £5,000, is shown here, excluding those that are senior employees (see previous page). Remuneration includes all amounts paid to an employee, including the taxable value of expenses and for clarity the numbers of officers receiving these amounts are shown by both including the termination payments and excluding them.

Including termination payments	Number of Employees	
	2021/22	2022/23
£50,000 - £54,999	32	47
£55,000 - £59,999	47	63
£60,000 - £64,999	20	12
£65,000 - £69,999	15	17
£70,000 - £74,999	4	5
£75,000 - £79,999	1	1
£80,000 - £84,999	1	4
£85,000 - £85,999	1	0
£90,000 - £94,999	2	0
Total	123	149

Excluding termination payments	Number of Employees	
	2021/22	2022/23
£50,000 - £54,999	32	48
£55,000 - £59,999	47	62
£60,000 - £64,999	20	12
£65,000 - £69,999	15	17
£70,000 - £74,999	4	5
£75,000 - £79,999	1	1
£80,000 - £84,999	1	4
£85,000 - £89,999	1	0
£90,000 - £94,999	2	0
Total	123	149

NOTE 13. SENIOR OFFICERS' REMUNERATION

Senior Officer Remuneration

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

2022/23	Salary	Benefits in kind (e.g. car allowance)	Employers pension contributions	Total remuneration
	£	£	£	£
Chief Fire Officer - Neil Odin	167,223	0	48,160	215,383
Deputy Chief Fire Officer and Director of Policy, Planning and Assurance	133,779	0	22,475	156,254
Assistant Chief Fire Officer and Director of Operations	125,405	0	36,117	161,522
Director of Corporate Services	100,332	0	16,856	117,188
Director of People and Organisational Development (01/05/2022 - 31/03/2023)	91,971	0	15,451	107,422

For Comparison, remuneration paid to the Authority's senior employees in 2021/22 is as follows:

2021/22	Salary	Benefits in kind (e.g. car allowance)	Employers pension contributions	Total remuneration
	£	£	£	£
Chief Fire Officer - Neil Odin	174,531	0	48,338	222,869
Deputy Chief Fire Officer and Director of Policy and Planning (01/04/2021 - 28/06/2021)	33,196	0	12,382	45,578
Deputy Chief Fire Officer and Director of Policy, Planning and Assurance (01/06/2021 - 31/03/2022)	111,946	0	18,859	130,805
Assistant Chief Fire Officer and Director of Performance and Assurance (01/04/2021 - 31/05/2021)	20,901	0	3,459	24,360
Assistant Chief Fire Officer and Director of Operations	130,868	0	36,250	167,118
Director of Corporate Services	100,703	0	16,918	117,621

Note: During 2021/22 and 2022/23 the roles of Director of Finance (Chief Financial Officer and Section 151 Officer) and Monitoring Officer were filled by officers at Hampshire County Council as part of a joint working agreement for a range of corporate services.

In addition, the Director of People and Organisational Development was employed by Hampshire County Council through the same arrangements until 30 April 2022. Where relevant these officers will be included in appropriate disclosures by Hampshire County Council.

NOTE 14. EXIT PACKAGES

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out here:

2022/23				
Exit package cost band	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
£0 to £20,000	0	6	6	£37,832
	0	6	6	£37,832
2021/22				
Exit package cost band	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
£0 to £20,000	0	4	4	£24,557
	0	4	4	£24,557

NOTE 15. MEMBERS' ALLOWANCES

Member allowances are set by the authority in accordance with the provisions of the Local Authorities (Members Allowances) (England) Regulations 2003 and are based on the roles the members fulfil. The basic allowance paid to all Councillors, and Special Responsibility Allowances (SRAs) paid to Councillors undertaking additional roles, was set for the period 2022-2026. SRAs are calculated as a percentage of the basic allowance.

The authority had 11 members in 2022/23 (11 in 2021/2022). The authority paid allowances to its members of £0.99m in 2022/23 (£0.86m in 2021/22) and the increase reflects the local government pay award which was made in this period and was applied as an index for the adjustment of Member allowances..

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<u>2021/22</u>		<u>2022/23</u>	
£'000		£'000	
86	Allowances	99	
0	Expenses	0	
86		99	



NOTE 16. 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 15. During 2022/23 there were no potential conflicts of interest involving Members of the Authority.

Officers

The Chief Financial Officer (CFO) to the Fire Authority is employed by Hampshire County Council and is a senior manager in the HCC finance team. The Monitoring Officer is employed by Hampshire County Council and is a senior manager in the HCC legal team. The Fire Authority's governance arrangements together with the independence and professional status of these roles, ensure that these relationships are not compromised.

3SFire Community Interest Company (CIC)

The Fire Authority has sole control over a trading entity, 3SFire Community Interest Company (CIC), which is limited by shares and was originally formed on 20 February 2013. The company converted to its current CIC status in April 2021 and its purpose is to "improve safety and wellbeing in the community" by reinvesting surplus income in a variety of projects that complement the community objectives of the Authority and Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS). The company has four directors who act independently to ensure there are no conflicts of interest. The Managing Director and Operations Director are employed directly by 3SFire CIC and the two non-executive directors of 3SFire CIC are employees of HIWFRS.

The company has a supplier agreement with HIWFRS for which 3SFire CIC pays the appropriate charges for the services received. The most significant supply arrangement is the provision of specialist fire and rescue related training resources. Other suppliers are used by the company whenever the capacity or expertise is unavailable or inappropriate to be sourced through HIWFRS for whatever reason. Customers of 3SFire CIC include a range of private sector companies, other fire and rescue services and local authorities.

During the financial year 2022/23, 3SFire CIC paid £79,000 (PY:£54,000) to HIWFRS for the services they provided, including lease of office space. This is in the context of Turnover of £460,000 (PY:£240,000).

NOTE 17. CAPITAL FINANCING

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 (2021). The total borrowing is expressed as the Capital Financing Requirement and is derived from the opening Balance Sheet.

Capital Financing Requirement (CFR)

The total amount of capital investment in the year is shown in the table on this page, together with the resources that have been used to finance it. Where capital investment is to be financed in future years by charges to revenue as assets are used by the Authority this results in an increase in the CFR. The CFR is a measure of the capital investment incurred historically by the Authority that has yet to be financed. The CFR is analysed in the table and is calculated in a manner consistent with Paragraph 90 of the Prudential Code (2021).

Revenue Expenditure Funded from Capital Under Statute

Legislation allows some investment to be funded from capital resources. Such investment is not carried on the Balance Sheet and is charged to the Income and Expenditure Statement in the year it is incurred. An adjustment is then made in the Movement in Reserves Statement to ensure that this does not impact on the year's Council tax.

Minimum Revenue Provision

Minimum Revenue Provision (MRP) is the minimum amount the Authority must charge to its revenue account to provide for the repayment of debt.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 requires the Authority to determine for the current financial year an amount of MRP which it considers to be prudent. In calculating MRP the Authority is required by the Local Government Act (2003) to have regard to guidance issued by the Secretary of State. The relevant guidance for 2022/23 was issued by the MHCLG in 2018. Under this guidance, the Authority's agreed policy is to charge MRP on supported borrowing equal to 4% of the capital financing requirement at the start of the financial year. For unsupported borrowing incurred after 1 April 2008, minimum revenue provision is made over the expected useful life of the relevant asset in equal instalments.

2021/22 £'000		2022/23 £'000
10,371	Opening capital financing requirement	11,046
	<i>Capital investment:</i>	
1,659	Property, plant and equipment	13,144
	<i>Sources of finance:</i>	
0	Capital receipts	(101)
0	Government grants and contributions	0
	<i>Sums set aside from revenue:</i>	
(550)	Direct revenue contributions (budgeted)	(8,656)
(434)	Minimum revenue provision	(407)
11,046	Closing capital financing requirement	15,026
	Explanation of movements in year:	
1,109	Increase in borrowing	4,387
(434)	Minimum revenue provision	(407)
675	Increase/(decrease) in capital financing requirement	3,980

NOTE 18. 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. The Authority does not have any material finance leases.

The Authority as a lessee

The Authority leases some premises and operational vehicles. In these cases, an asset is not recognised in the Balance Sheet. Rental costs payable are charged to the Comprehensive Income and Expenditure Statement as an expense on a straight-line basis.

2021/22 £'000		2022/23 £'000
25	In year payments	42
	<i>Future minimum payments:</i>	
42	Not later than one year	42
156	Later than one year and not later than five years	130
536	Later than five years	521
734	Total future payments	693

The Authority as a lessor

Where the Authority grants an operating lease on an asset it is retained in the Balance Sheet. Rental income receivable is credited to the Comprehensive Income and Expenditure Statement.

The Authority grants operating leases to third parties for example for parking and or storage by other emergency services.

2021/22 £'000		2022/23 £'000
326	In year receipts	379
	<i>Future minimum receipts:</i>	
325	Not later than one year	228
616	Later than one year and not later than five years	616
594	Later than five years	588
1,535	Total future receipts	1,432

NOTE 19. 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:

- 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 at 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 Council. 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:

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

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

Impairment

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

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

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

Depreciation

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

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

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

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

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

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

Disposals and assets held for sale

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

When the asset is disposed of, or decommissioned, the carrying value of the asset is written out to the Other Operating Income and Expenditure line within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. Any revaluation gains accumulated for the asset in the Asset Revaluation Reserve are written out to the Capital Adjustment Account by way of a transfer between the accounts.

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

Capital Commitments

At 31 March 2023 there were contractual capital commitments of £9.2m.



NOTE 19. PROPERTY, PLANT AND EQUIPMENT – MOVEMENT OF BALANCES

2022/23	Other land and buildings £'000	Vehicles and equipment £'000	Assets under construction £'000	Total £'000
Cost or Valuation:				
At 31 March 2022	177,300	42,167	1,465	220,932
Adjustment to opening balance (note i)	0	(798)	0	(798)
At 1 April 2022	177,300	41,369	1,465	220,134
Additions in year	51	2,939	10,154	13,144
Revaluation increases/(decreases) recognised in the Revaluation Reserve	13,980	0	0	13,980
Derecognition - Disposals	(181)	(1,192)	0	(1,373)
Other movements in cost or valuation	3,219	0	(3,219)	0
Gross book value as at 31 March 2023	194,369	43,116	8,400	245,885
Accumulated depreciation:				
At 31 March 2022	(8,265)	(30,372)	0	(38,637)
Adjustment to opening balance (note i)	0	798	0	798
At 1 April 2022	(8,265)	(29,574)	0	(37,839)
Depreciation Charge	(3,796)	(2,389)	0	(6,185)
Depreciation written out on revaluation	2,447	0	0	2,447
Impairment (losses)/reversals recognised in the Revaluation Reserve	(373)	0	0	(373)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(1,310)	0	0	(1,310)
Derecognition - Disposals	182	1,107	0	1,289
Accumulated depreciation as at 31 March 2023	(11,115)	(30,856)	0	(41,971)
Net book value 31 March 2023	183,254	12,260	8,400	203,914
Net book value 1 April 2022	169,035	11,795	1,465	182,295

Note (i) The adjustment to opening balances relates to the removal of furniture and equipment assets with a nil net book value that had been transferred into Hampshire and Isle of Wight Fire and Rescue Authority upon its formation on 1 April 2021. The adjustment has no impact on the net book value of assets or on any other disclosures in the accounts.



NOTE 19. PROPERTY, PLANT AND EQUIPMENT – MOVEMENT OF BALANCES (CONTINUED)

2021/22	Other land and buildings £'000	Vehicles and equipment £'000	Assets under construction £'000	Total £'000
Cost or Valuation:				
At 1 April 2021	164,490	40,493	1,815	206,798
Additions in year	13	254	1,392	1,659
Revaluation increases/(decreases) recognised in the Revaluation Reserve	13,356	0	0	13,356
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(271)	0	0	(271)
Derecognition - Disposals	(288)	(322)	0	(610)
Other movements in cost or valuation	0	1,742	(1,742)	0
Gross book value as at 31 March 2022	177,300	42,167	1,465	220,932
Accumulated depreciation:				
At 1 April 2021	(10,227)	(28,053)	0	(38,280)
Depreciation Charge	(3,353)	(2,620)	0	(5,973)
Depreciation written out on revaluation	5,301	0	0	5,301
Impairment (losses)/reversals recognised in the Revaluation Reserve	(253)	0	0	(253)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(21)	0	0	(21)
Derecognition - Disposals	288	301	0	589
Accumulated depreciation as at 31 March 2022	(8,265)	(30,372)	0	(38,637)
Net book value 31 March 2022	169,035	11,795	1,465	182,295
Net book value 1 April 2021	154,263	12,440	1,815	168,518

NOTE 20. FINANCIAL INSTRUMENTS

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

Financial assets

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

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

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

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.

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

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

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

NOTE 20(A). FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments - Assets

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

Financial Assets	Long Term		Short Term	
	31/03/2022	31/03/2023	31/03/2022	31/03/2023
	£'000	£'000	£'000	£'000
Investments:				
<i>At amortised cost</i>				
- Principal	1,002	0	13,037	5,029
- Accrued interest	0	0	0	22
- Loss Allowance	(1)	0	(1)	(1)
<i>At Fair Value through profit & loss</i>				
- Fair value (FVPL)	7,697	6,874	0	0
Total investments	8,698	6,874	13,036	5,050
Cash & cash equivalents:				
- Cash (including bank accounts)			(680)	(1,482)
- <i>At amortised cost</i>			1,320	1,420
- <i>At Fair Value through Profit & Loss</i>			9,760	15,050
Total cash and cash equivalents	0	0	10,400	14,988
Loans and receivables:				
- financial instrument debtors	14	0	3,229	3,776
- loans made for service purposes	6	6	0	0
Total financial assets	8,718	6,880	26,665	23,814

Long-term investments

Surplus cash balances are lent to borrowers in accordance with the Authority's Treasury Management Strategy. Long-term investments are not due to be repaid until at least 12 months after the balance sheet date.

Short-term investments

Surplus cash balances are lent to borrowers in accordance with the Authority's Treasury Management Strategy. Short-term investments are due to be repaid within 12 months and so their amortised cost in the balance sheet date is a reasonable assessment of their fair value.

Cash and Cash Equivalents

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 for which there is 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:

2021/22		2022/23
£'000		£'000
8	Cash in hand	8
1,320	Cash equivalents measured at amortised cost	1,420
9,760	Cash equivalents measured at fair value through profit & loss	15,050
(688)	Uncleared BACS payments	(1,490)
10,400	Total	14,988

NOTE 20(B). FINANCIAL INSTRUMENTS (CONTINUED)

Short-term Debtors

The short-term debtors balance on the balance sheet includes non-exchange debtors that do not meet the definition of a financial instrument. The table analyses total debtors into financial instruments and non-financial instruments.

Receipts are due within one year and as such the fair value is considered to be equal to the carrying amount.

2021/22 £'000		2022/23 £'000
3,229	Financial instrument debtors	3,776
9,925	Non-financial instrument debtors	11,198
13,154	Total short-term debtors	14,974

Long-term debtors

Long-term debtors are analysed between financial instruments and non-financial instruments in the table below:

2021/22 £'000		2022/23 £'000
6	Financial instrument debtors	6
14	Non-financial instrument prepayments	0
20	Total long-term debtors	6

NOTE 20(C). FINANCIAL INSTRUMENTS (CONTINUED)

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.

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

	Long Term		Short Term	
	31/03/2022 £'000	31/03/2023 £'000	31/03/2022 £'000	31/03/2023 £'000
Loans at amortised cost:				
-Principal sum borrowed	(5,900)	(5,550)	(750)	(350)
-Accrued interest	-	-	(56)	(55)
Total borrowing	(5,900)	(5,550)	(806)	(405)
Liabilities at amortised cost:				
-Finance leases	0	0	0	0
-Financial instrument creditors	0	0	(3,496)	(6,761)
Total other liabilities	0	0	(3,496)	(6,761)
Total	(5,900)	(5,550)	(4,302)	(7,166)

Long-term borrowing

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

Short-term borrowing

This balance represents amounts payable to the PWLB within the next 12 months.

Creditors

The balance of short-term creditors 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:

2021/22 £'000		2022/23 £'000
(3,496)	Financial instrument creditors	(6,761)
(4,393)	Non-financial instrument creditors	(4,056)
(7,889)	Total creditors	(10,817)

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.

NOTE 20(D). FINANCIAL INSTRUMENTS (CONTINUED)

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:

Risk of default	ECL
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 20(F).

Basis of valuation

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

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

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

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

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

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

- Loans taken out 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.

NOTE 20(F). FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

Fair values for the Authority's financial instruments are shown in the table, 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.

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

	Fair Value level	Balance Sheet		Fair Value	
		31/03/2022 £'000	31/03/2023 £'000	31/03/2022 £'000	31/03/2023 £'000
Financial Liabilities					
Long term loans from PWLB	2	(6,650)	(5,900)	(7,700)	(5,767)
Accrued interest		(56)	(55)	0	0
Total loans borrowed		(6,706)	(5,955)	(7,700)	(5,767)
Liabilities for which fair value is not disclosed - note i		(3,496)	(6,761)	0	0
Total financial liabilities		(10,202)	(12,716)	(7,700)	(5,767)
<i>Recorded on balance sheet as:</i>					
Short term creditors		(3,496)	(6,761)		
Short term borrowing		(806)	(405)		
Long term creditors		0	0		
Long term borrowing		(5,900)	(5,550)		
Total financial liabilities		(10,202)	(12,716)		
Financial Assets					
<i>Held at fair value:</i>					
Money market funds	1	9,760	15,050	2,950	15,050
Bond, equity & multi asset funds	1	3,950	3,096	3,779	3,096
Property funds	2	3,747	3,129	3,187	3,129
<i>Held at amortised cost:</i>					
Corporate & government bonds	1	1,002	0	1,007	0
Total		18,459	21,276	10,923	21,276
Assets for which fair value is not disclosed - note i		16,910	9,418		
Total financial assets		35,369	30,694		
<i>Recorded on balance sheet as:</i>					
Long term investments		8,698	6,874		
Long term debtors		6	6		
Short term investments		13,036	5,050		
Cash and cash equivalents		10,400	14,988		
Short term debtors		3,229	3,776		
Total financial assets		35,369	30,694		

NOTE 21. NATURE AND EXTENT OF RISK

Hampshire Fire & Isle of Wight & Rescue Authority complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in 2021.

In line with the Treasury Management Code, HIWFRA approves a Treasury Management Strategy before the commencement of each financial year. The Authority also approves a Capital & Investment Strategy, in accordance with the Prudential Code and Government investment guidance.

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

The Capital & Investment Strategy and Treasury Management Strategy include details of the Authority's Investment Strategy in compliance with Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. HIWFRA'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 HIWFRA
- **Liquidity risk:** The possibility that HIWFRA might not have the cash available to make contracted payments on time
- **Market risks:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

NOTE 21(A). NATURE AND EXTENT OF RISK (CONTINUED)

Credit Risk

HIWFRA 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 HIWFRA has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, HIWFRA has regard to other measures including credit default swaps and equity prices when selecting commercial entities for investment.

A limit of £6m 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 £3m applies. HIWFRA also sets limits on investments in certain sectors. No more than £12m in total can be invested for a period longer than one year.

The credit quality of £2m of HIWFRA'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 HIWFRA suffering a loss on these investments. The table summarises the credit risk exposures of HIWFRA's investment portfolio by credit rating.

Credit rating	Long term		Short term	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
AAA	1,002	0	4,026	1,009
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	4,801	3,900
A+	0	0	1,520	1,541
A	0	0	3,009	20
A-	0	0	0	0
AAA Money Market Funds	0	0	9,760	15,050
Unrated local authorities	0	0	1,000	0
Unrated pooled funds	7,697	6,874	0	0
Total Investments	8,699	6,874	24,116	21,520

NOTE 21(B). NATURE AND EXTENT OF RISK (CONTINUED)

Liquidity Risk

HIWFRA 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 HIWFRA 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, which limits the amount of HIWFRA's borrowing that matures in any one financial year. The maturity analysis of the principal sums borrowed is summarised in the table.

Time to maturity (years)	Discounted (principal)		Undiscounted (principal plus interest)	
	31/03/2022 £'000	31/03/2023 £'000	31/03/2022 £'000	31/03/2023 £'000
Not over 1	(750)	(350)	(1,062)	(615)
Over 1 but not over 2	(350)	(350)	(615)	(605)
Over 2 but not over 5	(450)	(100)	(1,179)	(807)
Over 5 but not over 10	(500)	(1,600)	(1,650)	(2,725)
Over 10 but not over 20	(4,600)	(3,500)	(5,192)	(3,885)
Total	(6,650)	(5,900)	(9,698)	(8,637)

NOTE 21(C). NATURE AND EXTENT OF RISK (CONTINUED)

Market Risks: Interest Rate Risk

HIWFRA 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 2023, the entire net principal borrowed (i.e. debt net of investments) was exposed to fixed rates, a small proportion of these will mature during 2023/24 and if re-financed would be at prevailing market rates. All £26.8m of HIWFRA's investment balance at 31 March 2023 was exposed to variable interest rates, including £1m of floating rate notes.

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

	£'000
Increase in interest payable on variable rate borrowings	2
Increase in interest receivable on variable rate investments	(179)
Decrease in fair value of investments held at FVPL	51
Impact on (Surplus) or Deficit on the Provision of Services	(125)
Decrease in fair value of investments held at FVOCI	0
Impact on Comprehensive Income and Expenditure	(125)

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 HIWFRA'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.

HIWFRA'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 HIWFRA'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.

NOTE 22. PROVISIONS

Provisions are liabilities of uncertain timing or amount. They 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, considering 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:

- Pension liabilities relating to temporary promotions that will be funded by the Authority.
- Holiday pay for overtime claims. A legislative change on 6 April 2020 by virtue of The Employment Rights (Employment Particulars and Paid Annual Leave) (Amendment) Regulations 2018 amended the Working Time Regulations 1998. As a result, normal remuneration is interpreted to include payments that are normally received, i.e., including overtime directly and intrinsically linked to the work that the worker is required to do. The service has agreed to compensate for three years and these claims will continue to settle in the financial year 2023-2024.
- Pay awards not settled. The pay awards backdated to January 2022 and January 2023 for the Chief Fire Officer, Directors and other Principal Officers have not been agreed at 31st March 2023 and the Service has included a provision for the backdated payments to be made in the coming financial year.
- Business rate appeals relating to valuations, which may impact on future business rates collected by the Authority.
- Uninsurable and other claims. This covers the excess on insurance claims. There is an excess of £25,000 on employee liability claims and £50,000 on motor vehicle claims. These cases may take a number of years to settle.

	Pension liabilities £'000	Holiday pay on overtime claims	Pay awards not settled	Total short-term provisions	Uninsurable and other claims £'000	Long-term provisions charged to net cost of services	Total Provisions charged to net cost of services £'000	Long-term provision for Business Rate appeals £'000	Total provision made £'000
Balance as at 1 April 2022	(108)	0	0	(108)	(102)	(102)	(210)	(1,088)	(1,298)
Payments made in the year (Increase)/decrease	10	0	0	10	19	19	29	0	29
	0	(531)	(82)	(613)	(23)	(23)	(636)	270	(366)
Balance as at 31 March 2023	(98)	(531)	(82)	(711)	(106)	(106)	(817)	(818)	(1,635)

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); (closed as of 31 March 2022)
- the 2006 New Firefighters' Pension Scheme (FPS). This scheme was opened to new members from 1 April 2006; (closed as of 31 March 2022)
- 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.



NOTE 23(A). PENSION SCHEMES

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 table summarises the transactions that have been 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)		LGPS (Staff)		All schemes - Total	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Comprehensive Income and Expenditure Statement								
Cost of Services								
- Current service cost	21,704	13,742	744	531	5,116	4,883	27,564	19,156
- Past service costs	83	127	0	0	0	0	83	127
- (Gain)/loss from settlements	0	0	0	0	0	0	0	0
Financing and Investment Income and Expenditure								
Net interest expense	18,687	22,876	911	1,115	743	730	20,341	24,721
Total Charge to the Surplus or Deficit on the Provision of Services	40,474	36,745	1,655	1,646	5,859	5,613	47,988	44,004
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
- Return on plan assets	0	0	0	0	(2,998)	4,604	(2,998)	4,604
- Government contribution for Firefighter Schemes	(13,036)	(13,425)	0	0	0	0	(13,036)	(13,425)
- Actuarial (Gains)/Losses arising	(61,792)	(250,520)	(2,443)	(9,906)	(9,666)	(31,006)	(73,901)	(291,432)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(34,354)	(227,200)	(788)	(8,260)	(6,805)	(20,789)	(41,947)	(256,249)
Movement in Reserves Statement								
Reverse charge to Provision of Services	(40,474)	(36,745)	(1,655)	(1,646)	(5,859)	(5,613)	(47,988)	(44,004)
Actual amount charged against the General Fund Balance for pensions in the year								
Employer's contributions to the scheme	8,323	7,908	0	0	1,438	2,139	9,761	10,047
Benefits paid direct to beneficiaries	0	0	1,245	1,303	0	0	1,245	1,303
Charge on General Fund	8,323	7,908	1,245	1,303	1,438	2,139	11,006	11,350



NOTE 23(B). PENSION SCHEMES

Net Pensions Liability

The following table sets 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.

2021/22	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	94,927	900,550	43,985	1,039,462
Current service cost	5,116	21,704	744	27,564
Interest cost	1,977	18,687	911	21,575
Contributions by scheme participants	686	3,698	0	4,384
Actuarial (gains) and losses	(9,666)	(61,792)	(2,443)	(73,901)
Net benefits paid out	(2,304)	(25,057)	(1,245)	(28,606)
Past service costs	0	83	0	83
31 March	90,736	857,873	41,952	990,561

2022/23	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	90,736	857,873	41,952	990,561
Current service cost	4,883	13,742	531	19,156
Interest cost	2,429	22,876	1,115	26,420
Contributions by scheme participants	790	3,802	0	4,592
Actuarial (gains) and losses	(31,006)	(250,520)	(9,906)	(291,432)
Net benefits paid out	(2,258)	(25,134)	(1,304)	(28,696)
Past service costs	0	127	0	127
31 March	65,574	622,766	32,388	720,728

NOTE 23(C). PENSION SCHEMES

Local Government Pension Scheme Assets

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

2021/22 £'000		2022/23 £'000
58,773	1 April	62,824
1,233	Expected return on assets	1,699
2,998	Actuarial gains and (losses)	(4,604)
1,438	Employer contributions	2,139
686	Contributions by scheme participants	790
(2,304)	Net benefits paid out	(2,258)
62,824	31 March	60,590

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

31 March 2022 %		31 March 2023 Quoted %	31 March 2023 Unquoted %	31 March 2023 Total %
55.7	Equities	42.0	16.0	58.0
6.9	Government bonds	1.0	5.0	6.0
18.0	Property	17.0	0.0	17.0
9.2	Multi Asset Credit	0.0	0.0	0.0
0.9	Cash	1.0	0.0	1.0
9.3	Other (hedge funds, currency holdings, futures, private equities)	0.0	18.0	18.0
100.0		61.0	39.0	100.0

Fair value means:

- quoted securities - the current bid price;
- unquoted securities - this is based on a professional estimate;
- unitised securities - the current bid price;
- 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 £2.9m.

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

NOTE 23(D). PENSION SCHEMES

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 2025.

The employer's regular contributions to the LGPS fund for the accounting period to 31 March 2024 are estimated to be £2.3m. In addition, pension strain contributions may be required.

NOTE 23(E). PENSION SCHEMES

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:

- Financial assumptions
- Post Retirement Mortality
- Commutation.

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

Scheme	Date
Local Government Pension Scheme – funded	31 March 2022
1992 Firefighters' Pension Scheme	31 March 2019
2006 Firefighters' Pension Scheme	31 March 2019
2015 Firefighters' Pension Scheme	31 March 2019
Firefighters' Injury and Ill-Health Pensions	31 March 2019

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

31 March 2022		31 March 2023
2.9%	Rate of Inflation (CPI) (LGPS)	2.7%
3.0%	Rate of Inflation (CPI) Firefighter Schemes)	2.7%
3.9%	Rate of increase in salaries (LGPS)	3.7%
4.0%	Rate of increase in salaries (Firefighter Schemes)	3.7%
2.9%	Rate of increase in pensions (LGPS)	2.7%
3.0%	Rate of increase in pensions (Firefighter Schemes)	2.7%
2.7%	Rate for discounting scheme liabilities (LGPS)	4.7%
2.7%	Rate for discounting scheme liabilities (Firefighter Schemes)	4.7%
	Longevity at 65 for current Pensioners (years):	
22.9	Men (LGPS)	23.3
25.4	Women (LGPS)	25.7
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)	23.8
27.1	Women (LGPS)	26.7
23.2	Men (Firefighter Schemes)	23.3
25.4	Women (Firefighter Schemes)	25.5

NOTE 23(E). PENSION SCHEMES

Basis for estimating assets and liabilities (continued)

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 for the year ending 31 March 2023 are:

Local Government Pension Scheme	Each member is 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 pension Schemes	1992/2006/2015 schemes: 90% of members commute 25% of their pension

NOTE 23(F). PENSION SCHEMES

Basis for estimating assets and liabilities (continued)

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

Projected Service cost 2023/24 = £4.884m

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) at 31 March 2023 = £65.574m

Projected Service cost 2023/24 = £2.068m

	LGPS		Fire Schemes	
	+ 0.1% p.a.	- 0.1% p.a.	+ 0.1% p.a.	- 0.1% p.a.
Adjustment to discount rate				
* Present value of total obligations (£M)	64.328	66.885	611.940	633.705
* % change in present value of total obligations	-1.9%	2.0%	-1.7%	1.8%
* Projected service cost (£M)	1.97	2.17	4.61	5.17
* % change in projected service cost	-4.6%	4.7%	-5.7%	5.9%
Rate of general increase in salaries				
* Present value of total obligations (£M)	65.64	65.51	624.01	621.52
* % change in present value of total obligations	0.1%	-0.1%	0.2%	-0.2%
* Projected service cost (£M)	2.07	2.07	5.04	4.73
* % change in projected service cost	0.0%	0.0%	3.2%	-3.2%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	66.75	64.39	632.46	613.19
* % change in present value of total obligations	1.8%	-1.8%	1.6%	-1.5%
* Projected service cost (£M)	2.17	1.97	5.02	4.76
* % change in projected service cost	4.7%	-4.6%	2.7%	-2.5%
Adjustment to mortality age rating assumption				
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	67.28	63.87	639.58	605.98
* % change in present value of total obligations	2.6%	-2.6%	2.7%	-2.7%
* Projected service cost (£M)	2.15	1.99	5.12	4.65
* % change in projected service cost	3.7%	-3.7%	4.8%	-4.8%

NOTE 24. 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.

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

- 1) 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.
- 2) 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 has 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.

There are no contingent assets.



NOTE 25. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 31 May 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.





NOTE 26. CASH FLOW STATEMENT NOTES

The adjustment to the surplus of deficit on the provision of services for non-cash movements includes the following items:

<u>2021/22</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
(5,973) Depreciation	(6,185)
(292) Impairments & downward revaluations	(1,311)
0 Amortisations	0
0 (Increase)/Decrease in expected loss allowance for receivables	0
(104) (Increase)/Decrease in creditors	(2,949)
1,951 Increase/(Decrease) in debtors	1,806
125 Increase/(Decrease) in inventories	(20)
(93) (Increase)/Decrease in provisions	(1,454)
67 Actual cash payments made from provisions	29
(36,982) Movement in pension liability	(32,654)
536 Movement in the value of investment properties & financial instruments	(768)
(21) Carrying amount of non current assets and non current assets held for sale, sold or derecognised	(84)
(40,786) Total adjustment to net surplus or deficit on the provision of services for non-cash movements	(43,590)

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

<u>2021/22</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
0 Proceeds from the sale of fixed assets	101
0 Total adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	101

NOTE 26. CASH FLOW STATEMENT NOTES (CONTINUED)

The cash flow from operating activities comprises the following items:

2021/22 £'000	2022/23 £'000
(444) Interest received	(1,097)
336 Interest paid	1
(108) Net cash outflow / (inflow) from operating activities	(1,096)

The cash flow from investing activities comprises the following items:

2021/22 £'000	2022/23 £'000
1,659 Purchase of property, plant and equipment	13,144
50,222 Purchase of short-term and long-term investments	27,263
0 Proceeds from the sale of property, plant and equipment	(101)
(51,185) Proceeds of sale of short-term and long-term investments	(36,346)
696 Total cash outflow from investing activities	3,960

The cash flow from financing activities comprises the following items:

2021/22 £'000	2022/23 £'000
450 Repayments of long and short term borrowing	750
450 Total cash outflow from financing activities	750

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 was formed on 1 April 2021, with fire and rescue services transferred from Hampshire Fire and Rescue Authority and the Isle of Wight Council. 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 were transferred to the new authority on 1 April 2021.

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 (MTFS), 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 reserves policy where annual contributions to reserves in excess of £6m 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 MTFS 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 2022/23 reserves stood at £38.5m of which 6.5% 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 FM Code in prioritising the security of its investment balances.

The Authority's financial outturn for 2022/23 has been reviewed alongside assumptions for 2023/24 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2024. 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.



Accounting policies

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 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.

NOTE 27. ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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 16.

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.



NOTE 27. ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Critical judgements in applying accounting policies

In applying accounting policies set out in note 27, 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 reserves in order to help minimise the risk 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 different but would have a significant effect on the accounts if any new leases 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 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 2022/23 this has been judged immaterial as their turnover is less than 1% of the Authority's total income.

NOTE 28. ACCOUNTING STANDARDS ISSUED BUT 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 Code only requires items to be mentioned here which will be adopted in 2023/24. However, it is also useful to note that we are planning to adopt IFRS 16 (which is about accounting for leases) in 2024/25.

The additional disclosures that will be required in the 2023/24 financial statements in respect of accounting changes introduced in the 2023/24 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8)
 - The International Accounting Standards Board (IASB) has revised its definition of “accounting estimate” to make it clearer. We do not expect it to result in any changes to how we make accounting estimates, so no impact on the accounts is foreseen.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
 - This change relates to how assets and liabilities should be accounted for when an organisation acquires or obtains control of another organisation. We are not planning to take over any other organisations so do not expect this change to have any impact.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

- The IAS 1 amendment slightly changes the criteria for which accounting policies an organisation should disclose in its accounts. Policies should now be disclosed if they are “material”, rather than the previous criteria of being “significant”. The changes to the IFRS Practice Statement 2 are intended to help organisations identify if an accounting policy is material. We will review our policies but do not expect it to result in any major changes to what we publish in the accounts.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

- These amendments clarify how organisations should account for deferred tax on transactions such as leases and decommissioning obligations. Local authorities are exempt from corporation tax. Trading companies we own are liable for corporation tax, so may be affected by this change. However, any impact would be immaterial to our accounts.

NOTE 29. 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 £1.8m.





FIREFIGHTER PENSION FUND ACCOUNT

FIREFIGHTER PENSION FUND ACCOUNT

The accounting policies for the Pension Fund Account are the same as those of the main Authority and can be found in note 27 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 exceeds 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 27 to the main Authority accounts.

Temporary borrowing or lending

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

2021/22 £'000	2022/23	
	£'000	£'000
	Contributions receivable:	
(8,242)	(7,978)	
(179)	(127)	
(3,699)	(3,604)	
(12,120)		(11,709)
(399)		(459)
	Transfers in	
	Benefits payable:	
20,080	21,227	
5,160	3,935	
0	112	
25,240		25,274
	Payments to and on account of leavers:	
0		0
4		0
4		0
12,725		13,106
	Net amount payable for the year before top-up grant receivable from the Government	
(12,725)		(13,106)
0		0
	Top up grant receivable from the Government	
	Net amount receivable/payable for the year	



ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

1.1 Hampshire & Isle of Wight Fire and Rescue Authority (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 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).

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 Chairman 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 Chartered Institute of Public Finance and Accountancy (CIPFA) and Delivering Good Governance in Local Government Framework 2016 edition. The AGS is also a key piece of evidence that the Authority has sought to comply with the new CIPFA Financial Management (FM) Code. The Service has undertaken an assessment of its compliance with all of the financial management standards in the FM Code and has assessed that it is compliant with the Code.

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.
- 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, cultures and values by which the Service is directed and controlled. 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 sets strategic direction, monitors, scrutinises and ensures delivery of services, whilst accountability for the achievement of the Authority’s priorities sits 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. The 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 operates with 11 Members. The Police and Crime Commissioner (PCC) can attend Authority meetings and has the ability to speak on items on the agenda. The structure and the related arrangements have resulted in a strategic and business focus from the Authority with good 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 and the Isle of Wight, whilst remaining resilient and responsive to challenges in the future.

3.1.3 The Authority has a Constitution, the purpose of which is to set out in a single place and in clear language how Hampshire and Isle of Wight Fire and Rescue Authority (“the Authority”) works and how it makes decisions. The Constitution sets out the roles and responsibilities of the Authority, its committees and Members. The key policies that set out the scope of responsibilities for Members and delegation to officers are detailed within the 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 reviews and approves amendments to the Constitution at their annual Authority General Meeting (AGM) and as needed throughout the year.

3.1.5 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.

3.1.6 There is a system in place for any complaint received that a Member or Co-opted Member of the Authority has failed to comply with the Authority's Code of Conduct for Members.

3.1.7 The Authority has a Firefighter's Pension Board. The role of the Board is to:

- assist HIWFRA as the administering authority of the Hampshire and Isle of Wight Firefighter's Pension Scheme (FFPS)
- secure compliance with the Firefighter's Pension Scheme Regulations and any other legislation relating to the governance and administration of the FFPS
- secure compliance with requirements imposed in relation to the FFPS by the Pensions Regulator
- ensure the effective and efficient governance and administration of the HIWFFPS by the Authority
- consider how discretionary and other pension related issues are being addressed from an operational viewpoint
- present an annual report to the Authority on the exercise of its functions.

3.1.8 The Authority publishes an annual Modern Slavery Statement which sets out the steps that are being taking to prevent modern slavery throughout the Authority and in its supply chains. The statement is set out to include key information to demonstrate its commitment to tackle modern slavery.

3.1.9 The Service has four values (Supporting Others, Showing Respect, Everyone Playing Their Part, and Reaching Further) which are integral to everything we do. These values are underpinned by five behaviours (Dedicated, Openness, Caring, Empowering and Inclusive) which align to the Fire Standard Code of Ethics. These are embedded in the organisation's recruitment and promotion processes, personal development review discussions, and staff recognition scheme.

3.1.10 Furthermore, these values are underpinned by a range of policies and procedures including the Member's Code of Conduct, the registers of interests and disclosure of pecuniary interests, gifts and hospitality and protocol for Member and officer relations which are all included within the Constitution.

3.1.11 The Fire Standard Code of Ethics, published in May 2021 by the Fire Standards Board, has been adopted and aligns to the organisation's values and behaviours. This ensures the organisation's policies, procedures and decision making reflect the ethical behaviour expected from the workforce. The Authority holds the Chief Fire Officer to account for the implementation of the code at a local level, and both the Deputy Chief Fire Officer and Director of People and Organisational Development are responsible for promoting the Core Code throughout the Service and ensuring that all those who work for, or on behalf of the Service understand its contents and what is expected of them.

3.1.12 Staff are required to comply with the Staff Code of Conduct which includes the requirement for them to declare interests and register the offer and acceptance of gifts and hospitality.

3.1.13 Whistleblowing, Bullying and Harassment, Grievance, Anti-theft, Fraud, Bribery and Corruption, and Complaint procedures are in place, enabling staff and members of the public to raise issues if they believe that appropriate standards have not been met.

3.1.14 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 regulations. The statutory roles of Chief Fire Officer, Monitoring Officer and Chief Financial Officer are set out to provide robust assurance and ensure that expenditure and decisions are lawful.

3.1.15 Within the Corporate Governance Framework to underpin the Executive Group, there are four Directorate Boards to oversee key areas: the Policy, Planning and Assurance Board, the Operations Management Board, the 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. The Directorate Boards review their terms of reference regularly, with the support of the Governance Team. Furthermore, these Directorate Boards are supported by other forums and Groups, such as the Integrated Performance and Assurance Group (IPAG) and Operations Financial Management Team (FMT), to support good governance across the Service.

3.1.16 The creation of a Corporate Governance Procedure with an Officer Scheme of Authorisation strengthens the robust decision making processes already in place. It has also provided clarity on decision making for officers and illustrates where the Constitution's Scheme of Delegation links with the Officer Scheme of Authorisation. The Officer Scheme of Authorisation is reviewed annually to ensure continued openness, transparency, accountability and clarity.

3.1.17 A policy, procedure and guidance (PPG) framework has been 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.

3.1.18 In January 2022 the Fire Standard for Safeguarding was introduced. This enabled the Service to demonstrate how it works to promote safeguarding in our communities and amongst our staff and volunteers. Work continues via a Safeguarding Development Action Plan to ensure full alignment to the Standard.

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 engages with stakeholders.

3.2.2 The Authority approved the Hampshire and Isle of Wight Safety Plan 2020-2025 in February 2020. Since Hampshire and the Isle of Wight combined, the Plan is fully aligned.

3.2.3 The Safety Plan incorporates the Community Risk Management Plan (CRMP) 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). In the Summer of 2022, HIWFRS agreed a business case to produce the next Safety Plan 2025-2030. Every Fire Authority must have a CRMP as outlined in the Fire and Rescue National Framework for England, for HIWFRA, this is called the Safety Plan. The Authority's next CRMP will be produced by carrying out a two stage approach. Stage one, which commenced in September 2022 and will run until the summer 2023, involves gaining a clear understanding of, and identification of, the risks HIWFRS face in our communities. This will involve discussion with our staff, communities and local partners, as well as using qualitative and quantitative data. Stage two will begin shortly thereafter and will develop control measures and mitigations to meet the risks identified in stage one. Stage two will include consulting with partners, staff and the public on the nature of our proposals.

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 live streamed, and the recording published to enable staff and the public better access to view decision making.

3.2.5 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.

3.2.6 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. The Service regularly monitors Trades Union Facilities Time and publishes information in line with reporting requirements for public sector organisations outlined in The Trade Union (Facility Time Publication Requirements) Regulations 2017.

3.2.7 Public consultation to listen to stakeholders and inform decision making is undertaken where required and expected. Consultation processes enable our staff, the public and other stakeholders to have their say on how their fire and rescue service should operate in the future.

In line with the national fire standard on producing Community Risk Management Plans, consultation is an important element in the production of our next Safety Plan covering 2025-30. As outlined above, work to produce this plan has already begun. To ensure we design a robust and comprehensive consultation process, we are working with The Consultation Institute. This external organisation is ensuring our approach is comprehensive, meets national standards and our equality obligations. Over the two stages of the project we will discuss with our communities what it is they expect from us and then consult on options. Our engagement will be specifically designed and appropriately accessible.

3.2.8 The Authority has a long history of collaborative working with partner agencies. In particular, with Hampshire County Council as part of the Shared Services Partnership and blue light collaboration with South Central Ambulance Service (SCAS) and Hampshire and Isle of Wight 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 has continued to work 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. The Authority receives an annual update which explains 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 for England.

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.

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 three of the Safety Plan has now been completed. Performance against the priorities is measured and reported to the Authority in mid-year and end of year performance reports, with the latest performance report submitted to the Authority in June 2023 alongside the Safety Plan progress report.

3.3.6 Our ongoing and live strategic assessment of risk provides the understanding for us to set out our services and priorities to manage, control and mitigate that risk. We also consider the learning from significant events locally, regionally, nationally and internationally to inform our planning. Whilst also, gaining information about best practice from inspections by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), as well as from other internal and external assurance activity, which is outlined in our assurance procedure and the associated annual assurance programme.

3.3.7 Our Safety Plan is underpinned by our strategic assessment of risk, which is a detailed and constantly updated analysis, 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 can 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, as well as other risk identified through an ongoing Political, Economic, Social, Technological, Environmental, Legal and Organisational (PESTELO) analysis that forms part of our live strategic assessment of risk. 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 Service change portfolio of projects and programmes which is monitored through the Policy, Planning Assurance Board and its Integrated Performance and Assurance Group. Progress against these plans is monitored through regular performance updates to assess the deliverables reporting to the Executive Group and the Authority on an exceptions basis when required.

3.3.11 The Directorate Plans provide the link from the Safety Plan through to an individual's 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 those who share a characteristic which is protected under equality law. Impact Assessments also identify any environmental, economic and legislative risks. Impact Assessments are carried out prior to implementing a policy, procedure, change or decision with a view to ascertaining its potential impact. Impact Assessments are also carried out during formal report writing to identify any impact on the recommendations within reports, with a screening tool developed to help our people understand when supplementary (Stage 2) impact assessments are required.

3.3.13 The Service's Change Management Framework and its supporting procedure 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 2021, the Change Management Framework 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 The Service uses internal audit and our risk-based internal audit plan as a core part of our annual assurance programme, as a 'third line of defence'. There is regularly reporting into the Standards & Governance Committee on progress of any audit management actions (recommendations), with extensive internal reporting and monitoring as well – including into Executive Group, Directorate Boards and the Integrated Performance and Assurance Group.

3.3.15 Furthermore, a Service Learning Tool (capturing all organisational learning, including from, but not limited to, operational incidents; prevention and protection activity; projects, programmes and change activity; and wider staff feedback) is now in place with further work planned to communicate to our staff more widely on action taken in response to their feedback – via a “You Said, We Did” page on our intranet.

3.3.16 Since taking the advantage of technology for holding remote meetings, many internal Service meetings and those Member, officer meetings that are not public, such as Chairman’s Briefings and the Authority Policy Advisory Group continue to be held remotely in order to save Member and officer time, travel and carbon emissions.

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. The Organisational Risk Register captures current operational and organisational risks that could affect delivery of the Safety Plan. The Organisational Risk Register is reviewed quarterly with reports going to Executive Group. The Authority, delegated to the Standards and Governance committee, regular monitoring of the Organisational Risk Register through formal reporting. During 2022, the Service reviewed and updated its Risk Management Procedure to action the observations from SIAP’s audit of our risk management arrangements.

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 cooperation. Within the Constitution, the Member officer Protocol is included providing clarification around the two roles.

3.5.3 The role of scrutiny by Members 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 Champion 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 expertise to help Members better understand the context within which the organisation is operating and make robust judgements about performance. The current focus areas for Member Champions are Governance, Effectiveness & Performance, People, Community Safety and Carbon reduction.

3.5.6 The Authority has appointed substitute Members to its two standing committees. This means that any potential attendance and representation issues are addressed. These formal appointments ensure that appropriate governance is in place to ensure lawful decision making when substitute members attend meetings.

3.5.7 Members receive copies of key internal staff communications.

3.5.8 Members' knowledge and understanding is developed through the delivery of an induction programme and periodic training and awareness sessions. A Members Induction session was held in June 2022 with ongoing training and awareness sessions held throughout the year. 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 facilitate 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 considers the future strategic direction of the Authority and Service business.

3.5.10 To ensure capability of leadership, the Executive Group have been enrolled on to the Institute of Directors (IOD) Certificate in Company Direction, with professional membership to the IOD included. In order to achieve this accreditation, all Directors passed exams to test their knowledge and application. The leadership training ensures 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, finance and procurement.

3.5.12 The development of our People and Organisational Development Directorate (POD) has created a Learning and Development function under the same leadership, which delivers operational training including incident command, leadership and management as well as commissioning technical and professional development provision such as health and safety qualifications and apprenticeship programmes.

3.5.13 Our POD Directorate plan identifies leadership and management development as a strategic priority. Delivery of leadership and management training is aligned with the National Fire Chiefs Council (NFCC) Leadership Framework and the Fire Standards Code of Ethics, as well as our own Service Values. We also use insights profiling, 360 degree feedback and coaching to develop leadership capabilities. Future design of our leadership and management development will align with the requirements of the Fire Standards Leading and Developing People.

3.5.14 We use insights from our wellbeing survey, internal and external data analysis, HMICFRS inspections, internal audits and peer reviews alongside feedback from our staff network groups and management forums to inform our POD Directorate plan. This seeks to 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.

3.5.15 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.

3.5.16 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 continues to help us to build a great working environment of which our workforce will be proud.

3.5.17 HIWFRS 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.

3.5.18 HIWFRS 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.

3.5.19 The Service is committed to driving high performance by unlocking the potential of all employees. There is 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.

3.5.20 In December 2022, the Fire Standards Board published two new Fire Standards, Leading the Service and Leading and Developing People. These standards, like the other 12 fire standards, have been subject to a detailed gap analysis to identify what assurance the Service has in these areas, as well as any additional actions required to support these standards being adopted across the Service. The Authority holds the Chief Fire Officer to account for implementation of the Standards at a local level and both the Deputy Chief Fire Officer and Director of People and Organisational Development are responsible for promoting the Standards throughout the Service and ensuring that all those who work for, or on behalf of the Service understand its contents and what is expected of them. Additionally, there is routine (every six months) reporting into the HIWFRA Standards & Governance Committee on our position against the full suite of Fire Standards. This reporting also provides members with updates on other developments, such a future Fire Standards.

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.

3.6.2 The Fire Authority has a risk management Policy which delegates responsibility to the Executive Group for the day to day management of the Service's organisational risks. Oversight of the arrangements are provided by the Policy, Planning and Assurance 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, JCAD, was introduced to the Service on 1 April 2021. Risks associated with the delivery of the Safety Plan, as well as the work of each directorate, are recorded in JCAD in line with our risk management procedure. Risks are escalated from the Directorate risk register to the Organisational Risk Register when necessary. The risk registers capture risk mitigations and the impact these mitigations are having.

3.6.3 Performance management is in place to measure progress against aims and priorities to prompt remedial action where appropriate. The Policy, Planning and Assurance Board provides scrutiny of the performance management process as do the other Directorate Boards. The Directorate Boards are supported by other forums and Groups, such as the Integrated Performance and Assurance Group and Operations Performance Board to support good performance management and scrutiny across the Service.

3.6.4 The Executive Group reviews 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 benchmarking 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. The Service's approach is to identify areas that could present greatest risk or where managers have identified indicators that improvement is needed.

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

3.6.11 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 considers the delivery and outcomes of the Internal Audit Plan, along with scrutinising the Service's performance in delivering against agreed actions.

3.6.12 The budget setting process is well established and prioritises budgets and spending to achieve intended outcomes. Budget setting and medium-term financial planning follow seven financial principles adopted by the Authority:

- A corporate approach will be taken to the development of budgets and savings programmes.
- Savings delivery will be planned so that savings are delivered at the optimum time to balance the budget.
- Financial planning assumptions will be realistic and prudent and will take account of pay and price inflation.
- One-off and recurring growth will be limited.
- Revenue contributions to reserves for capital investment, IT and other equipment replacement will be maintained.

- The revenue budget and capital investment will be aligned with strategic priorities and risks.

- Reductions in planned revenue contributions will be used as a last resort to balance the budget.

3.6.13 The Authority prepares its revenue budget on an annual basis, supported by periodic updates to its Medium-Term Financial Strategy (MTFS) and annual updates to its multi-year capital programme. This is supported by the Authority's Reserves Strategy, Treasury Management Strategy, Capital & Investment Strategy, and Efficiency Plan, all of which are important elements of overall financial management. The Authority Financial resources are focused to deliver its aims and priorities over the short and medium-term, with financial planning and management fully integrated with (and driven by) the corporate planning and monitoring process.

3.6.14 The Authority has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and positive value for money assessments from its external auditor. The Section 151 Officer is the Chief Financial Officer and all formal significant financial decision making has the benefit of advice and review from this officer or the wider finance team.

3.6.15 Day to day financial management is conducted in line with the Authority's constitution and the delegated responsibilities set out within the corporate governance policies and procedures. It is built into the way the Service is managed, with regular monitoring carried out at a directorate level and reported through to the Executive Group on a quarterly basis or by exception. Financial reporting happens both at a subjective level (i.e. income and expenditure types) and by directorate, meaning it is aligned to the Service's operational structure and its roles and responsibilities.

Support is provided by the finance team. Capital programme expenditure and forecasts are also regularly monitored. Training is provided to new budget managers to enable them to effectively use the suite of financial reports made available through the shared services portal and to ensure roles and responsibilities are understood. This is supported by access to online guidance and advice from the finance team in addition to bespoke workshops on specific aspects of financial management when required.

3.6.16 In February 2023 budget setting meeting the Authority also considered an updated MTFS. The MTFS covers the four-year period to 2026/27, however the single year Local Government Finance Settlement for 2023/24 means there is increased uncertainty when planning beyond the first year of this period. This is in addition to the uncertainty created by the current economic climate, particularly the ongoing impact of inflation. The risks associated with this uncertainty are mitigated using prudent financial assumptions within the MTFS and the contingencies built into the budget. Further mitigation comes from the level of reserves held by the Authority and the contributions to reserves that continue to be built into the base budget. The robustness of estimates included in the budget and the adequacy of financial reserves are assessed by the Chief Financial Officer in the Section 25 report prepared alongside the revenue budget. The MTFS and in-year financial position are monitored by our Executive Group and are regularly formally reported to the Authority at its public meetings.

3.6.17 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management (FM) Code was formally adopted across local government from the 2021/22 financial year. The FM Code sets out the six principles of good financial management, which it then translates into a list of financial management standards which local authorities should test their conformity against. The Service has undertaken an assessment of its compliance with all the financial management standards in the Code. Based on this, the Authority has ascertained that it is compliant with the Code

Although compliant, the Executive Group has discussed opportunities to further enhance the Authority's financial management and will continue to actively do so as opportunities arise.

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 Coronavirus Pandemic, ensuring transparency and accountability.

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

3.7.4 We use social media to demonstrate and highlight our response to incidents to the public, as well as raise awareness of safety messages, calls to actions and fire and rescue service campaigns.

3.7.5 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.

3.7.6 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.

3.7.7 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.

3.7.8 Where appropriate, Internal Audit will gain assurances from third parties to contribute to their overall assurance opinion.

3.7.9 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.

3.7.10 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.

3.7.11 The Authority has a community interest company, 3SFire. The company operates under the governance of a Board of 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.

3.7.12 Our Pay Policy Statement is approved annually by the Authority and published on the Service's website.

3.7.13 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 Children's Safeguarding Partnership.

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 The Authority prides itself on being a professional learning organisation that actively seeks challenge and review.

4.7 Our ICT environment has been critical to the maintenance of critical services and business as usual activity, with the use of Teams well-established and crucial, as has been the provision of necessary IT, IT security and two-factor authentication, DSE and other equipment to staff to support homeworking. This has led to positive impacts to the environment, e.g., with reduced commuting time, reduced costs to some staff and the Service (e.g., reduced use of pool cars and reduced travel and subsistence).

4.8 There has also been a significant focus on staff wellbeing, such as sessions on nutrition, rest and recovery (supported by survey insights and communications), which have been delivered differently and been well-received. There is also an ongoing focus on business continuity and degradation planning across all departments, which goes wider than COVID-19 but has been accelerated by it.

4.9 In January 2023, the HMICFRS published the Round 2 inspection report for Hampshire and Isle of Wight Fire and Rescue Service, as well as reports on various other services, and a national Annual Assessment of Fire and Rescue Services in England.

His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection, much like internal audit, is a crucial part of our wide-ranging assurance programme and we are committed to using inspection as an opportunity to learn. The report also provides our communities with a view of how we are performing across the Service, for example in terms of how we understand, prevent and respond to fires and other incidents and risks.

4.10 The inspection, which took place between April and July 2022, reviewed the Service as a whole. From how senior leaders set the strategy, to how well our teams perform in their day-to-day tasks. They do this in many ways, from reviewing our documents, analysing our data, carrying out staff and public perception surveys, staff focus groups, visits to stations and more. Much of the activity throughout the year takes place remotely. Some field work visits were completed where they visited our teams right across the organisation.

4.11 The 2022 inspection rated the Service as 'Good' for effectiveness, but 'Requires Improvement' for efficiency and how we support our people. However, our 'cause for concern' from the previous inspection, for not doing enough to be an inclusive employer, has been removed because of the significant progress we have made in this area. The Service is providing ongoing reporting into the Authority's Standards & Governance Committee on our progress against the findings of the inspectorate report.

4.12 The Fire Standards Board continues to consult on the development of new Standards. Officers and their teams have been proactively engaging in the process and have fed into the development of all Standards. This assists us in our planning and assurance around each Standard, the process for which is outlined elsewhere in this Statement. Once a new Fire Standard is published, there is a thorough assessment and analysis of our current compliance with it. These assessments are published internally and reported into the Executive Group and Integrated Performance and Assurance Group – with six-monthly reporting into the Fire Authority. The Service’s current compliance assessment against the Fire Standards is quality assured by the Organisational Assurance team who also publish background information to all our staff, via our intranet on the Fire Standards Board, approved Fire Standards and what their requirements (‘desirable outcomes’) are.

4.13 Other external reviews include the following:

- ISO27001 Information Security Audit accreditation meaning that HIWFRS are compliant to the internationally recognised information security standard.
- Complete annual Code of Connection (CoCo) review and Home Office submission for our Emergency Services Network (ESN) connectivity.
- Complete annual audit and Code of Connection (CoCo) statement return for emergency communications.
- Annual penetration tests by authorised third-party companies to conform to ISO27001, Public Sector Network and Emergency Services Network accreditation requirements.
- Inspection from HMI covering ICT management activities, methodology, technology and Security.
- Complete audits of ICT functions conducted by the Southern Audit Partnership, two to four audits per year of our operational teams and or processes.

- Monthly Internal audits assessing the competence and compliance of ICT staff in line with the ISO27001 scope, standards and requirements.
- Quarterly tabletop exercises relating to ICT scenarios testing business continuity plans, disaster recovery plans and day to day processes
- Statutory requirement to comply to Section 11 of The Children Act 2004 and to the statutory guidance of the Care Act 2014. This includes a programme of continuous audit, assurance and reporting arrangements in order to demonstrate and evidence our compliance to the legislation.

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 Annual Governance Statement (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 The HIWFRS Corporate Governance Framework illustrates how decisions are made and by whom. This Framework works alongside the HIWFRA Constitution to ensure clarity around all governance arrangements. To provide a greater understanding around this an HIWFRS Corporate Governance procedure has been created which contains an Officer Scheme of Authorisation. This provides further assurances to all stakeholders on governance arrangements.

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 The HIWFRS 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 2023-2024:

6.3.1 Adopt the 'Leading the Service' and 'Leading and Developing People' Fire Standard to ensure HIWFRS meets the required standard.

6.3.2 Deliver stage two of the CRMP (developing solutions to meet the risks identified in stage one) including consulting with partners, staff and the public.

6.3.3 Continue to align to the sector's current approved codes of practice: strategic and tactical National Operational Guidance.

6.3.4 Deliver the Safety Plan year 4 activities which take into account HMICFRS findings.

6.3.5 As part of the continued commitment to on-call, invest, as approved by the Fire Authority, in improving the support provided to the on-call workforce.

6.3.6 To strengthen the Service's governance around the Inclusive Service Strategy and the Wellbeing Strategy, an Equality, Diversity, Inclusion and Wellbeing Board is being added to the Corporate Governance Framework. This Board will have representation across all Directorates and will provide focus on the actions that form part of the Wellbeing action plan and the three year Inclusive Service strategic action plan.

7 In response to the Action Plan outlined in the 2022/23 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 2022/2023:

7.2.1 HIWFRS continue to invest into our Carbon Reduction plans including the installation of electric charging points across the estate. All 37 identified sites will have installed chargers and the completed project has rolled out 126 chargers across the HIWFRS estate.

7.2.2 The Authority considered the Home Office White Paper consultation and provided views in relation to a change of governance. As further updates detailing the outcome of the White Paper consultation are published, the Authority will ensure the current governance frameworks and their supporting Policies, Procedures and Guidance are fit for purpose and align to any recommendations.

7.2.3 The Service published its 'Our Inclusive Service' strategy which describes our Equality Objectives, builds on the positive progress we have made towards creating an inclusive culture and our commitment to equality and diversity. Work continues to create an underpinning three year strategic action plan which will run from 1 April 2023 until 31 March 2026.

7.2.4 In Summer 2022, HIWFRS agreed a business case to produce the next Safety Plan covering 2025-2030. The HIWFRS Safety Plan is the Community Risk Management Plan (CRMP). HIWFRS intend to carry out the work of the CRMP in two stages. Stage one commenced from September 2022 and is underway until June 2023. Stage one will give a clear understanding of and identify the risks we face in our communities. Stage two will begin shortly after and will develop options to meet the risks identified in stage one.

7.2.5 A value for money assessment was completed in January 2023 with the assessment producing a report, which will be used alongside other assurance sources, including the HMICFRS inspection report, to identify areas of focus and improvement for the Service. The assessment also provides valuable benchmarks against other Services and will also allow us to share and tap into good practice from across the sector.

7.2.6 The Service have developed a Wellbeing Strategy which will be presented to the Executive Group for sign off in May 2023. The Strategy has an underpinning Wellbeing action plan.

7.2.7 A considerable amount of work has taken place to mature our compliance with Fire Standards and embed a process for assessing current and forthcoming Fire Standards as part of our ongoing assurance activity. The Authority's Standards & Governance Committee is regularly updated on our assurance activity in this area. With the second update, into the Committee in March 2023, appending our Fire Standards Procedure, which provides further detail on our fire standards assurance approach across the Service.

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: 25 July 2023

Signed:

Rhydian Vaughan - HIWFRA Chairman

Date: 25 July 2023



GLOSSARY





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.

Asset held for sale

Asset 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.

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.

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.

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 liability 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.

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.

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 provided for a specific purpose.

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



INDEPENDENT AUDITOR'S REPORT

Held for Independent Auditors Report



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

HIWFRA Standards and Governance Committee

Purpose: Approval

Date: **27 September 2023**

Title: **Annual Assurance Statement 2022/2023**

Report of Chief Fire Officer

SUMMARY

1. The Annual Assurance Statement is a document that is required by the Fire and Rescue National Framework for England (2018) to provide assurance to local communities and government on financial, governance and operational matters. Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) must publish an Annual Assurance Statement which is made accessible to all stakeholders to enable transparency. The Annual Assurance Statement is a retrospective look back at the previous year, therefore the statement presented to the Authority for approval today is for the period April 2022 to March 2023.

BACKGROUND

2. The Fire and Rescue National Framework published in May 2018 sets out the reason for each Fire and Rescue Service to produce an Annual Assurance Statement:

“The statement should outline the way in which the authority and its fire and rescue service has had regard – in the period covered by the document – to this National Framework, the Integrated Risk Management Plan and to any strategic plan (eg. the Fire and Rescue Plan – see 4.10 below) prepared by the authority for that period. The authority must also provide assurance to their community and to government on financial, governance and operational matters.”

3. The Annual Assurance Statement is a retrospective review of the completed financial year April-March. Appendix A contains the detailed Annual Assurance Statement, which has been structured to follow the Safety Plan priorities.

4. The format of the Annual Assurance Statement is not prescribed. Each Fire and Rescue Service can determine their own preferred way to compile the Annual Assurance Statement to demonstrate to local communities and partner organisations how it fulfils its statutory obligations and activities to make Hampshire a safer place to live, work and travel.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

5. The Annual Assurance Statement, through the Fire and Rescue Authority, provides assurance to the public on the Fire and Rescue Service's fulfilment of its duties and activities which result in *Together we make life safer*. Therefore, each of the headings within the Statements of Assurance are aligned to the Safety Plan priorities to demonstrate how we actively meet our statutory obligations using a robust Safety Plan.

RESOURCE IMPLICATIONS

6. There are no financial implications to the approval of the Annual Assurance Statement. It is a retrospective look back at the previous financial year rather than suggesting a future course of action.

IMPACT ASSESSMENTS

7. There are no impacts to assess as the Annual Assurance Statement is retrospectively looking back at the previous financial year rather than suggesting a future course of action.

LEGAL IMPLICATIONS

8. The Annual Assurance Statement is a legal obligation in accordance with the Fire and Rescue National Framework for England 2018.

RISK ANALYSIS

9. The Annual Assurance Statement is a legal obligation in accordance with the Fire and Rescue National Framework for England. Therefore, failure to publish a statement may result in litigation.
10. HMICFRS can use the Annual Assurance Statement as part of the inspection process. Failure to publish a statement may result in reputational damage. Likewise, the Home Office routinely request and review these documents, so failure to produce and approve them may result in reputational damage.

EVALUATION

11. A formal evaluation is not required for the Annual Assurance Statement as it is a retrospective look back at the previous year. Some activities

described within the Annual Assurance Statement may be subject to evaluation as part of their own process.

12. However, the Annual Assurance Statement is written in line with guidance published by the Department of Local Government in 2014 and aligned to the Fire and Rescue National Framework for England in 2018. The Learning and Assurance team will ensure any changes to legislation result in an evaluation of the way the Annual Assurance Statement is complied.

CONCLUSION

13. The Annual Assurance Statement for 2022/23 provides stakeholders with oversight of Hampshire and Isle of Wight Fire and Rescue Authority's ability to deliver its core purpose *Together we make life safer*. The approval and subsequent publishing of the Annual Assurance Statement will meet the requirements of the Fire and Rescue National Framework for England 2018.

RECOMMENDATION

14. That the Hampshire and Isle of Wight Fire and Rescue Service Annual Assurance Statement 2022/2023 be approved by the HIWFRA Standards and Governance Committee

APPENDICES ATTACHED

15. Appendix A – Hampshire Fire and Rescue Service Annual Assurance Statement 2022/2023

BACKGROUND PAPERS

16. [Fire and Rescue National Framework for England, May 2018](#)

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Appendix A



Annual Assurance Statement 2022/23

April 2022 to March 2023

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Introduction

This Statement seeks to provide an accessible way in which communities, central government, local authorities and other partners may make a valid assessment of our Fire and Rescue Authority's performance for the financial year 2022/23. It aims to provide assurance that the Authority is meeting the priorities it has set itself in the Safety Plan 2020-2025. The publishing of the Annual Assurance Statement is a requirement of the Fire and Rescue National Framework for England 2018.

Hampshire and the Isle of Wight Fire and Rescue Authority is a large Authority based in the South of England which covers an area of more than 1600 square miles. Hampshire and the Isle of Wight is home to a population of just over 2 million people dispersed across rural, urban and coastal areas. Rural Hampshire covers 83% of the county with urban areas accounting for the remaining 17%. Whilst the overriding character of the Island is rural, about 60% of the Island's population live within the main towns of Newport, Cowes, East Cowes, Ryde, Sandown and Shanklin.

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.

During the height of the summer season the population can double with visitors to the Island which causes a large volume of vehicles on the roads. It is estimated that, in non-pandemic times, around 2 million people visit the Isle of Wight each year. Newport is the largest county town by population (around 17,000) and is home to the Isle of Wight Council (IWC), St Mary's Hospital, courts and other public services.

Hampshire and the Isle of Wight are 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 and the Isle of Wight are 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.

Hampshire and the Isle of Wight also have several major transport hubs including airports, ferry terminals, commercial ports, major motorways and several major hospitals, prisons and key infrastructure.

Our purpose is *Together we make life safer* for everyone in Hampshire and the Isle of Wight and for our people. We work hard to educate people to take the right action

to reduce the risk of fires and other incidents happening. But if they do occur then we ensure we have the best equipment and skilled people available to respond accordingly.

Over the last decade we have successfully driven down the number of fires and fire-related casualties to around half the level of 10 years ago. Despite this we continue to look for more ways to improve the safety of people in Hampshire. We are also passionate about collaborating and working ever more closely with our partners and our communities to further enhance the safety of the county.

We believe in learning and improving and constantly look to develop what we do for our communities, as well as ensuring that we provide value for money. To achieve this improvement, we encourage feedback from our communities, staff, partner organisations, and other professionals.

We gather information from members of the public after incidents and undertake a range of audits, evaluations and assessments, both internally and by external bodies. All of these are used to assist us to understand our strengths and weaknesses and inform our strategic assessment and Safety plan.

We are proud of our past performance; however, we will not stand still and are always seeking ways to deliver Public Value.

Summary

We are incredibly proud of what the Service has achieved over this last year – through the potential for industrial action, increased sickness levels, an His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection and commencing our Safety Plan 2025-2030 process, we have seen the same passion and drive for making life safer.

For the past couple of years, the Annual Assurance Statement has focused heavily on the COVID-19 Pandemic and how we have worked with our partners, however this year, alongside continuing to support our partners through a wide range of activities, we have started to look forward, ensuring are in the best position to effectively manage risk in our communities in the future.

In the Summer of 2022, the Authority agreed to start the production of our next Safety Plan 2025-2030 by using the Community Risk Management Plan (CRMP) methodology. The CRMP methodology will result in the creation of the Hampshire and Isle of Wight Fire and Rescue Authority Safety Plan 2025-2030. The plan will outline the key risks our communities face and how the Service plan to mitigate those risks.

Alongside looking forward, the Service continued to work on delivering the commitments made in the Safety Plan 2020-2025. 2022-2023 moved us into year three of the plan and much progress has been made including the completion of a new On Call fire station in Bishops Waltham, the creation of our Inclusive Strategy to progress our equality, diversity and inclusion activity and the roll out of a new risk

based process for Safe and Well visits. In February 2023, [the Authority approved year four Safety Plan improvement activity](#) which have a strong focus on further investing in, and supporting, healthy workplaces and staff wellbeing. The Authority and Executive Group continue to provide oversight and scrutiny of Safety Plan activity.

A refreshed Performance Report was presented to the Authority in June 2023. The Performance Report highlights the hard work and dedication of the workforce whilst navigating a particularly challenging and eventful year during 2022-2023. The Performance Report is a particularly important aspect of our assurance framework.

[Hampshire & Isle of Wight Fire & Rescue Service Performance Report](#)

Governance

The Hampshire and Isle of Wight Fire and Rescue Authority (the Authority) is a combined authority made up of 11 elected members who collaborate and make collective decisions. Our Fire Authority is made up of 8 Hampshire County Council members, 1 Isle of Wight Council member, 1 Portsmouth City Council member and 1 Southampton City Council member. The Authority delegates responsibility for a wide range of decisions relating to operational delivery to the Chief Fire Officer (or other officers). Hampshire and Isle of Wight Fire and Rescue Service (the Service) is the name given to the operational fire and rescue service led by the Chief Fire Officer. The Service staff and officers are employed by the Authority to deliver the day-to-day operational functions.

To support this, we have a Scheme of Delegation, Contract Standing Orders and Financial Regulations combined into the Authority's Constitution. The Constitution sets out in a single place and in clear language, how the Authority works with the Service and how it makes decisions.

For more details on our Constitution, please see:

[HIWFRA Constitution July 2023](#)

To support our Constitution, it is essential for us to have an appropriate and robust governance framework. The framework operates with clear reporting lines and streamlines decision making. It also enables us to monitor the achievement of our priorities and to consider whether they have led to the delivery of appropriate, cost effective and efficient services.

As part of the framework, we have several boards where decisions are made and performance managed. At the highest level we have the Hampshire and Isle of Wight Fire and Rescue Authority meeting. This is a public meeting where all high-level decisions are discussed and made by the Authority, with the Authority supported by its Standards and Governance Committee, which includes 5 members and meets quarterly. Before items are brought to the Authority they are first discussed by the service in the Executive Group. This meeting is a crucial part of

the governance framework and is supported by several sub-committees and groups aligned to our Directorate structure.

The details of our framework are presented in our Annual Governance Statement, which is an essential part of our financial Statement of Accounts. Alongside the publishing of the Governance Statement, the Service publish information on our website as part of the Transparency Code 2015.

[Information we publish - Transparency Code 2025](#)

Safety Plan

Our plans and strategies are formed around the large amount of data we collate and analyse. We also review risk regularly, so we can work out how to best protect our communities. This then informs our Strategic Assessment (of Risk) which adds context and detail to aid our planning process.

During 2022-2023, the Service developed an interactive and dynamic Strategic Assessment of Risk that is updated regularly and will be used to inform the new Community Risk Management Plan (CRMP) methodology (formerly known as Integrated Risk Management Plan – IRMP)

Our current Safety Plan 2020-2025 was developed using the IRMP methodology. Through this methodology, which identifies potential risks that could affect communities and how we can address them, our Safety Plan 2020-2025 was launched.

[Hampshire & Isle of Wight Fire & Rescue Service Safety Plan](#)

The 2022-2023 year saw us move into year three of the five year Safety Plan. During this year, there was regular scrutiny of our progress in delivering Safety Plan improvements, with reporting internally, including to the Executive Group and to the Fire Authority. The latest Performance Report highlights the achievements of year three.

[Hampshire & Isle of Wight Fire & Rescue Service Performance Report](#)

Community Risk Management Plan (CRMP)

In Summer 2022, Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) agreed a business case to produce the next Safety Plan covering 2025-2030. In support of this HIWFRS intend to carry out the work of the CRMP in two stages. Stage one commenced from September 2022 until June 2023. Stage one gave a clear understanding of, and identified, the risks we face in our communities. Stage two began shortly after and has started to develop options to meet the risks identified in stage one. The plan will be produced in line with the recently approved CRMP Fire Standard.

The CRMP will utilise our refreshed approach to the Strategic Assessment of Risk and use modelling to simulate potential scenarios for our future fire cover, ensuring

our resources are allocated appropriately to the risks within, and around, our service boundaries.

For more information about CRMP, please see the approved Fire Standard from the Fire Standards Board, as well as its associated guidance documents:

[Community Risk Management Planning | Fire Standards Board](#)

Risk Management

Our Risk Management Policy drives a risk-based approach through directorates and teams to identify both external community and internal organisational risks.

We review the risks to our communities and undertake various mitigating activities in accordance with the Fire Service Act 2004 and other associated legislation.

Risks are effectively managed by the Organisation through the implementation of various controls, examples being:

- Activities grounded in risk assessment, where service delivery decisions are supported by an evidence base.
- Maintenance of risk registers.
- Implementation of risk-based systems and processes, such as internal audit, impact assessments, the change management framework, organisational learning and risk evidenced business cases, policy and procedures.
- Ongoing monitoring of statutory and regulatory obligations.

Risks are now managed through our Risk Management tool, JCAD. All risks from organisational risks to station and team risks are tracked, monitored and escalated where appropriate, through this tool.

Each directorate is responsible for maintaining a Directorate Risk Register using the risk management tool. Any risks deemed to have a significant impact on the delivery of our Safety Plan priorities are escalated up into an Organisational Risk Register which is managed by our Executive Group with progress routinely reported to the Fire Authority.

For more information on our Organisational Risk Register, please refer to the latest Standards and Governance Committee minutes and papers, available at:

[Standards and Governance Committee 22 March 2023 Organisational Risk Register update](#)

Our Communities

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

Prevent and Protect

Our main operational aim is to prevent incidents from occurring and protect people from harm should an incident occur.

In the workplace, this is the responsibility of the business owners, however, to support businesses we deliver a High-Risk Residential Based Inspection Programme, Risk Based Inspection Programme and a Local Based Inspection Programme.

These targeted programmes enable the support to businesses by:

- telling businesses what they need to do to comply with fire safety law.
- helping businesses carry out a fire risk assessment.
- helping businesses identify the general fire precautions they need to have in place.
- challenging all or parts of a fire risk assessment where concerns are identified.
- taking further action if all the risks are not considered.

In 2022/23, we carried out 945 targeted fire safety audits (31% fewer than in 2021/22). This reduction is owing to staff turnover and the resulting impact on productivity as new staff are in development and cannot deliver the same volume of audits as fully competent staff as they require supervision, which also impacts on the supervisors ability to deliver audits. Over time, more staff will become competent, helping to improve the volume of audits delivered against our risk based inspection programme. However, despite the reduction in audits, it is important to note that our enforcement activity has not reduced at the same rate and we have had a successful prosecution. This shows the value of our protection work.

In addition to this, our Fire Engineering and Consultation Team reduce risk in Hampshire to occupants and firefighters by working alongside a wide group of stakeholders to contribute to building regulation consultations that are received from building control bodies locally and nationally. In 2022/23, we carried out 1,896 Business Regulation consultations, which is a similar number compared to the previous year. We also delivered 619 Licensing Consultations (down 13% versus 2021/22). To view more information on keeping safe at work please see:

[Hampshire & Isle of Wight Fire & Rescue Service The Workplace](#)

To help mitigate the risk of fire in homes and the subsequent harm these can cause, our firefighters, designated Community Safety Officers, volunteers and partner agencies carry out 'Safe and Well' visits to our targeted risk groups. Recognising that our most vulnerable risk groups align with that of our partners in Health, we have tailored our traditional Home Fire Safety Check to include an intervention on slips, trips and falls as well other potential hazards that may affect our community's wellbeing. Our Safe and Well visits are primarily delivered to individuals who have been referred to us by our partners, however, we also use historic incident data,

demographic profiling tools and externally provided data sets to identify those who may benefit from an intervention.

In 2022/23, we undertook 11,927 Safe and Well visits, a significant 21% increase from 2021/22. This is testament to the continued focus of the Service on our prevention activity, and the recruitment of 5 Community Safety Advisors. Building on this progress we aim to deliver 15,700 visits in 2023/24.

2022/23 also saw the launch of our risk-based prevention programme, which refined how we target visits, and the launch of an electronic Safe and Well form, which has removed various inefficiencies. In January 2023, HMICFRS rated our prevention activity as 'good' and highlighted our work with Children and Young People as impressive. 2022/23 also saw the Service create a risk-based inspection programme for the Schools Education Team on the Isle of Wight and new Fire Cadet Units opened. Our volunteer network has also received external accreditation. We also partner with the Blue Lamp Trust a not-for-profit organisation promoting and enhancing community safety.

To view more information on keeping safe at home please see:

[Hampshire & Isle of Wight Fire & Rescue Service At Home](#)

We deliver a range of interventions through our Children and Young People (CYP) Teams. These include:

- Fire education within schools.
- Princes Trust programme.
- Range of children and young people initiatives (including fire cadets).

These initiatives seek to deliver fire safety information but also help build confidence and support wider social issues facing young people today. We provide interactive safety messages through our fun educational website:

[Hampshire & Isle of Wight Fire & Rescue Service KidZone and Schools.](#)

Our ICT capability and systems have supported the delivery of these programmes. Home learning pages within our KidZone on our website are also being kept up to date with new products for children, parents and teachers.

Additionally, our Arson Task Force lead investigations post incident to determine the cause of fires. To help secure convictions we have a full time Police Officer working within our team. This enables us to share timely information and effectively support the investigation through to its conclusion. We also have highly trained dogs who are a vital part of the investigation team and play a pivotal role in securing convictions. To prevent fire setters from reoffending we deliver a Fire Setters programme to educate offenders of the potential dangers and damage that can be caused by reckless behaviour.

To view more information on arson reduction, please see:

[Hampshire & Isle of Wight Fire & Rescue Service Reducing Risk of Arson](#)

Respond

We work hard to keep our communities safe through education and safety measures. However, we accept incidents will still occur, and in the event of a call to an emergency we have effective strategies in place to respond to numerous different types of incidents. We operate from several locations including 61 strategically positioned fire stations. Our fire stations are purpose built and located in cities, towns, and villages and are close to residential, commercial and industrial areas. Our frontline resources and fire appliances are spread across these stations according to the local risk factors.

The Service's fire stations consist of:

- 5 fire stations staffed 24 hours a day by firefighters based at the station.
- 1 fire station staffed 12 hours a day by firefighters based at the station and then the other 12 hours covered by On Call firefighters who live or work within four minutes of the station and respond at the time of an incident.
- 46 fire stations with around the clock cover provided by On Call firefighters, and
- 9 fire stations with both firefighter crews based 24 hours at the station and On Call staff cover.

As well as our frontline fire appliances, we also have several specialist capabilities which assist us in dealing with a variety of different incidents. Our specialist capability teams provide us with an enhanced range of equipment, skills and knowledge for dealing with a wide range of unusual and complex incidents. They can respond to emergency incidents within our county and, as part of a national mutual assistance arrangement, anywhere in the United Kingdom. Our specialist capabilities include:

- Urban Search and Rescue Unit
- Water Rescue Units
- Animal Rescue Units
- Arson Task Force Unit
- Wildfire Units
- Environmental Units
- Marine Response Team
- Hazardous Materials and Detection, Identification and Monitoring Unit
- Water Carriers
- High Volume Pump
- Aerial Ladder Platforms
- Land Rovers

In 2022/3, we attended 4,737 fires, 3,251 Special Service calls, 2,904 Co-Responder incidents, 961 Road Traffic Collisions and 8,451 False Alarms.

In 2022/23, we were able to maintain an average critical response time of 7 minutes and 41 seconds which is comfortably below 8 minutes.

Further information on our performance is outlined end-of-year performance report:

[Hampshire & Isle of Wight Fire & Rescue Service Performance Report](#)

Resilience

Emergency services are facing an increased variety of demanding situations. Major incidents caused by natural disasters, industrial accidents and the threat of terror attacks are challenges that we need to prepare for at a national level. These incidents could potentially have an impact on our daily lives. For this reason, there is a need for high levels of preparedness by the emergency services and our communities, including improved ability to operate effectively together. We hold many assets and deliver a response capability to national incidents that may arise in support of this initiative.

To support our local communities, we are members of the Local Resilience Forum (LRF) for Hampshire and the Isle of Wight. The Hampshire and Isle of Wight Local Resilience Forum comprises of local Emergency Service Responders (Police, Fire, Ambulance), Local Authorities, as well as associated businesses, organisations and voluntary sector representatives. Through the Local Resilience Forum, these organisations work together to prepare for, respond to, and recover from emergencies.

Our Chief Fire Officer took the role of Chair of the Local Resilience Forum (LRF) in March 2023 and the LRF Partnership Team now work from Service Headquarters. The Resilience Team also hold roles within the LRF such as Chair of the Budget and Assurance Group and key roles within the LRF Workstreams as Lead and Deputy.

An assurance activity is to test business continuity plans through exercising. Throughout 2022-2023, a number of exercises took place. These include Industrial Action Exercises in September 2022 and January 2023 to validate Industrial Action Procedures with our Emergency Management Group (EMG) and Industrial Action Response Team (IART). The Resilience Team also facilitated an internal Business Continuity Exercise as part of Exercise Mighty Oak, a national exercise testing a National Power Outage (NPO) scenario in March 23.

For more information on our Local Resilience Forum, please see:

www.hampshireprepared.co.uk

As well as supporting our communities prepare for widespread incidents through the Local Resilience Forum, we also have an Island Resilience Forum to focus on specific risks that can affect us and our partner agencies on the Island. Through this partnership we have a programme of work, which is achieved through engagement with all internal departments and with our partners across the Island.

We must also ensure we have the necessary arrangements in place to maintain our service delivery. Our Service Resilience Team provide the Contingency Planning and Business Continuity for the Service. This programme of work is achieved through engagement with all internal departments and with our partners in the Local Resilience Forum to:

- Identify and assess risk within Hampshire and the Isle of Wight.
- Identify mitigation to the risks in Hampshire and the Isle of Wight (including Community Resilience).
- Produce individual department, service wide and Multi Agency response plans.
- Undertake a programme of training and exercising at Operational, Tactical and Strategic levels.

This work enables the Service to meet its mission critical activities and still respond to the communities of Hampshire and Isle of Wight during periods of disruption and high demand.

There has also been significant and ongoing focus, accelerated by industrial action, on directorate and department business continuity planning – with plans across the Service being updated with support from the Service’s Resilience team, as well as ongoing regular assurance reporting around business continuity.

Collaboration

We work closely, on a daily basis, with our blue light colleagues from other fire and rescue, police and ambulance services. We also have excellent relationships with our colleagues in Hampshire County Council, Isle of Wight Council, Southampton City Council, Portsmouth City Council and other local authorities and agencies across Hampshire and the Isle of Wight. We believe that through collaboration we can maximise the benefits of our collective offering to the public and, therefore, *Together we make life safer.*

Hampshire borders with Wiltshire, Dorset, Berkshire, Surrey and West Sussex. As incidents arise, we assist other fire and rescue services working across the border and neighbouring fire and rescue services will also assist us. There are standard agreements in place to either support the neighbouring fire and rescue service resolve an incident or to attend the incident on the other fire and rescue service’s behalf.

Furthermore, we have come together with three other fire and rescue services to form an innovative partnership that revolutionises the way the closest resource for an incident is identified and despatched. Devon & Somerset and Dorset & Wiltshire fire and rescue services joined Hampshire and Isle of Wight to form the Networked Fire Services Partnership (NFSP), which means all the Services use the same technology in their Control centres. This allows us to be able to take 999 calls and mobilise appliances for each other, offering greater resilience and saving millions of pounds across the partnership. The integrated system allows the services to work together even more effectively, providing greater protection to the public and enhancing firefighter safety. Kent Fire and Rescue Service is also an active partner within the current NFSP and the operational control futures project which is planned for implementation in 2026 will connect the four services enabling each of the partners to support each other, provide resilience, business continuity and disaster recovery and provide operational resilience.

In addition to this, we deliver a co-responding scheme which launched in 2004 in partnership with South Central Ambulance Service. Co-responders are firefighters with training in basic life support including resuscitation and defibrillation, who attend life critical incidents such as cardiac arrest, anaphylactic shock, strokes and asthma attacks. Supporting our ambulance colleagues in this way helps to provide an immediate response to incidents across the county and relieves the pressure on ambulances. We are the first fire service to hold clinical governance framework for our health-related work, which includes Immediate Emergency Care, Emergency Medical Response and Falls Response.

We also seek to capitalise on our proven ability to reduce deaths and injuries in fires, by applying the same educational and experiential strengths to the road safety agenda as part of a partnership approach. We are proud to be part of the Hampshire Road Safety Partnership, made up of:

- Hampshire County Council
- Portsmouth City Council
- Southampton City Council
- Hampshire and Isle of Wight Constabulary
- Hampshire and Isle of Wight Fire and Rescue Service
- Highways England

For more details please see:

[Hampshire & Isle of Wight Fire and Rescue Service Road Safety](#)

We share many of our premises across these partners but most significantly we share our headquarters with Hampshire and Isle of Wight Constabulary and our health partners. The NHS Integrated Commissioning Board signed a lease in December 2022 and will be working from Service Headquarters during 2023. By co-locating in this way, we hope to seek further opportunities for closer working and look to make efficiencies where possible. We also share many of our remote stations with police and ambulance colleagues. Making use of our estates in this way helps all partners involved, to reduce premise related costs.

Hampshire and Isle of Wight Fire and Rescue Service's Human Resources, Finance and Procurement functions are delivered by Hampshire Shared Services. Shared Services also delivers services for Hampshire County Council, Hampshire and Isle of Wight Constabulary and other public sector organisations through an agreed partnership. The partnership continues to seek new members and grow its capability to increase resilience and deliver high quality services by combining expertise across a broad number of public sector services.

Our People

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

People and Organisational Development (POD) Strategy

In support of the IRMP and the current Safety Plan 2020-2025, we developed a new People and Organisational Development (POD) Directorate which is accompanied by a new strategic framework. This strategy encompasses the following areas and has been built based on feedback from our staff through various surveys:

- Inclusion and Diversity.
- Culture, Values and Behaviours.
- Health and Wellbeing.
- Workforce transformation and engagement.
- Learning and Development.
- Leadership and Management.

Values and Behaviours

During 2022-2023, we developed our inclusive Service Strategy which builds on the implementation of our Service Values and Behaviours. This work supports the embedding of the Service Values and Behaviours and links the Core Code of Ethics to our Equality Diversity and Inclusion objectives. Throughout 2022-2023, we have strengthened and developed our governance through an Equality, Diversity, Inclusion, Wellbeing and Culture Board which oversees a Delivery Group and further work in this area is being planned for 2023-2024.

Our Peer-to-Peer recognition scheme is well established and this continues to show our teams that they are valued by the Service and assists in telling positive stories about how great our people are and the difference they make to the community and our organisation.

During 2022-2023, we have developed a new Personal Development Review (PDR) process which is facilitated through a new app. This has recently been enhanced with a 9 box grid talent matrix to assist leaders and individuals in development conversations. This includes recognition of that individual's contribution to the service and their ability to demonstrate the service Values and Behaviours.

Recruitment, promotion and selection processes have included criteria linked to our service Values and Behaviours. This has improved peoples understanding of the Values and Behaviours and their ability to demonstrate how they are role modelling them in their daily work.

We are committed to delivering against the Fire Standards in relation to Leading the Service and the Core Code of Ethics which has resulted in on going improvement to our Leadership Development offerings at all levels. The actions are driving our Directorate Plan in People and Organisational Development for the future.

Three sixty feedback is focussed on ensuring that our leaders have the opportunity to learn and improve in relation to demonstrating our behaviours to our teams. This is further supported by the development of a coaching culture within our Leadership Development offering to staff.

Our work is ongoing in relation to the development of a Wellbeing Strategy which will continue to support our staff and be linked closely to our Service Values and Behaviours.

In 2022/23, the supporting set of behaviours have been embedded underpinning our Service Values. Our behaviours are the day-to-day embodiment of our values and all of them support all four of our values. They fall into five key groups that align with the National Fire Chief Council's Code of Ethics:

- Dedicated
- Openness
- Caring
- Empowering
- Inclusive

For more information on our Values, please see our Safety Plan:

[Hampshire & Isle of Wight Fire & Rescue Service Safety Plan](#)

Health and Safety

In February 2023, the Fire Authority agreed its annual Health, Safety and Wellbeing Statement of Intent including putting health, safety and wellbeing at the heart of everything the Service does. To support this, it provided additional funding to permanently increase the size of the Service's Health and Safety function. Recruitment was completed in June 2023.

[HIWFRA 21 February 2023: Health and Safety Statement 2023-2024](#)

A recent priority has been to appropriately respond to the threat posed by contaminants. In November 2022, new guidance was published setting the expectation for how we manage contaminants and providing staff information about the risks and how they should be handled. Better management of contaminants is also included in building and vehicle improvement plans and will be factored into future upgrades. For example, we are considering how we can improve zoning and flows in fire stations so that contaminated equipment and clothing is stored away from communal areas and we are working with manufacturers to consider how we can remove breathing apparatus and other dirty equipment from the cab area.

People Performance

We strive for excellence through delivering outstanding training and support people to achieve their full potential. Developing a skilled workforce begins with recruitment, training and development programmes, leading into our Maintenance of Competence Scheme. We ensure our staff competencies are regularly assessed and core

competencies such as safe working at heights, the use of breathing apparatus and applying incident command are assured at an appropriate competent level.

To ensure all our operational staff are fit to carry out their duties we undertake two fitness assessments every year. This includes an output test and either a multi-stage fitness test/bleep test or a Chester Treadmill Test.

We also monitor staff sickness through regular reporting and national benchmarking, with performance in this and other people-related areas regularly reviewed by our People and Organisational Development (POD) Directorate Board. We also monitor our operational establishment and vacancies within our Resource Management Team. This team considers all aspects of resource management and staff wellbeing to ensure teams are appropriately supported and to maximise our availability. This includes developing new and innovative ways of recruiting and maintaining On Call staff.

We believe having an inclusive, engaged workforce means better outcomes for our communities. We run various engagement activity, including with our staff network groups (FirePROUD, FireREACH, FireENABLE and FireINSPIRE) to understand and discuss the issues facing our staff, as well as regularly engaging – both formally and informally with representative bodies. The results of these, and other activity, help to shape our people strategy and provide our leaders with crucial insight into how we can better support and equip our teams.

The Executive Group and HIWFRA have received additional reporting and insights covering our people performance. This has included a focus on sickness, availability and health and safety data.

For more detail, please refer to our end-of-year performance report:

[Hampshire & Isle of Wight Fire & Rescue Service Performance Report](#)

Our POD Performance Group reports into the Directorate Board and reviews a wide range of people metrics, such as sickness levels, fitness test performance, qualifications and competency. We also have a Strategic Equality, Diversity and Inclusion Board who review the size and diversity of our workforce compared to previous years and monitor our performance against our equality objectives. At our POD Directorate Board, performance in respect of HR and Occupational Health services is considered and data relating to misconduct and grievance cases. Wellbeing of staff is prioritised and we have conducted a series of focus groups exploring the impact of workloads on mental health and are considering actions to address the findings. We are making good progress against the recommendations from HMICFRS in respect of culture and values within fire and rescue services and are committed to improving our understanding of the cultural health of HIWFRS through further surveys and focus groups.

Public Value

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

Financial Management

The Authority has an excellent track record of financial management. Directors and their teams across the organisation scrutinise spend to make sure that our financial resources support delivery of our priorities and that value for money is delivered.

Prudent Medium Term Financial Planning has enabled us deliver balanced budgets while continuing to invest for the future and make reasonable allowances for risk.

Our Medium-Term Financial Plan is regularly updated and reported to the Executive Group and the Hampshire and Isle of Wight Fire and Rescue Authority. Monitoring reports are taken quarterly with an outturn position at year end. Financial risks are also considered as part of the Organisational Risk Register as appropriate.

Our approach to financial governance is set out within the Authority's financial regulations, which forms part of the overall Constitution. These regulations set out budgetary approval limits and the approach to changing budget plans and drawing from reserves. The Authority also has policies and procedures in place for the prevention of fraud and corruption and a Register of Interest and a register of Gifts and Hospitality. These robust systems are used for identifying and evaluating all significant financial and operational risks to the Authority on an integrated basis.

For more details on our budget, please see our Authority report:

[Hampshire and Isle of Wight Fire and Rescue Authority 21 February 2023](#)

Financial Performance

Public sector bodies publish draft accounts which are then audited. Our accounts for financial year 2022/23 were published by the statutory deadline of 31 May 2023. Our external auditors are Ernst and Young, who attend the Standards and Governance Committee to provide updates on audit progress and results. The external audit for the current year is delayed due to wider issues in public sector audit.

For more details of our Statement of Accounts, please see:

[Hampshire & Isle of Wight Fire and Rescue Service Information we publish](#)

Financial performance is also considered as part of our annual organisational performance report, where the focus is on comparative costs and our reserves position.

Transparency

The Local Government Transparency Code 2015 is designed to ensure greater transparency of local authority data. In compliance with this code, we publish the following public data:

- Expenditure exceeding £500

- Procurement card transactions
- Procurement information
- Contracts register
- Tenders
- Local Authority Land
- Grants to voluntary, community and social enterprise organisations
- Organisation chart
- Trade Union facility time
- Senior salaries
- Constitution
- Pay multiple

We ensure that the publication of any data complies with the General Data Protection Regulations (GDPR) which came into effect in May 2018.

For more details please see:

[Hampshire & Isle of Wight Fire & Rescue Service Transparency](#)

We also facilitate the request for any additional information through a well-managed Freedom of Information request process. For more details on how to make a request for information please see:

[Hampshire & Isle of Wight Fire & Rescue Service Contact Us](#)

Carbon Reduction

The Service takes a proactive approach to reducing our environmental impact, not just in response to the Government's Climate Change Act, but predominantly to protect our communities and reduce the consequences of inaction, since the Service acts as a first responder to these extreme weather events. Due to this HIWFRS has committed to a target of net zero carbon emissions by 2050 and has developed a Carbon Reduction Strategy to meet this. From this, improvement projects on both the estate and the vehicle fleet have been undertaken, as well as an analysis of the building estate. Updates on this and associated activity are reported into the HIWFRA on an exception's basis. Sustainability also forms a core part of our wider design principles, which are a set of key expectations which govern investment into the estate, whether it be for small refits, large-scale refurbishments, or complete new build.

High Performance

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

HMICFRS Round 2 Inspection

In January 2023, the HMICFRS published the Round 2 inspection report for HIWFRS. A national Annual Assessment of Fire and Rescue Services in England was also published. The HMICFRS inspection, much like internal audit, is a crucial

part of our wide-ranging assurance programme and we are committed to using inspection as an opportunity to learn. The report also provides our communities with a view of how we are performing across the Service, for example in terms of how we understand, prevent and respond to fires and other incidents and risks.

The HMICFRS round 2 inspection took place between April and July 2022. We received the following outcome: 'Good' for effectiveness, 'Requires Improvement' for efficiency, 'Required Improvement' for people. However, our 'cause for concern' from the previous inspection, for not doing enough to be an inclusive employer, has been removed because of the significant progress we have made in this area. The Service is providing ongoing reporting into the Authority's Standards & Governance Committee on our progress against the findings of the inspectorate report:

[Standards and Governance Committee 22 March 2023: HMICFRS Inspection report round 2](#)

Fire Standards

As part of the reforms for fire and rescue services in England, the Fire Standards Board was created to introduce new standards to the fire sector. The intention being to help drive continual improvement across the services alongside the re-introduction of inspection arrangements. The mission for the new Fire Standards Board is to oversee the development and maintenance of a suite of professional standards that set out "what good looks like".

Currently there are 16 approved Fire Standards with many more in development. When a new Standard is being developed, we take a proactive approach by engaging with the consultation process. This gives us an early opportunity to review the proposed Standard and begin to assess our own organisation to identify any gaps. Once the Standard has been approved, it will form a core part of our assurance activity whereby we will seek to substantiate our compliance with a particular standard, identifying strengths, opportunities and gaps and action plans. This formed a core part of our assurance activity in 2022/23.

For more information on the progress on the Fire Standards see here:

[Standards and Governance Committee 22 March 2023 Fire Standards update report](#)

Learning and 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.

Learning comes from many different internal and external sources. Our Learning and Assurance Team provide the mechanisms and tools for capturing learning, assigning to relevant departments, and tracking and monitoring any improvement actions as well as publishing and communicating learning across the organisation. They also analyse trends and report on all learning captured.

National Operational Guidance

National Operational Guidance was produced by the National Fire Chiefs Council in collaboration with each of the UK's fire and rescue services to provide a single way of working.

In December 2022, HIWFRA agreed a programme of work to fully align the Service with tactical National Operational Guidance. Funding was agreed up until December 2024 for this work with implementation beginning in Autumn 2023 to begin the necessary cultural change.

When new national guidance becomes available, we assess the gaps in our own guidance and then work to ensure that we adopt, adapt and embed these practices in line with the National Fire Standards. Significant ongoing work and assurance activity continues in response to National Operational Guidance developments. While this is principally overseen by our Policy, Planning and Assurance directorate, this is ultimately a cross-Service endeavour to ensure the necessary improvements. In addition to adopting any guidance, we also review any National Operational Learning or Joint Operational Learning to ensure we stay at the forefront of the sector. This includes contributing to national learning by submitting our own operational learning to the National Operational Learning Group.

For more information please see:

[Homepage | NFCC CPO \(ukfrs.com\)](https://www.ukfrs.com)

Operational Assurance

Our operational activities are supported by policies and procedures. A Learning and Assurance team work hard to capture lessons of our effectiveness and look to make improvements where possible. They do this using several key assurance mechanisms that test the performance of our operational staff but also test the effectiveness of Service policies and procedures.

One of the assurance mechanisms is Operational Assurance Assessments. This is where a Group Manager will visit a Station and run an operational exercise with the crew to assess their performance and address any areas of concern. These assessments are to ensure standards are being met and procedures being followed appropriately. These mechanisms also provide crews with an opportunity to feedback any improvements that could be made to policies and procedures. All this information is then assessed by the Learning and Assurance team and improvements made where required.

To provide assurance at incidents we use Tactical Advisors, which attend critical incidents to support our crews. The role of the Tactical Advisor is to monitor the decisions being made by the Incident Commander and provide assistance if required. We have a post incident a debrief process, which also includes any significant events that could impact on our service delivery. Feedback is gathered from all those involved and the Learning and Assurance team will analyse any trends. This information is then presented back to the individuals involved to highlight any areas of performance and to discuss potential solutions. This leads to

improvement actions at a policy level as well as the identification of possible risks that may occur again should similar incidents occur in the future.

The Service utilise a submit learning tool to provide a mechanism for feedback to be provided after operational incidents. This is a widely used tool and has been really effective in enabling the identification of learning and subsequent sharing and communication of that learning.

We contribute our learning to the National Operational Learning Group. This Group provide National Operational Guidance to support a common approach across fire and rescue services. We provide our technical expertise to help shape this guidance, which is regularly reviewed and widely adopted. For more details on the National Operational Learning Group, please see: <https://www.ukfrs.com>.

Our most recent HMICFRS inspection report highted three key 'Areas for Improvement' relating to cross border exercising, multi agency exercising and learning from debriefs. We acknowledge that operational assurance is an area that needs strengthening and we have plans in place to ensure this happens, creating greater performance throughout 2023-2024.

Audit

Hampshire and Isle of Wight Fire and Rescue Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising HIWFRA that these arrangements are in place and operating effectively. Our internal audits are carried out by the Southern Internal Audit Partnership (SIAP) who also assist us in the development of future audit plans.

The Service has a wide range of assurance mechanisms in place to identify risks, areas for improvement, and good practice to disseminate. Our overall internal audit opinion for 2022-2023 was 'reasonable' (the same assurance level as last year – 2021-2022). This assurance level indicates that there is a generally sound system of governance, risk management and controls in place with some areas where there is scope for improvement identified which may put at risk the achievement of objectives in the audited area. This assurance level is testament to our extensive focus on risk-based internal audit planning and internal audit more widely.

Details of our internal audits are reported to the Executive Group and the Authority through our Standards and Governance Committee. This includes the progress of management actions resulting from observations of improvements required, which we monitor closely and report on internally – with Heads of Service accountable for the delivery of actions.

For more details, please see papers submitted to the Standards and Governance Committee, available at:

[Agenda for HIWFRA Standards and Governance Committee on Wednesday, 22nd March, 2023, 10.00 am | About the Council | Hampshire County Council \(hants.gov.uk\)](#).

Feedback

We also encourage feedback from our communities to help us improve our performance. Any issues raised are assigned to an investigating officer who carries out a comprehensive investigation to determine the cause and recommend any remedial actions. Learning from this feedback is exceptionally important to us and reports exploring performance and data in this area are discussed at our Executive Group. For more details regarding feedback, please see:

<https://www.hantsfire.gov.uk/about-us/contact-us/get-in-touch/>



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

HIWFRA Standards and Governance Committee

Purpose: Noted

Date: 27 September 2023

Title: **ORGANISATIONAL RISK REGISTER UPDATE**

Report of Chief Fire Officer

SUMMARY

1. This paper updates the Standards and Governance Committee on the status of our Organisational Risk Register in line with our Risk Management Procedure.
2. We now have ten organisational risks on the Organisational Risk Register. Changes since the last Committee include:

New risks

One new risk has been added: the potential damage to the Service's reputation as a result of recent public reporting on concerns with culture across the sector (ORG0041).

De-escalated

One risk has been de-escalated off the Organisational Risk Register covering insufficient resources to provide critical services (ORG0027). This was a COVID legacy and most recently related to a consequence of possible industrial action but is now being managed through routine business continuity plans.

Revised scoring

The likelihood score of the risk (ORG0037) relating to the rising cost of living has been downgraded as the risk failing to materialise as first feared.

3. The Risk Team is working with directorates to embed the Service's revised Risk Management Procedure. We are in the process of upgrading our risk management programme (due this autumn) which will allow us to add a risk tolerance level to every risk to define and record the amount of risk we are prepared to accept after all relevant mitigations have been put in place. Furthermore, following a recent review by Institute of Directors into how Executive Group operates, risk will now be discussed at a bi-monthly strategic forum, thereby ensuring greater discussion and risk management.

BACKGROUND

4. The Organisational Risk Register is part of the Service's Risk Management Procedure and the Fire Authority's Safety Plan. The register enables effective management of the Service's strategic risks; risks that may affect the Service's ability to meet FRA's Safety Plan.
5. The Executive Group is responsible for risk management across the Organisation. It manages risk by:
 - ensuring the practice of effective risk management is fully embedded through the organisation. It does this through reviewing the use of JCAD, considering the outcome of any related audits or inspections, and considering over time how risks are managed and reduced
 - scrutinising the Organisational Risk Register
 - identifying potential opportunities for service improvement
 - collectively deciding what risks are logged on the Organisational Risk Register, either through escalation from directorate risk registers or new risks, setting the risk score for each

RISKS

6. Each organisational risk alongside their inherent and residual scoring is provided at Appendix A, alongside a high-level descriptor.
7. Each directorate and team have their own risk register enabling risks to be managed and mitigated at the most appropriate level. The risks on the organisational risk register should be the ones most likely to impact progress against the Fire Authority's Safety Plan.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

8. In supporting our risk management framework, the Organisational Risk Register ensures that we remain focussed on achieving against our Safety Plan priorities. The risk register continues to assist in mitigating these risks to ensure effective service delivery.

RESOURCE IMPLICATIONS

9. There are no specific financial implications from the contents of this paper. Any financial impacts of future control measures would need to be assessed against the related risks and opportunities. Any plans with financial implications will be subject to appropriate review and governance.
10. We are in the process of upgrading our risk management computer system. The implementation has taken longer than anticipated due to our supplier facing resource challenges, but this will now be completed this Autumn. This updated platform will provide better management recording as well as ease of use and was paid for by underspends in 22/23 budgets.

IMPACT ASSESSMENTS

11. There will be no negative environmental impacts associated with the adoption of this paper. The Organisational Risk Register ensures that we consider emerging issues through changes in climate, and these are accounted for in our prevention and response controls.
12. The implementation of the Organisational Risk Register will have no negative people impacts. However, through a more effective approach to identifying, assessing, and mitigating risks to our communities, a positive impact will be achieved through better understanding of protected characteristics within our communities and support our workforce.

LEGAL IMPLICATIONS

13. The requirement for each Fire and Rescue Authority to have an Integrated Risk Management Plan (now commonly referred to as a Community Risk Management Plan) is set out within the Fire and Rescue National Framework. The Organisational Risk Register, as part of our Risk Management Framework, will ensure our integrated risk management process is driving our priorities.

RISK ANALYSIS

14. The risk management framework provides a consistent and robust approach to the identification, analysis, and treatment of internal and external risks. This, in turn, ensures that major threats and opportunities are considered and managed appropriately, with adequate control measures implemented.
15. Separately, the Service is assessing external risk as part of our work to produce the Fire Authority's next Safety Plan. The assessment of risk will be presented to October's Fire Authority for approval.

EVALUATION

16. The Organisational Risk Register will provide the appropriate prioritisation of risk management, and ensure risks are professionally managed and governance of plans and activities undertaken. The day-to-day management of those risks through the Executive Group, and accountability through Directorate Plans, ensures a risk management culture that will be overseen and scrutinised by Directors. Overall scrutiny will be provided by the Standards and Governance Committee under delegated authority from the Fire Authority.

CONCLUSION

17. Our risk management framework supports the identification of external risks and internal risks through the Hampshire and Isle of Wight Fire and Rescue Service Safety Plan, therefore ensuring a pro-active risk management culture. This report supports that continual monitoring and application of that framework.

RECOMMENDATION

18. That the risks identified and captured in the Service's Organisational Risk Register be **noted** by the Standards and Governance Committee.

APPENDICES ATTACHED

19. Appendix A: Organisational Risks

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APPENDIX A: ORGANISATIONAL RISKS

Reference	Risk	Inherent Score (Current risk score)	Residual Score (Risk score after mitigations)	Commentary
ORG0015	Successful attack on our ICT infrastructure, impacting the access and functionality of our ICT network.	16	12	The risk of a cyber-attack remains high despite the Service taking a number of steps to protect systems and networks. Our networks are attacked daily, evidencing the need to remain vigilant and continue to assess this risk as a business-as-usual threat to our organisation.
ORG0016	A reduction in central government funding is announced with insufficient time to plan for a reduction in spend	12	9	Risk remains although Service continues to take prudent steps to plan carefully financially plan. Current Safety Plan fully funded including Year 4 deliverables and work underway to produce next Safety Plan with effectiveness and efficiency in mind.
ORG0017	Impact on the Service as a result of Service employee or past employee suffering ill-health effects due to fire contaminants	16	12	Considerable work has been done with further planned to better equip the Service to deal with contaminants. Future strategy coming to October's Fire Authority for consideration. Risk has been split since last review to cover impact on the organisation and impact on the Service (ORG0042).
ORG0018	The access to, and quality of, information available to the Service may adversely impact our ability to use data to support effective decision making	8	6	The risk remains, although work is in hand to improve how the Service captures, records and uses data, including to manage performance. Expectation risk can be de-escalated off ORR over coming months subject to successful remedial measures. Fire Authority approved last annual performance report in June.
ORG0024	Organisational impact as a result of the death of an employee in the	10	5	Very nature of this risk necessitates maintaining this risk on the ORR. Considerable work underway to keep our firefighters as safe as possible including alignment to current

	course of their duties.			approved code of practice (National Operational Guidance).
ORG0031	Reduced wellbeing and resilience within workforce	12	6	Mental health toolkit has been developed and workload forums carried out with findings to be actioned. We will consider progress before determining whether to de-escalate this.
ORG0034	Failure to respond to the impacts of the McCloud pension remedy	12	6	Risk has evolved to reflect the mechanics of fulfilling the remedy rather than the consequences of the remedy itself.
ORG0037	Rise of the cost of living increasing the costs of goods and services	9	6	While risk remains, scoring has been downgraded as risk has not materialised as was first feared when it was added in Summer 2022. The Service will continue to monitor incident data on what effect the cost of living is having.
ORG0038	Pay and price inflation lead to overspends on the capital and revenue budgets that cannot be managed within the available resources of the Service	15	10	Service continues to prudently financially plan and is informed of changing interest and financial rates, as well as inflation. Medium term financial plan agreed earlier this year by Fire Authority.
ORG0041	Potential damage to our Service's reputation based on significant concerns across the fire sector about poor culture and behaviours that are discriminatory.	12	6	Fire Service culture continues to be in news, including at launch of NFCC's Cultural Action Plan in July. EG has approved funding from transformation reserve to drive cultural work and update given to July's Fire Authority. No obvious damage to Service's standing seen.



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

HIWFRA Standards and Governance Committee

Purpose: Noted

Date: **27 SEPTEMBER 2023**

Title: **ASSURANCE REPORT: FIRE STANDARDS AND HMICFRS
AREAS FOR IMPROVEMENT PROGRESS UPDATE**

Report of Chief Fire Officer

SUMMARY

1. This report provides Members with an assurance update on the Service's progress in adopting and embedding Fire Standards within the Service and also on the progress being made against the His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Areas for Improvement (AFIs).

BACKGROUND

2. At the 22 March 2023 Standards and Governance Committee meeting, Members received two separate reports. One which outlined the progress being made against adopting Fire Standards, and the other which stated the findings of the HMICFRS round 2 inspection during April-June 2022. Officers committed to reporting back to the Authority, on a 6-monthly basis, to provide an update on the current status of both the adoption of the approved Fire Standards and the work in progress against the Areas for Improvement (AFIs) identified as an outcome of the HMICFRS round 2 inspection. This report provides an update for Members to note on both areas.

FIRE STANDARDS

3. Fire Standards are an important mechanism that set out how fire and rescue services operate. Fire Standards cover the whole spectrum of what we do as a Fire Service and provide the assurance framework to give us an understanding of areas where we are performing well, with strong controls in place, and areas where we can learn and improve. Fire Standards have been designed to bring consistency to the sector, to support the delivery of

legislative requirements and drive change and improvement. The report presented to [Standards and Governance on 22 March](#) provides more detailed background information.

4. Currently there are 16 approved Fire Standards as the table below illustrates. Each Fire Standard has a number of desired outcomes for which we currently carry out a high level appraisal to determine what controls we have in place to meet them. The high level appraisal results in an assurance rating being given to the Fire Standards, as demonstrated in the table below:

Standard	Date Published	Assurance Rating
Emergency Response Driving	16/02/2021	Substantial
Operational Competence	16/02/2021	Substantial
Operational Learning	16/02/2021	Reasonable
Operational Preparedness	16/02/2021	Substantial
Code of Ethics	18/05/2021	Substantial
Community Risk Management Planning	18/05/2021	Substantial
Prevention	30/07/2021	Substantial
Protection	03/09/2021	Substantial
Safeguarding	31/01/2022	Substantial
Fire Investigation	31/03/2022	Reasonable
Emergency Preparedness & Resilience	31/05/2022	Reasonable
Data Management	02/08/2022	Reasonable
Leading and Developing People	21/12/2022	Analysis in progress
Leading the Service	21/12/2022	Analysis in progress
Communication and Engagement	30/03/2023	Analysis in progress
Fire Control	30/03/2023	Analysis in progress
Commercial and Procurement	Expected December 2023	
Finance and Internal Governance		
Asset Management		
Digital and Information Technology		

5. There are three ratings that can be given to a Fire Standard:
- (a) Substantial: this means that there is deemed to be a sound system of assurance in place that can be evidenced over a number of different areas.
 - (b) Reasonable: this means that there is a sound system in place with some controls however non-compliance is identified and actions are created for areas of improvement.
 - (c) Limited: this means that there is deemed to be significant weakness or non-compliance and improvement is required.
6. Since the roll out of the approved Fire Standards first started in February 2021 the Learning and Assurance team, in conjunction with subject matter experts, have carried out a high level appraisal of 12 of the published Fire

Standards. A further 4 Fire Standards are in the process of being analysed. This process will continue until the Fire Standards board have released all the Fire Standards that they intend to release.

7. Members will note that two of the Fire Standards, Leading and Developing People and Leading the Service were in the process of being analysed when we last gave an update in March 2023. Progress has been made, however due to the scale and breadth of these two Fire Standards, we have not yet completed the analysis and given an overall assurance rating.
8. To ensure we are continuously learning and improving, the process for assessing ourselves against the Fire Standards will be an ongoing process. Once all the Fire Standards have had an initial high level appraisal and been given an assurance rating, the Learning and Assurance Team will implement a rolling programme of assurance. This will involve a deeper look into each Fire Standards desired outcome to help us better understand our current position in relation to meeting the Fire Standard. We will seek evidence to illustrate compliance and ensure actions are taken where non-compliance is identified. The rolling programme will identify where improvements need to be made as well as highlighting our areas of strength. The Learning and Assurance team have started the rolling programme of assurance and are revisiting some of the Fire Standards that were introduced first.

HMICFRS AREAS FOR IMPROVEMENT (AFI)

9. The HMICFRS Round 2 inspection for Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) took place from April to June 2022. Our report was published on 20 January 2023 with the following ratings:
 - (a) Effectiveness – Good
 - (b) Efficiency – Requires Improvement
 - (c) People – Requires Improvement
10. The HMICFRS report resulted in 24 Areas for Improvement (AFIs) being identified. It was reported to the Standards and Governance Committee on 22 March 2023, that there were 23 AFIs, however whilst determining what activity is underway to address the AFIs, it has been identified that there are 24.
11. 20 of the 24 Areas for Improvement are being addressed as part of Safety Plan 2020-2025 activity, Directorate plan activity or as part of Business as Usual activity. For the remaining four areas, there is no specific plan in place to address these at this time. A full explanation of why the 4 AFIs are not being addressed was given to Members in the [March 2023 Standards and Governance Committee report](#).

12. The table below clarifies all the HMICFRS AFIs received by HIWFRS and identifies which are currently being progressed.

Area for Improvement	Status
The service should ensure it gathers and records relevant and up-to-date risk information	In progress
The service should ensure that all risk and safety-critical information has been read and understood by staff.	In progress
The service should make sure it quality assures and evaluates its prevention work so it understands the benefits better	In progress
The service should make sure it meets the targets it sets for its risk-based inspection programme.	In progress
The service should make sure it has an effective quality assurance process, so staff carry out audits to an appropriate standard.	In progress
The service should put in place a programme of multi-agency exercises so its procedures for responding are well tested and understood.	In progress
The service should ensure it has an effective system for staff to use learning and debriefs to improve operational response and incident command	In progress
The service should make sure it puts in place and delivers its plan to adopt national operational guidance	In progress

Area for Improvement	Status
The service should make sure it participates in a programme of cross-border exercises, with learning from them obtained and shared	In progress
The service needs to show a clear rationale for the resources allocated between prevention, protection and response activities. This should reflect, and be consistent with, the risks and priorities set out in its integrated risk management plan.	In progress
The service should make sure there is a testing programme for its business continuity plans, particularly in high-risk areas of service.	In progress
The service should monitor secondary contracts to make sure working hours aren't exceeded.	In progress
The service should make sure staff understand the value of positive action and having a more diverse workforce.	In progress
The service should make improvements to the way it collects equality data to better understand its workforce demographic and needs.	In progress
The service should make sure it has robust processes in place to undertake equality impact assessments and review any actions agreed as a result.	In progress
The service should make sure that all staff understand the benefits of equality, diversity and inclusion and their role in promoting it.	In progress

Area for Improvement	Status
The service should ensure it has an effective system in place to manage staff development, performance and productivity.	In progress
The service should improve all staff understanding and application of the performance development review process	In progress
The service should ensure its expected values and behaviours are understood and demonstrated at all levels of the organisation and that managers actively promote these standards.	In progress
The service should assure itself that its use of enforcement powers prioritises the highest risks and includes proportionate activity to reduce risk.	<p>No plans to address this AFI as stated in the March 2023 Standards and Governance Committee report.</p> <p>We are content that the Authority uses Fire Safety enforcement powers adequately. The Authority has recently approved a new policy which describes the checks and tests used to ensure evidence and cases are handled appropriately. We have an ongoing approach to engage with businesses with our local inspectors. We are strengthening our community engagement approach through a new team and this will include businesses.</p>

Area for Improvement	Status
<p>The service should make sure it effectively addresses the burden of false alarms.</p>	<p>No plans to address this AFI as stated in the March 2023 Standards and Governance Committee report.</p> <p>This is an area that we made representations to the inspectorate on, as they fail to acknowledge that the majority of our false alarms (61% of all false alarms from April 2020 to December 2022) are at domestic premises, meaning non-attendance could potentially create a risk to life. Furthermore, attending these domestic false alarms also give us a valuable opportunity to offer community safety advice. The Service will continue to raise this issue within the NFCC, for a wider consideration of policy regarding false alarms.</p> <p>For non-domestic premises we adopted a call challenge policy some years ago which continues to screen out unwanted mobilisations.</p>
<p>The service should have effective measures in place to assure itself that its workforce is productive and that their time is used as efficiently and effectively as possible to meet</p>	<p>No plans to address this AFI as stated in the March 2023 Standards</p>

Area for Improvement	Status
<p>the priorities in the integrated risk management plan.</p>	<p>and Governance Committee report.</p> <p>HIWFRS is actively engaged in the Home Office workstream to define and report on productivity measures for FRS staff including Firefighters. We will continue to invest our energy and resources to this approach to align nationally with other FRS and the Home Office and will not generate separate thinking at this stage.</p>
<p>The service should assure itself that senior managers are visible and demonstrate service values through their behaviours.</p>	<p>No plans to address this AFI as stated in the March 2023 Standards and Governance Committee report.</p> <p>We have engaged with our teams to determine their view of visibility and what it means to them. Directors continue to engage with their teams on a regular basis, mixing online and in person events and meetings. The Chief Fire Officer hosts a regular briefing to the Service, located at a station, interviewed by staff and broadcast (and filmed) to all staff. The Internal Comms team continues to visit middle manager forums and</p>

Area for Improvement	Status
	shares “hot topics” across all levels of the organisation to help shape conversations and disseminate information.

13. Outside of an HMICFRS inspection period, Officers continue a programme of engagement with our HMICFRS Service Liaison Lead to ensure the relationship between both parties grows and develops.
14. HIWFRS have been informed that our round three inspection period will be February 2025. Ensuring the Service is ready for inspection is a really important aspect for everyone across the Service and inspection readiness work is already underway.
15. Alongside the round three HMICFRS inspection, HMICFRS have confirmed they will be carrying out a Misconduct Handling thematic inspection. This is following on from the Values and Culture spotlight report published on 31 March 2023. The HMICFRS Misconduct Handling thematic inspection will involve inspecting 10 Fire and Rescue Services (FRS), with results published in June 2024. HIWFRS are not one of the 10 FRS however we will be submitting data as part of the thematic inspection and also completing an HMICFRS cultural survey.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

16. **Learning and 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.
17. The outcome of our HMICFRS inspection has provided a great opportunity for self-reflection along with the identification of areas where we can improve. Many of the areas for improvement can be linked to activity identified in year four of our Safety Plan 2020-2025, as well as Directorate Plans and business as usual activity. In year four of our Safety Plan 2020-2025 we committed to a Safety Plan activity: identify any gaps or risks, by undertaking assurance activity against and responding as necessary, to external reviews and reports including the HMICFRS report. This report provides Members with an update on the assurance activity linked to the Safety Plan activity stated above.

18. The adoption of the Fire Standards framework throughout the Service plays an important role in supporting our objective of 'learning and improving' and ensuring 'high performance'. Ensuring that we have an accurate reflection of where as a Service we can develop ourselves to be better, will in turn lead to higher performing teams and safer communities.

COLLABORATION

19. For Fire Standards, collaboration takes place with the Fire Standards Board, the National Fire Chiefs Council, the Local Government Association and various other fire and rescue services, including HIWFRS, in the development and implementation of new Standards across the Fire Sector.
20. Once the Fire Standards Board releases a new standard to Fire and Rescue Services, the Learning and Assurance team collaborate across the Service with all colleagues who can contribute towards the assessment of the status of that particular Fire Standard.
21. The work undertaken to support the development of the Fire Standards contributes directly to the inspection framework as they increasingly incorporate this into their programme. HMICFRS also collaborate with the Fire Standards Board, the National Fire Chiefs Council, the Local Government Association and various other fire and rescue services, including HIWFRS, in the development and continuous improvement of the HMICFRS framework.
22. HIWFRS ensure collaboration with HMICFRS through our engagement programme with our Service Liaison Lead and also through attendance at Chief and Chair events, Service Liaison Officer events, representation on the HMICFRS External Reference Group and on the HMICFRS Technical Advisory Group.

RESOURCE IMPLICATIONS

23. The Fire Standards Board have released 16 Fire Standards with further standards to be released. HIWFRS have committed to fully embedding Fire Standards across the Service and plan to use the Fire Standards framework as our Assurance Framework moving forward. Fire Standard assurance is overseen by the Learning and Assurance Team, with input provided by the relevant teams and specialists across the Service. Each Fire Standard also has an Executive Group sponsor.
24. During an HMICFRS inspection, resource requirements increase dramatically. However, currently, HIWFRS are not being inspected so are managing the requirements for engagement and tracking progress against

the Areas for Improvement with current resources as part of the Learning and Assurance Team. However, to ensure we are fully prepared and begin to integrate inspection as part of business as usual across the Service, we are reviewing resources in this area.

IMPACT ASSESSMENTS

25. For the purpose of reporting this update to the Authority, no impact assessment is required. However, change activity underway that contributes towards an HMICFRS Area for Improvement or a Fire Standards desired outcome, will be assessed separately as part of the change process.

LEGAL IMPLICATIONS

26. The Fire and Rescue National Framework for England states that every Fire and Rescue Service will be subject to inspection by HMICFRS. Fire Standards are subject to scrutiny from HMICFRS and they have been particularly interested in our approach to the adoption of Fire Standards in previous inspections. HMICFRS inspection is also a requirement of the Fire and Rescue Services Act 2004.
27. The Fire and Rescue National Framework for England also states that every Fire and Rescue Service must implement the approved standards through its work and that HMICFRS will incorporate the standards into their inspections.

RISK ANALYSIS

28. Failure to complete activity that has been highlighted through HMICFRS Areas for Improvement before the next Inspection in February 2025, leaves the Service exposed to the risk of a poor outcome from inspection and reputational risk. It also demonstrates the absence of a learning and improvement culture and does not meet the Services priority to learn and improve and be a developing organisation.
29. Failure to comply with Fire Standards, in some areas, would mean that we are not meeting our statutory and legal responsibilities including, but not limited to, community risk management, emergency response driving and complying with health and safety legislation when delivering operational response. The latter, as an example, could also have potential financial impacts were we found to be breaching health and safety legislation.

30. Failure to comply with the Fire Standards may also lead to reputational damage and missed opportunities to identify and embed learning and improvement, a priority of the Safety Plan.

EVALUATION

31. HIWFRS acknowledge the importance and value that HMICFRS brings. It provides an opportunity for the Service to understand where we can improve to make life safer and increases our self-awareness and ability to learn.
32. The adoption of Fire Standards across the Service provides an opportunity to carry out an appraisal which results in the identification of areas for improvement. It provides an evaluation of the current position which can be taken as a measure for future success and progress. All which contributes to strengthening the Service and facilitating learning and improving.

CONCLUSION

33. This assurance report provides an update to the Authority on the progress the Service have made in adopting Fire Standards across the Service and also the work being carried out to acknowledge the HMICFRS Areas for Improvement.
34. Further reports will be presented to the Standards and Governance Committee on a six monthly basis.

RECOMMENDATION

35. That the Service's approach to the four AFIs identified as not having a specific improvement plan be approved by the HIWFRA Standards and Governance Committee
36. That the HMICFRS AFI and Fire Standards update report be noted by the HIWFRA Standards and Governance Committee

BACKGROUND PAPERS

37. [22 March 2023 Standards and Governance Committee Fire Standards Report](#)
38. [22 March 2023 Standards and Governance Committee HMICFRS Round 2 Inspection report](#)

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Standards & Governance Committee



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

Purpose: Noted

Date: **27 SEPTEMBER 2023**

Title: **INTERNAL AUDIT PROGRESS REPORT 2023/24**

Report of the Chief Internal Auditor

SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with:
 - an overview of internal audit work completed in accordance with the approved audit plans, and
 - an overview of the status of 'live' reports.

BACKGROUND

2. The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

3. In accordance with proper internal audit practices and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Standards and Governance Committee, summarising:
 - the status of 'live' internal audit reports;
 - an update on progress against the annual audit plans;
 - a summary of internal audit performance, planning and resourcing issues; and
 - a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

4. The report attached at Appendix A summarises the activities of internal audit for the period ending 29 August 2023.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

5. The Internal Audit Plan is designed to validate the assurance and control framework which exists in the Authority and across the Service. Secure management processes including risk and performance management are important in ensuring that the Authority's plans are achieved.

RESOURCE IMPLICATIONS

6. The 2023/24 plan was prepared on the basis of risk and audit need and agreed with senior managers and endorsed by Hampshire and Isle of Wight Fire and Rescue Authority's Standards and Governance Committee following comprehensive risk assessment. The cost is reflected in the Authority's budget.
7. The audit plan will remain fluid to enable us to react to the changing needs of Hampshire and Isle of Wight Fire and Rescue Authority.

IMPACT ASSESSMENTS

8. Impact assessments have not been required for this report as the production of the report will not result in the implementation of a new change activity, and/or introducing, or amending, a Service Policy.

LEGAL IMPLICATIONS

9. There are no legal implications arising from this report.

OPTIONS

10. The options are that the progress in delivering the internal audit plan for 2023/24 and the outcomes to date are noted, or not noted, by Hampshire and Isle of Wight Fire and Rescue Authority Standards and Governance Committee.

EVALUATION

11. Internal audit activity provides the Authority with an assurance mechanism to evaluate the effectiveness of the Service's risk management, control and governance processes.

RISK ANALYSIS

12. The risk-based approach to internal audit planning and reviews aims to ensure that internal audit resource focuses on key business risks and as such the Authority's risk register has been used to inform the planning process and ensure that key risks are reflected in planned work.

CONCLUSION

13. The appendix outlines the progress made in delivering the internal audit plan for 2023/24. Along with the issues arising to date.

RECOMMENDATION

14. That the progress in delivering the internal audit plan for 2023/24 and the outcomes to date be noted by Hampshire & Isle of Wight Fire & Rescue Authority Standards and Governance Committee.

APPENDICES ATTACHED

15. Appendix A: Internal Audit Progress Report

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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Hampshire & Isle of Wight Fire & Rescue Authority: Standards and Governance Committee

Internal Audit Progress Report 2023-24

August 2023

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

Hampshire & Isle of Wight Fire & Rescue Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Hampshire & Isle of Wight Fire & Rescue Authority that these arrangements are in place and operating effectively.

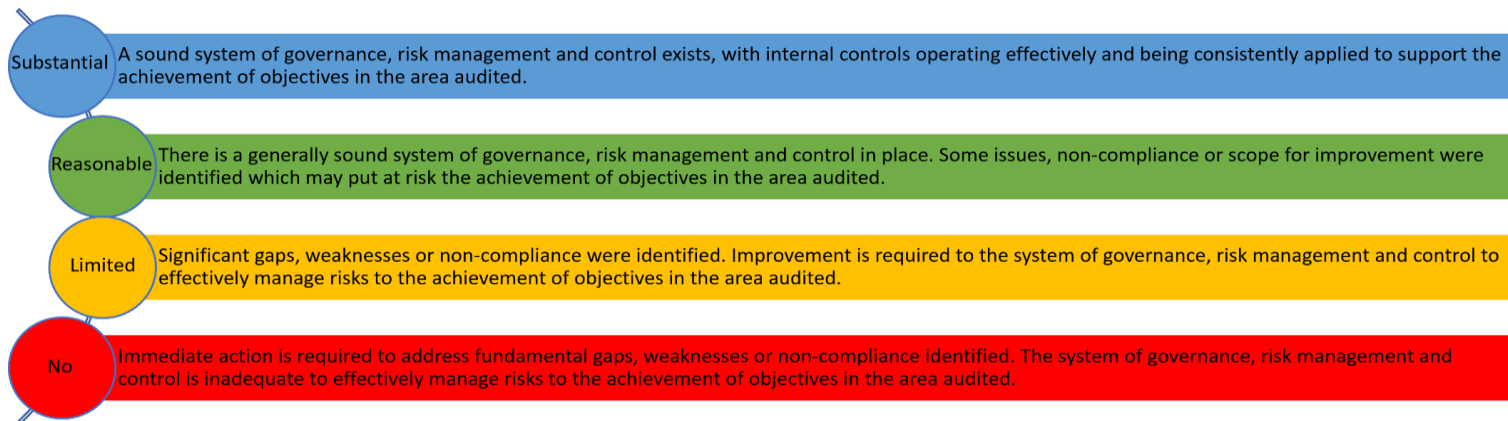
The Hampshire & Isle of Wight Fire & Rescue Service’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Purpose of report

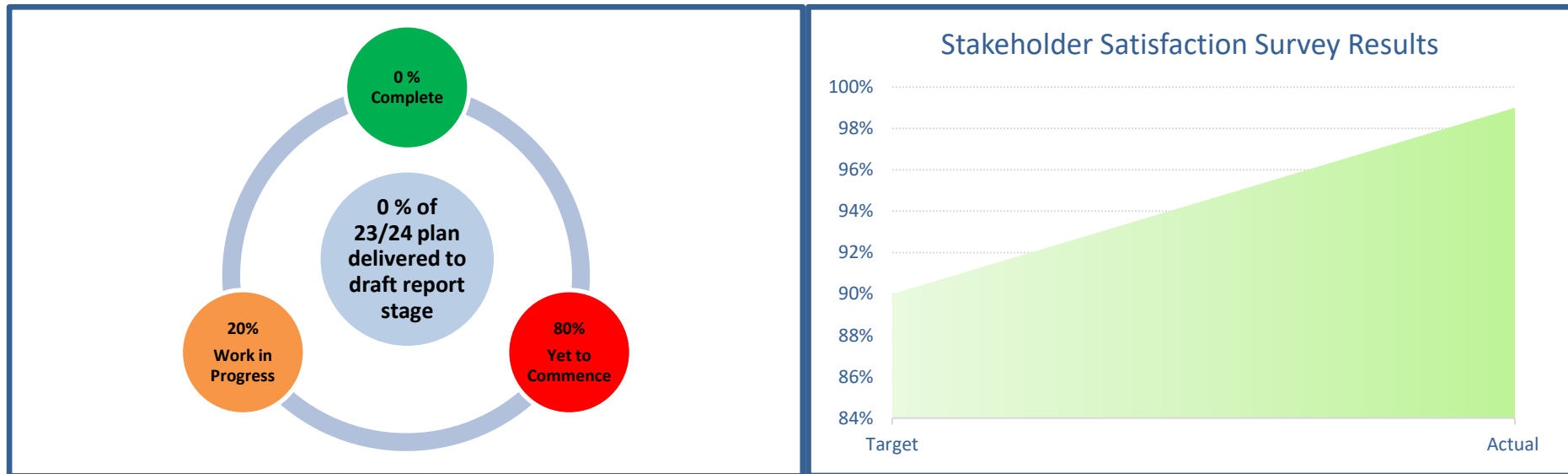
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	Overdue		
							L	M	H
Referral Pathways	16.11.21	D of O	Limited	19 (10)	0 (0)	17 (9)		1	1
Prevention and Protection	24.02.22	D of O	Reasonable	3 (0)	0 (0)	2 (0)		1	
Pay Claims (Recurring Allowances)	11.07.22	D of P&OD	Reasonable	1 (0)	0 (0)	0 (0)	1		
Assurance over the competence of operational response capability	09.02.23	D of O	Limited	7 (6)	1 (1)	6 (5)			
Purchasing Cards	29.03.23	DFO	Limited	7 (6)	1 (0)	2 (2)			4
Cyber security controls	05.05.23	D of CS	Reasonable	11 (3)	5(1)	6 (2)			
ICT systems and governance	31.07.23	D of CS	Reasonable	12 (2)	11(2)	1 (0)			
ICT networks and communications**	04.08.23	D of CS	Substantial	1 (0)	0 (0)	1 (0)			
Total				61 (27)	18 (4)	35 (18)	1	2	5

*Total number of actions (total number of high priority actions)

** Audits where all actions have been cleared since our last report.

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no final reports published concluding a ‘limited’ or ‘no’ assurance opinions since our last progress report.

6. Planning & Resourcing

The internal audit plan was approved by the Standards and Governance Committee on 22 March 2023.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Authority. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

2022/23

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
HIWFRA Audit Plan 2022/23								
Analytical Risk Assessments	D of O	✓	✓	✓	✓			Draft issued on 24 Jul and is under discussion
ICT networks and communications	D of CS	✓	✓	✓	✓	✓	Substantial	
ICT systems and governance	D of CS	✓	✓	✓	✓	✓	Reasonable	
Shared Services Audit Plan 2022/23	These are Shared Service audits with no direct Hampshire and Isle of Wight Fire and Rescue Service Audit Owner and Exec Sponsor; however overarching accountability for HIWFRS Shared Services activity sits with the HIWFRS DCFO, Director of Policy, Planning and Assurance and the Head of Partnerships and External Relationships							
Budget Planning		✓	✓	✓	✓	✓	Substantial	

2023/24

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Quarter	Comment
HIWFRA Audit Plan 2023/24									
Benefits Management	DCFO	✓	✓	✓				Q1	Fieldwork underway
ICT Major Incident Management (ITIL based)	D of CS	✓	✓	✓				Q2	Fieldwork underway
ICT Assurance Mapping and Coverage Analysis Based on ITIL 4 Practices	D of CS							Q3	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Quarter	Comment
Long-term sickness absence management and restricted duties	D of P&OD							Q3	
Overtime	DCO							Q3	
Contaminants	D of CS							Q3	
Health and Safety Training	DCFO							Q3	
Financial management – capital expenditure	CFO							Q4	
NFI	DCFO							Q1-4	
Follow up	Various							Q4	
Shared Services Audit Plan 2023/24	These are Shared Service audits with no direct Hampshire and Isle of Wight Fire and Rescue Service Audit Owner and Exec Sponsor; however overarching accountability for HIWFRS Shared Services activity sits with the HIWFRS DCFO, Director of Policy, Planning and Assurance and the Head of Partnerships and External Relationships								
The Shared Services aspects of the Internal Audit Plan are yet to be confirmed and are agreed separately through Shared Services governance mechanisms.									

Audit Sponsors

CO	Chief Officer	H of ICT	Head of ICT
DCFO	Deputy Chief Fire Officer	H of OA	Head of Operational Assets
D of O	Director of Operations	H of G&BS	Head of Governance and Business Support
D of CS	Director of Corporate Services	H of P&F	Head of Property and Facilities
D of PP&A	Director of Policy, Planning and Assurance (the Deputy Chief Fire Officer, DCFO)	H of G&A	Head of Governance and Assurance
D of P&OD	Director of People and Organisational Development	SFBP	Senior Finance Business Partner
CFO	Chief Finance Officer	HR BP	HR Business Partner
AD (Pr&Pr)	Assistant Director (Prevention and Protection)	H of P	Head of Performance
AD (P&P)	Assistant Director (Policy and Planning)	N/A	Not applicable

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2022/23	
Removed from the plan	Reason
Provided Vehicles	A Q2 audit, removed from the plan in July as HMRC has given notice that they will be undertaking an inspection on provided vehicles. Audit needs will be assessed following the outcomes of the inspection.
Added to the plan	Reason
None	

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

HIWFRA Standards and Governance Committee

Purpose: **Noted**

Date: **27 SEPTEMBER 2023**

Title: **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT**

Report of Chief Fire Officer

SUMMARY

1. The purpose of this report is to provide the latest update on the medium and high management actions that have not been completed within their target date and their status. The Standards and Governance Committee has a key scrutiny role in monitoring the implementation of internal management actions.

BACKGROUND

2. Internal audit is provided by the Southern Internal Audit Partnership (SIAP) and is one of various assurance mechanisms that the Service utilises as part of our wider assurance programme. Our assurance programme includes internal and external assurance mechanisms. External mechanisms include from His Majesty's Inspectorate of Fire and Rescue Services (HMICFRS) and ISO certification testing.
3. In terms of internal audit, Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) Organisational Assurance team maintains, monitors and reports on a record of audits against the current risk-based Internal Audit Plan, noting whether they are in progress or have been completed. Heads of Service are responsible for the delivery of actions that fall within their areas of responsibility.
4. Once a final audit report has been issued, the agreed management actions are recorded along with:
 - (a) the priority of the recommendation;
 - (b) the target date for implementation; and
 - (c) the person responsible for the action.

5. The Organisational Assurance team will ask for confirmation and evidence that an action has been implemented, or if it has not been completed when it is expected to be. Any management actions that continue to remain outstanding are referred to the relevant Director. Outstanding audit recommendations are monitored regularly by the Director of Policy, Planning and Assurance and the Head of Governance and Assurance.

MANAGEMENT ACTIONS

6. The table below lists those recommendations that are currently outstanding beyond their agreed target date and if they are of medium (M) or high (H) priority. There is a brief commentary against each to explain the status and any mitigating factors.

Internal Audit Management Actions			
Competency, Resourcing and Succession planning – Prevention and Protection			
Implementation of the new Gartan management system and the 'Expert Module' will resolve the issue that currently exists in relation to tracking non-operational competencies. This is dependent on the project team delivering against their timeline.	31 October 2022, revised to 31 March 2023, revised to April 2024.	M	The tracking of Prevention and Protection specific competencies needs to be manually set up within the Gartan Expert system by HIWFRS and this is being progressed between the ICT Systems team and the Prevention and Protection teams. This will be delivered by April 2024. It is important to note, however, that there is current mitigation provided by a locally held training database.
Referral Pathways			
Developing a Quality Assurance Framework to ensure delivery of prevention duties.	30 November 2021, revised to 30 November 24	M	The Evaluation & Quality Assurance Programme Manager for Community Safety, responsible for delivering the Quality Assurance framework has left the organisation. A

			new appointment has been made and this action have been reprioritised.
Improvements in systems and processes: the QA framework and new electronic Safe & Well Form will address delays in closing jobs in CFRMIS. Interim process in place.	31 January 2022, revised to 30 November 24	H	Improvements to avoid delays in closing jobs in CFRMIS has a dependency on the delivery of a Quality Assurance framework.
Purchasing Cards (P-Card)			
A review of the policy and governance arrangements for p-cards. Making it clear what is and what is not acceptable.	31 July 2023, extended 30 September 2023	H	In progress – linked to a wider piece of work that Hampshire County Council are undertaking.
A review of the p-card system to consider options for compliance checks prior to submission.	31 July 2023, extended 30 September 2023	H	In progress – linked to a wider piece of work that Hampshire County Council are undertaking.
Reinforcement to all p-card holders and their managers of their responsibilities in line with the revised policy and system.	31 July 2023, extended 30 September 2023	H	In progress
A review of p-card holders and Service need	31 July 2023, extended 30 September 2023	H	In progress

MANAGEMENT COMMENTARY

7. Since the last committee meeting, the Network Management audit has been completed, this audit received a substantial rating and does not have any

management actions. An outstanding action for the Cyber Security Audit, that was due on 30 August 2023 has also now been completed.

8. There are currently 26 open audit actions which are being tracked by the Organisational Assurance team (compared to 20 open actions in the last quarter). Only medium and high overdue actions are reported to the Committee. As stated above, there are seven actions that are now overdue.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

9. By ensuring the implementation of internal audit recommendations, we assist the Authority in improving its planning and performance management processes and in complying with its governance arrangements. This in turn assists the Authority in achieving our *High Performance* and *Learning and Improving* Safety Plan priorities, and our vision to work smarter, be more efficient and to make life safer for everyone in Hampshire and the Isle of Wight.

COLLABORATION

10. The Southern Internal Audit Partnership (SIAP) provide internal audit on behalf of all partners within Shared Services and many other public service organisations.
11. Our internal audit procedure, which acts as a Memorandum of Understanding (MoU) and outlines how HIWFRS and the Southern Internal Audit Partnership (SIAP) collaborate, was revisited by HIWFRS and SIAP in 2021 light of the combined fire authority, and the relationship continues to be effective, as evidenced by the progress made with audit actions and our approach to risk-based audit planning.

RESOURCE IMPLICATIONS

12. When agreeing management actions in response to an audit report, the cost of addressing the risk should be considered against the risk materialising. Implementing audit recommendations helps to ensure that the Authority uses its resources efficiently, that key controls are in place and working, and opportunities to achieve value for money are taken.
13. The management of internal audit actions is carried out within current resources.

IMPACT ASSESSMENTS

14. Impact assessments have not been required for this report as the production of the report will not result in the implementation a new change activity, and/or introducing, or amending, a Service Policy.

LEGAL IMPLICATIONS

15. There are no legal implications arising from this report.

RISK ANALYSIS

16. Failure to implement internal audit recommendations leaves the Authority vulnerable to the consequences of the identified risks and weaknesses in controls. Internal management of audit recommendations is an important process within the Authority's risk management arrangements. The updates on progress ensure that Members are fully aware of any problems associated with addressing the issues raised and the priority given to driving down or eliminating specific risks.

EVALUATION

17. The evaluation of the progress the Service makes in completing internal audit management actions forms an important part of the Service's organisational assurance activity, provides a valuable measure of corporate health and identifies learning across the Service. The Service's Organisational Assurance team regularly monitors progress in completing management actions, for example via reporting into the Service's Integrated Performance and Assurance Group (IPAG) and in regular discussions with our internal auditors, the Southern Internal Audit Partnership.

CONCLUSION

18. Progress continues to be made in both completing the management actions from previous audits and progressing the current audit plan. Management actions will be undertaken in respect of the specific audits themselves and more widely in respect of internal control issues and how they are managed across the Service. As outlined in the MoU, management actions are owned by an Executive Sponsor and Heads of Service, who work with their teams to ensure progress is made.

RECOMMENDATION

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

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