

NOTICE OF MEETING

<i>Meeting</i>	HFRA Standards and Governance Committee	<i>Clerk to the Hampshire Fire and Rescue Authority</i> John Coughlan CBE
<i>Date and Time</i>	Friday 15th September 2017 2.00 pm	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Room A - HFRA 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 received.

2 **DECLARATIONS OF INTEREST**

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

3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 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 EXTERNAL AUDIT REPORT (Pages 9 - 50)

7 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2016/17 (Pages 51 - 68)

8 INTERNAL AUDIT PROGRESS REPORT (Pages 69 - 82)

9 IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS - PROGRESS REPORT (Pages 83 - 86)

10 ANNUAL ASSURANCE STATEMENT (Pages 87 - 96)

11 STATEMENT OF ACCOUNTS INCLUDING ANNUAL GOVERNANCE STATEMENT (Pages 97 - 206)

12 ANNUAL REPORT OF PENSION BOARD (Pages 207 - 292)

ABOUT THIS AGENDA:

This agenda is available on the Hampshire 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.

ABOUT THIS MEETING

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact members.services@hants.gov.uk for assistance.

Agenda Item 3

AT A MEETING of the HFRA Standards and Governance Committee held at The Castle, Winchester on Thursday, 23rd March, 2017

Chairman:
a Councillor Robin McIntosh

p Councillor Geoffrey Hockley
p Councillor Graham Burgess
p Councillor Christopher Carter
p Councillor Sharon Mintoff

p Councillor Matthew Winnington
a Councillor David Harrison
a Councillor Mark Staplehurst
a Councillor David Fuller

1. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Fuller, Harrison, McIntosh and Staplehurst.

2. **DECLARATIONS OF INTEREST**

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

There were no declarations of interest received for the meeting.

3. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting held on 7 December 2016 were reviewed and agreed.

4. **CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's announcements on this occasion.

5. **DEPUTATIONS**

There were no deputations received for the meeting.

6. HAMPSHIRE FIRE AND RESCUE AUTHORITY EXTERNAL AUDIT PLAN 2016/17

The Committee received a report from the Chief Officer (Item 6 in the Minute Book) setting out the External Audit plan for 2016/17, and explaining how key risks were assessed and outlined the planned audit strategy in response to those risks.

The External Auditor summarised the Plan and highlighted the current financial statement risks facing the Authority which included the risk of Management Override which was seen as a common audit risk and was identified and responded to on every audit engagement.

It was confirmed that the final level of materiality would be reported back when the final statement of accounts was received for the financial year. Members were content with the External Audit Plan for 2016/17.

RESOLVED:

That the Committee receives and accepts the External Audit Plan for 2016/17.

7. INTERNAL AUDIT PROGRESS REPORT 2016/17

The Committee received a report from the Chief Internal Auditor providing an overview of internal audit work completed in accordance with the approved audit plan, as well as an overview of the status of 'live' reports (Item 7 in the Minute Book).

The Officer took Members through the report and explained that this was a regular progress report. Members attention was drawn to Section 4 of the report which highlighted the status of 'Live' reports and reports closed since the last progress report. Section 7 outlined the rolling work programme and Members noted that these were all on track.

RESOLVED:

That the Standards and Governance Committee note the progress of internal audit work for the period ending 28 February 2017.

8. INTERNAL AUDIT CHARTER AND ANNUAL INTERNAL AUDIT PLAN 2017/18

The Committee received a report from the Chief Internal Auditor which presented the proposed annual internal audit plan and the internal audit charter (Item 8 in the Minute Book).

Members were taken through the report and it was highlighted that the Internal Audit Charter as detailed in Appendix A of the report met the requirements of the Public Sector Internal Audit Standards and was reviewed and approved annually by the Standards and Governance Committee. Members attention was also drawn to the Internal Audit Plan which was presented at Appendix B of the

report. It was noted that the Plan was risk based and analysed risk management in relation to Hampshire Fire and Rescue Service as well as Shared Services.

A discussion ensued around recruitment and it was heard that there was an ongoing review of processes and protocols within recruitment.

RESOLVED:

That the Standards and Governance Committee approves the Internal Audit Charter for Hampshire Fire and Rescue Authority and the internal audit plan for 2017/18.

9. PROGRESS REPORT ON THE IMPLEMENTATION OF INTERNAL AUDIT MANAGEMENT ACTIONS

The Committee received a report from the Chief Officer which set out progress on the implementation of internal audit management actions (Item 9 in the Minute Book).

Members were taken through Appendix 1 of the report which detailed the actions in progress and those completed since December 2016. The Networked Fire Control Project and the Partnerships and Associated Contracts in relation to South Central Ambulance Service were confirmed as outstanding actions. Members were content with progress made.

RESOLVED:

That the Standards and Governance Committee notes the report and the progress made towards the implementation of the internal audit management actions detailed in Appendix 1.

10. RISK POLICY AND STRATEGY

The Committee received a report from the Chief Officer which set out the refreshed HFRA Risk Policy and Strategy (Item 10 and Appendix A to Item 10 in the Minute Book).

The report was outlined and it was heard that whilst no major changes had been made to the Strategy since it was last reviewed in 2012, refreshing the Strategy and bringing to the Committee for approval ensured that it remained compliant with current best practice. It was noted that the introduction of a Risk and Assurance Board would further improve the internal governance over risk management.

RESOLVED:

That the Committee approve the refreshed HFRA Risk Policy and Strategy which is attached in Appendix A of the report.

11. HEALTH AND SAFETY 'STATEMENT OF INTENT'

The Committee received a report from the Chief Officer setting out the Health and Safety 'Statement of Intent' (Item 11 in the Minute Book).

The report was introduced and Members heard that Health and Safety remained the highest priority, and the Authority had overall responsibility for the health, safety and welfare of all employees in the Hampshire Fire and Rescue Service and others who may be affected by their activity.

Members were content with the Health and Safety 'Statement of Intent' and agreed to recommend this to the Full Authority.

RESOLVED:

- a) That the Standards and Governance Committee receives the reviewed Statement of Intent (Attached in Appendix 1).
- b) That the Standards and Governance Committee **RECOMMEND** to the Full Authority that the Statement of Intent be approved and signed by the Chairman on behalf of the Authority.

12. INDEPENDENT PERSONS FOR HFRA

The Committee received a report of the Clerk (Item 12 in the Minute Book) setting out proposals for the recruitment of an Independent Person or Persons due to the current four year appointment ending in June 2017. The report was tabled at the meeting alongside an exempt appendix (Item 17 in the Minute Book refers).

The officer outlined the background to the recruitment process and it was heard that a shared recruitment exercise with Winchester City Council had been undertaken, and a joint selection panel met on the 21 March 2017 to consider applications and make recommendations for appointment to both Authorities. The exempt appendix was noted and Members were content to recommend the appointments as detailed in the exempt appendix to the Full Authority.

RESOLVED:

- a) That the Standards and Governance Committee acknowledge progress made in pursuing shared recruitment for Independent Person(s) with Winchester City Council.
- b) That the Standards and Governance Committee **RECOMMEND** to Hampshire Fire and Rescue Authority:
 - i) The appointment of three Independent Persons, recommended by the joint selection panel, as detailed in Exempt Appendix 1 of the report.

- ii) That such appointments be for an initial term of two years, with the option for this to be extended by the Authority to a maximum of four years from the date of the appointment.
- iii) That the allowance for each Independent Person be set at £100 per annum.

13. **NEW POLICY - FIREFIGHTERS 2015 PENSIONS DISCRETIONS POLICY**

The Committee considered a report from the Chief Financial Officer (Item 13 in the Minute Book) regarding the Firefighters 2015 Pension Discretions Policy.

The Officer took Members through the report and it was heard that it was a legal requirement for employers to have a Pensions Discretions Policy for each of the Schemes offered as well as to publish and review. It was highlighted that approval was sought to formalise this through the Committee as the Scheme Manager for the pensions schemes.

In a change to the recommendation detailed in the report in paragraph 2.1, it was noted that approval was sought for the HFRA's 2015, 2006 and 1992 Pensions Discretions Policy. With this amendment, Members agreed the recommendation as below.

RESOLVED:

That HFRA's 2015, 2006 and 1992 Pensions Discretion Policy is agreed.

14. **NEW POLICY - RETIRED FIREFIGHTERS RE-EMPLOYMENT, RE-ENGAGEMENT AND PENSIONS ABATEMENT POLICY**

The Committee considered a report from the Chief Financial Officer (Item 14 in the Minute Book), regarding the Retired Firefighters Re-employment, Re-engagement and Pensions Abatement Policy.

The officer summarised the proposed policy and it was heard that this would provide clarity going forward for re-employment and re-engagement of Firefighters following retirement and address potential significant tax implications in relation to this. It was noted that re-engagement of retired Firefighters would need approval from the Chief Officer in consultation with Directors.

Members welcomed the policy and thanked officers for their hard work.

RESOLVED:

That HFRA's Retired Firefighters Re-employment, Re-engagement and Pensions Abatement Policy is agreed.

15. **PENSIONABLE ALLOWANCES (ADDITIONAL DUTY/TRAINING)**

The Committee considered a report of the Chief Financial Officer (Item 15 in the Minute Book) regarding pensionable allowances in relation to additional duty or training.

The background to the report was outlined and it was heard that as a result of the Norman V Cheshire Fire and Rescue Services 2011 legal case, all Fire and Rescue Authorities had reviewed their local allowances to confirm whether or not their current pensionable or non-pensionable status should change.

Members were taken through The Blackburne Principles as detailed in Paragraph 4 of the report, and it was explained that these should be considered when determining which allowances should be pensionable. Officers highlighted that they were awaiting further national guidance in relation to Training and Additional Responsibility Allowances for clarity.

The related exempt appendix (Item 16 in the Minute Book) was noted.

RESOLVED:

The Committee agreed:

- a) That 10% Training Allowance for Substantive trainers becomes pensionable from 1 April 2017. As an exception, current substantive trainers may apply to have the Training Allowance backdated and treated as a pensionable emolument to 1 April 2016.
- b) That 10% Training Allowance for Temporary promotion trainers becomes non-pensionable under pension scheme rules under the 2015 pension scheme.
- c) That 10% Training Allowance for Temporary promotion trainers under the 2006 and 1992 pension scheme becomes pensionable from 1 April 2017 but is included as part of the Additional Pensions Benefit (APB) calculation (to be consistent with the approach taken with RDS payments last year).
- d) All current Additional Responsibility Allowances continue to be paid as non-pensionable. Any new ARAs developed to be assessed for pensionable status against the Blackburne Principles.

Chairman,



Purpose: Decision

Date **15 SEPTEMBER 2017**

Title **EXTERNAL AUDIT RESULTS REPORT 2016/17**

Report of Treasurer

EXECUTIVE SUMMARY

1. Attached to this report, in Appendix 1, is the External Auditor's Audit Results report for the year ended 31 March 2017. It summarises the findings from the audit of the Authority's financial statements, and the work undertaken to assess arrangements in place to secure value for money in our use of resources.
2. The Auditor proposes to issue an unqualified audit report on the financial statements, and has concluded that we have proper arrangements for securing economy, efficiency, and effectiveness in the use of our resources.
3. This report also seeks the Committees endorsement to appoint Ernst and Young (EY) as its external auditor for a further five year period following a national procurement exercise undertaken by Public Sector Audit Appointments.

BACKGROUND

4. At the March 2017 meeting of this Committee, the Authority's External Audit Plan was presented, providing details of the work proposed for the audit of the financial statements for 2016/17. It explained that a Value for Money conclusion would be produced and detailed the criteria upon which this would be based.
5. The audit work is now substantially complete and the results are set out reported in the Audit results report, which is attached as Appendix 1.
6. The results once again are positive in that an unqualified opinion has been given on the accounts and EY have concluded that we have proper arrangements for securing economy, efficiency, and effectiveness in the use of our resources.

EXTERNAL AUDITOR APPOINTMENT

7. For many years, the Audit Commission appointed external auditors to public sector bodies, but following the closure of the Commission a national procurement exercise was undertaken to appoint private sector audit firms to undertake future audits.
8. As part of that previous process, Ernst and Young (EY) were appointed as the Authority's external auditors and they remain in place until the audit of the 2017/18 accounts is completed.
9. Replacement external auditors will therefore be required for the Authority from the 2018/19 accounts onwards (for a period of five years) and Hampshire therefore opted into a national procurement process being undertaken by Public Sector Audit Appointments Ltd (PSAA) on behalf of the sector.
10. The preliminary results of this exercise were notified to the Authority on 15 August and the proposal is to re-appoint EY as our auditors for a further five years. In overall terms, average savings of around 18% compared to the 2016/17 scale fees are anticipated, although this will vary from Authority to Authority.
11. As part of the process, PSAA are required to consult with Authorities on the proposed appointment and this Committee is therefore recommended to endorse the proposal to appoint EY as our external auditors, which will be reported back to PSAA before the formal appointments are made by them. We would then expect formal notification from them by December this year.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

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

CONSULTATION

13. No consultation is required for this report as it is based on historic information and is a purely factual document. The annual accounts will be audited by Ernst and Young and a separate report is presented elsewhere on this agenda.

RESOURCE IMPLICATIONS

14. There are no direct resource implications contained within this report, but appropriate financial resources have been made available to fund the estimated cost of the 2016/17 audit fee of £36,225.

LEGAL IMPLICATIONS

15. It is a legal requirement that the Statement of Accounts is approved by those charged with governance and is then independently signed off by external audit.

PEOPLE IMPACT ASSESSMENT

16. There are no direct impacts on people as a result of this report.

OPTIONS

17. This report deals with the audit results report from the external auditor, there are therefore no options for consideration in this report.

RISK ANALYSIS

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

CONCLUSION

19. The audit opinion and value for money conclusion are important elements in confirming that there is sound financial management within the Authority. The report from the auditors is positive and confirms that there are no material issues about which the Committee needs to be made aware.

RECOMMENDATION

20. That the Committee receives the External Auditor's HFRA Audit Results Report for 2016/17.
21. That the Committee endorses the proposal to appoint EY as our external auditors from the 2018/19 audit of accounts for a period of 5 years.

APPENDICES ATTACHED

Appendix 1 – External Audit Results Report 2016/17

BACKGROUND DOCUMENTS

Section 100 D - Local Government Act 1972 – background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report.

Final Accounts Report – F&GP Committee 4 July 2016

NB: the list excludes Published works

Documents which disclose exempt or confidential information as defined in the Act:

None

Contact:

Rob Carr, Chief Finance Officer, Rob.Carr@hants.gov.uk, 01962 847508

Hampshire Fire and
Rescue Authority
Audit results report

Year ended 31 March 2017

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow chevron shape pointing to the right.

Building a better
working world

29 August 2017

Dear Committee Members

We have completed our audit of Hampshire Fire and Rescue Authority (the Authority) for the year ended 31st March 2017.

We confirm that, subject to concluding the outstanding matters listed in our report, we expect to issue an unqualified audit opinion on the financial statements in the form that appears in section 3 before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources and expect to issue an unqualified value for money conclusion.

This report is intended solely for the use of the Standards and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Maria Grindley
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Standards and Governance Committee, other members of the Authority and management of Hampshire Fire and Rescue Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Standards and Governance Committee, other members of the Authority and management of Hampshire Fire and Rescue Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Standards and Governance Committee, other members of the Authority and management of Hampshire Fire and Rescue Authority for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the 23 March 2017 Standards and Governance Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £1,970,000 for the Authority and £186,000 for the Pension Fund. We reassessed this using the actual year-end figures, which has increased these amounts to £2,006,000 for the Authority and £406,980 for the Pension Fund. The threshold for reporting audit differences has increased from £98,505 to £100,300 for the Authority and increased from £18,624 to £20,349 for the Pension Fund. The basis of our assessment of materiality has remained consistent with prior years for the Authority, based on 2% of Gross Revenue Expenditure. For the Pension Fund it has increased from interim based on 1% of Benefits Payable to 2% of Benefits Payable at year end after a reassessment of the risk and minimal findings at interim or in the prior year audit.

We identified areas where misstatement at a lower level than our overall materiality might influence the reader and developed an audit strategy specific to these areas, namely, remuneration disclosures including any severance payments, exit packages and termination benefits, related party transactions and members' allowances.

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Status of the audit

We have substantially completed our audit of Hampshire Fire and Rescue Authority's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements and value for money conclusion in the form which appears at section 3. However until work is complete, further amendments may arise:

- review of the final version of the financial statements;
- completion of subsequent events review; and
- receipt of the signed management representation letter.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit.



Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Hampshire Fire and Rescue Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be prudent, and where there is potential risk and exposure.

An area of audit focus which we included in the Audit Plan was the introduction of the Expenditure and Funding Analysis and the resulting restatement of the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. Officers provided us with a draft of their changes which we reviewed when we started our work in June. We ensured that the format of the disclosures were in line with the CIPFA Code. We agreed the restated comparative figures back to Hampshire Fire and Rescue Authority's segmental analysis and supporting working papers with no issues noted.

We summarise our consideration of all other key areas of focus, in the "Key Audit Issues" section of this report.

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

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

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

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.





Executive Summary

Other reporting issues

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

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have no issues to report.

We have no other matters to report.

Control observations

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

Independence

Please refer to Appendix B for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Management override

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

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

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

What is the risk?

Risk of management override

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

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

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

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

What did we do?

Our testing of journal entries has not identified adjustments which were outside of the normal course of business. All journals tested have an appropriate business rationale. We did not identify any significant unusual transactions.

We reviewed accounting estimates for evidence of management bias. We undertook audit procedures on accruals, provisions and prepayments and did not identify any evidence of management override.

We performed sample testing on additions to the property, plant and equipment balance and found that these items met the relevant accounting requirements to be capitalised.

We performed sample testing on the existence and valuation of prepayments, the completeness and valuation of accruals and completeness of provisions and found no indication of management bias.



Areas of Audit Focus

Expenditure and funding analysis and Comprehensive income and expenditure statement

What are our conclusions?

Our work in this area is ongoing. The work we have completed to date has found that:

- the disclosures were in line with the CIPFA Code; and
- the restated comparative figures agreed to the segmental analysis and supporting working papers with no issues noted.

What is the risk?

Financial statement presentation

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year, changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS). They also include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the organisation operates.

This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

What did we do?

We reviewed the expenditure and funding analysis, CIES and new notes and found the disclosures are in line with the code

We agreed the restated comparative figures back to the Authority's segmental analysis and supporting working papers.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

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

Opinion on the Authority financial statements

We have audited the financial statements of Hampshire Fire and Rescue Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement and the related notes 1 to 31; and
- include the firefighters' pension fund financial statements comprising the: Fund Account; Net Assets Statement and the related notes 1 to 6.

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The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Responsibilities set out on page 18, the Chief Finance Officer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hampshire Fire and Rescue Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Conclusion on Hampshire Fire and Rescue Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that Hampshire Fire and Rescue Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of Hampshire Fire and Rescue Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Hampshire Fire and Rescue Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Hampshire Fire and Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Hampshire Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Hampshire Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley

For and on behalf of Ernst & Young LLP, Appointed Auditor

15 September 2017



04 Audit Differences





Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

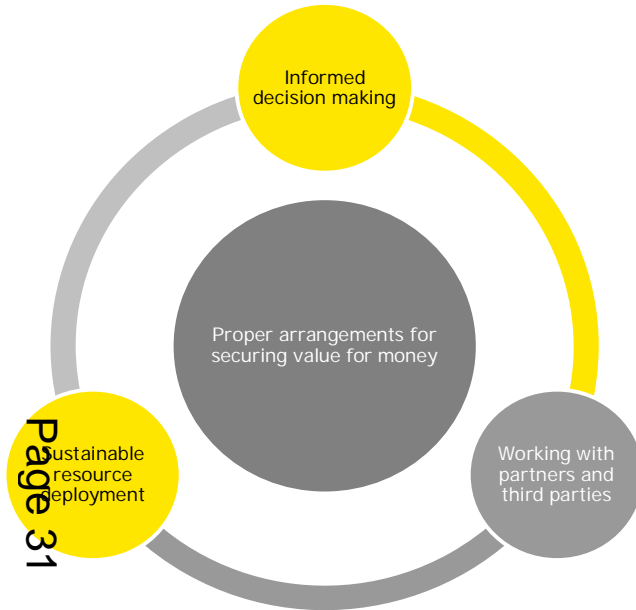
There were no uncorrected misstatements. The only adjustments to the financial statements have been for minor disclosure errors, all of which have been corrected.



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources



06

Other reporting issues



Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

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

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

Whole of Government Accounts

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

We have no issues to raise.

Other powers and duties

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

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

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. There are no issues to report.

07

Assessment of Control Environment



Assessment of control environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

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

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



08 Appendices



Appendix A

Required communications with the Standards and Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:



Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Standards and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	March 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits (delete if not an initial audit) 	July 2017 Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt Hampshire Fire & Rescue Authority's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	July 2017 Audit Results Report

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Appendix A

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Standards and Governance Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Governance and Standards Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Standards and Governance Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Standards and Governance Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Standards and Governance Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations



Appendix A



Our Reporting to you



When and where

Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	July 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	March 2017 Audit Plan
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	March 2017 Audit Plan



Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 19 January 2017.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Standards and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Standards and Governance Committee on 15 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017. We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

Description	Planned Fee
	2016/17
	£
Total audit fee – Code work	36,225





Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Standards and Governance Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on the Authority 
<p><i>IFRS 9 Financial Instruments</i></p> <p>Page 41</p>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items
<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"> • There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be. 	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Authority will have to:</p> <ul style="list-style-type: none"> • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements




Appendix C

<p><i>IFRS 16 Leases</i></p>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
------------------------------	---	--

Regulatory update

Since the date of our last report to the Standards and Governance Committee, there have been regulatory developments. The following table provides a high level summary of those that have the most significant impact on you:



Name	Summary of key measures 	Impact on the Authority
<p><i>Policing and Crime Act 2017 (Also applicable to Fire and counties with Fire functions)</i></p>	<p>The key measures summarised here are those that are likely to have implications for the audit of the financial statements and the VFM conclusion:</p> <ul style="list-style-type: none"> • Increase in emergency services collaboration between police bodies, ambulance and fire and rescue services • Provision for Police and Crime Commissioner (PCC) to act as the Fire and Rescue Authority • Abolition of The London Fire and Emergency Planning Authority and the transfer of functions, property, rights and liabilities to London Fire Commissioner 	<ul style="list-style-type: none"> • Powers introduced to allow increased collaboration between emergency services • Powers that allow the PCC to act as Fire and Rescue Authority with a variety of governance and accounting structures resulting.



Accounting and regulatory update (continued)

Progress report on implementation of new standards and regulations

In previous reports to the Standards and Governance Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on the Authority 
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p> <p>Page 43</p>	<ul style="list-style-type: none"> The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. 	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> Issued a thought piece on early closedown As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 <p>Locally we have:</p> <ul style="list-style-type: none"> Had regular discussions through the year on the Authority's proposals to bring forward the closedown timetable Together with the Authority agreed areas for early work which have included testing of major income and expenditure streams at month 9.



Appendix D

Management representation letter

Management Rep Letter

[Date]

Ernst & Young

Apex Plaza
Forbury Road
Reading
RG1 1YE

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Dear Maria,

Hampshire Fire and Rescue Authority - Audit for the year ended 31 March 2017

This letter of representations is provided in connection with your audit of the financial statements of Hampshire Fire and Rescue Authority ("the Authority") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority's financial position of Hampshire Fire and Rescue Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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



Management representation letter (continued)

Management Representation Letter

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.



Management representation letter (continued)

Management Rep Letter

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Authority including Finance and General Purposes Committee and Standards and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the financial year to the most recent meeting on the following date: 19/06/2017.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.



Management representation letter (continued)

Management Rep Letter

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Use of the Work of a Specialist

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



Management representation letter (continued)

Management Rep Letter

J. Pensions Liability and PPE Valuations Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

K. Retirement benefits

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

Yours faithfully,

Chief Financial Officer

Chairman of the Audit Committee

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ED None

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**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Decision

Date **15 September 2017**

Title **INTERNAL AUDIT ANNUAL REPORT AND OPINION 2016/17**

Report of the Chief Internal Auditor

EXECUTIVE SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with my opinion, as Chief Internal Auditor for Hampshire Fire and Rescue Authority, on the adequacy and effectiveness of the Authority's framework of risk management, internal control and governance operated for the year ending 31 March 2017.

BACKGROUND

2. In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the system of internal control and this provides evidence to support the production and review of the Annual Governance Statement.
3. The Annual Report for 2016/17 (attached at Appendix 1) provides the Chief Internal Auditor's opinion on the system of internal control and summarises audit work from which that opinion is derived for the year ending 31 March 2017.
4. The Standards and Governance Committee's attention is drawn to the following points:
 - Internal audit was compliant with the Public Sector Internal Audit Standards (PSIAS) in 2016/17;
 - The revised internal audit plan for 2016/17 has been delivered;
 - Hampshire Fire and Rescue Authority's framework of governance, risk management and management control is considered to be adequate and audit testing has demonstrated controls to be working in practice; and;
 - 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.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

5. The Internal Audit annual report and opinion 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 2016/17 plan was prepared on the basis of audit need and agreed with senior managers and endorsed by Hampshire Fire and Rescue Authority, following comprehensive risk assessment. The cost was reflected in the Authority's budget.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

7. Proposals have no environmental or sustainability impacts.

LEGAL IMPLICATIONS

8. There are no legal implications as a result of this report.

PEOPLE IMPACT ASSESSMENT

9. The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.

RISK ANALYSIS

10. 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.

RECOMMENDATION

11. That the Committee accepts the Chief Internal Auditor's annual report and opinion statement for 2016/17

APPENDICES ATTACHED

12. Appendix 1 – Internal Audit Annual Report and Opinion 2016/17

Contact: Karen Shaw, Chief Internal Auditor, karen.Shaw@hants.gov.uk,
01962 846194

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Annual Internal Audit Report & Opinion

2016 – 17

Hampshire Fire and Rescue Authority



HAMPSHIRE
FIRE AND
RESCUE
SERVICE

Page 55

Southern Internal Audit Partnership

Assurance through excellence
and innovation

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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 in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2016) [the Standards].

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 organisation’s 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 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 Hampshire Fire and Rescue Authority that these arrangements are in place and operating effectively.

Hampshire Fire and Rescue Authority’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. Internal Audit Approach

To enable effective outcomes internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Deputy Head of the Southern Internal Audit Partnership and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisation's success;
- risks inherent in the achievement of objectives; and
- level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to Hampshire Fire and Rescue Authority on the framework of internal control, risk management and governance in operation and to stimulate improvement.



3. Internal Audit Opinion

The Deputy Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by Hampshire Fire and Rescue Authority to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years’ internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of Hampshire Fire and Rescue Authority’s audit need that has been covered within the period.

Audit Opinion

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Hampshire Fire and Rescue Authority’s internal control environment.

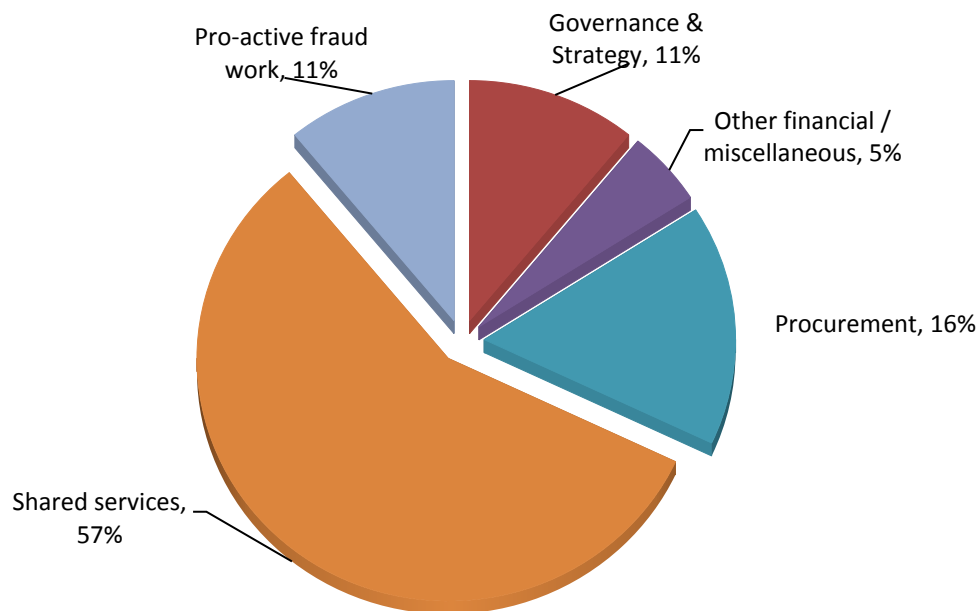
In my opinion, Hampshire Fire and Rescue Authority’s framework of governance, risk management and management control is adequate and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of Hampshire Fire and Rescue Authority’s activities and to support the preparation of the Annual Governance Statement.

Internal audit reviews %



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2016-17 Internal audit plan, approved by the Standards and Governance Committee in April 2016, was informed by internal audit’s own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

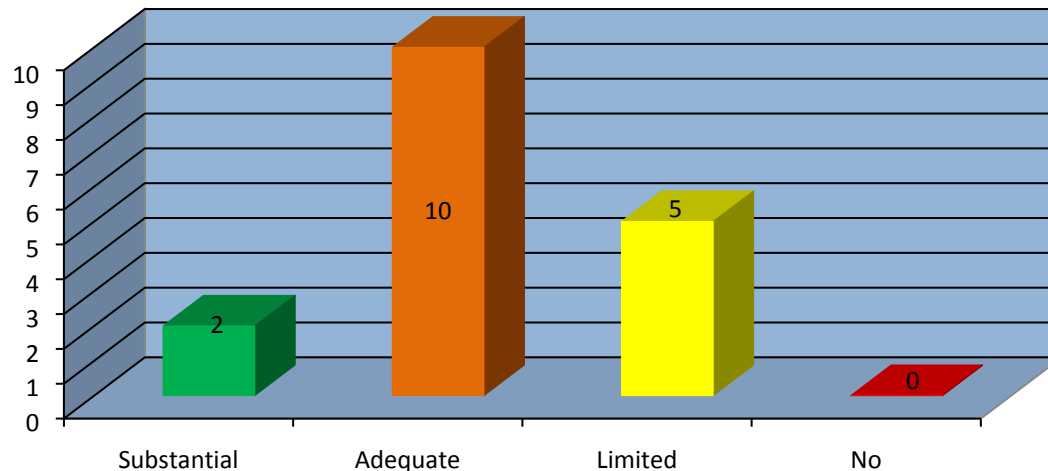
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the Internal Audit opinion the Southern Internal Audit Partnership have undertaken 19 reviews in the year ending 31 March 2017.

The 2016-17 internal audit plan has been delivered with the following exception:

- Work is complete and an opinion has been formed for one review included in the chart below, however, the final report has not yet been agreed with management (local management of shared services – sickness management).

I do not consider this exception to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue of the final report is defined and summarised below:



Substantial - A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified;

Adequate - Basically a sound framework of internal control with opportunities to improve controls and/or compliance with the control framework. No significant risks to the achievement of system objectives have been identified;

Limited - Significant weakness identified in the framework of internal control and/or compliance with the control framework which could place the achievement of system objectives at risk; or

No - Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

*Due to the nature of the work, 4 reviews did not result in an audit opinion. Two reviews had a split audit opinion.

5. Shared Services

The results of work completed as part of the Shared Services plan are included above, however the Head of Southern Audit Partnership has also produced a statement of assurance specifically for the Integrated Business Centre, concluding that the framework of governance, risk management and management control is adequate and audit testing has demonstrated controls to be working in practice. This includes the IT environment in which these systems operate and I have also taken this into account in forming my overall internal audit opinion.

6. Key observations

As part of the planning process, Hampshire Fire and Rescue Service managers requested that we focus our audit activity around procurement processes due to concerns in this area. Of the five limited assurance opinions provided during the year, three arose from this work and we identified the need to generally strengthen awareness and compliance with controls in this area.

We also identified the need to improve the processes for recording sickness absence.

Where our work identified risks that we considered fell outside the parameters acceptable to Hampshire Fire and Rescue Authority, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

7. Anti Fraud and Corruption

Hampshire Fire and Rescue Authority is committed to the highest possible standards of openness, probity and accountability and recognises that the public need to have confidence in those responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence and damage reputation and image. Policies and strategies are in place setting out the Authority's approach and commitment to the prevention and detection of fraud or corruption. Arrangements are also in place to enable staff to report any concerns.

Hampshire Fire and Rescue Authority continue to conform to the requirements of the National Fraud Initiative. The NFI matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information analysed that indicate a fraud, an error or an overpayment may have taken place, signalling the need for review and potential investigation. The Cabinet Office assumed responsibility for the National Fraud Initiative following the demise of the Audit Commission in March 2015.

As part of the 2016/17 NFI exercise the Hampshire Fire and Rescue Authority submitted required data sets in October 2016 receiving feedback on potential matches in January 2017 (as detailed in figure 1). Work will be carried out during 2017-18 to review identified 'recommended matches' for fraudulent activity.

Dataset	Total matches	Recommended matches
Pensions	45	38
Payroll	101	5
Creditors	988	114
VAT	7	2
Total	1141	159

Figure 1

No cases of fraud or irregularity have been reported to internal audit for investigation during the year.

8. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against ‘the Standards’ and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years.

In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

In September 2015 the Institute of Internal Auditors were commissioned to complete an external assessment of the Southern Internal Audit Partnership.

The assessment included review of a wide range of documentary evidence and interviews and surveys with representative stakeholders (including Chief Executives, Audit Chairs and S151 Officers) across existing partnering organisations in addition to members of the Southern Internal Audit Partnership staff.

In considering all sources of evidence the external assessment team concluded:

It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles. **This performance is within the top decile of EQA reviews we have performed.** This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.

There are **no instances** across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.

A self assessment was completed during 2016-17 and concluded that SIAP continue to meet the standards required.

9. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.




10. Quality control

Our aim is to provide a service that remains responsive to the needs of Hampshire Fire and Rescue Authority and maintains consistently high standards. In addition to the QAIP this was achieved in 2016-17 through the following internal processes:

- On-going regular liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Registration under British Standard BS EN ISO 9001:2008, the international quality management standard complemented by a comprehensive set of audit and management procedures;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self assessment against the Public Sector Internal Audit Standards.

11. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Annual performance indicators			
Aspect of service	2015-16		2016-17
	Actual (%)		Actual (%)
Revised plan delivered (including 2015/16 c/f)	100		100
Compliant with the Public Sector Internal Audit Standards	Yes		Yes
Customer satisfaction *	97%		96%

*this is based on the feedback from a customer survey and as such reflects the perceptions across the Partnership, rather than those expressed specifically by Hampshire Fire and Rescue Authority.

12. Acknowledgement

I would like to take this opportunity to thank all those staff throughout Hampshire Fire and Rescue Service with whom we have made contact in the year. Management have been responsive to the comments we made both informally and through our formal reporting.

Karen Shaw
Deputy Head of Southern Internal Audit Partnership
June 2017

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**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date **15 September 2017**

Title **INTERNAL AUDIT PROGRESS REPORT 2017/18**

Report of the Chief Internal Auditor

EXECUTIVE 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 plan
 - 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 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.
4. The attached report summarises the activities of internal audit for the period ending 31 August 2017.

SUPPORTING OUR SERVICE 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 2017/18 plan was prepared on the basis of audit need and agreed with senior managers and endorsed by Hampshire Fire and Rescue Authority, 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 Fire and Rescue Authority.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

8. Proposals have no environmental or sustainability impacts.

LEGAL IMPLICATIONS

9. There are no legal implications as a result of this report.

PEOPLE IMPACT ASSESSMENT

10. The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.

RISK ANALYSIS

11. 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.

RECOMMENDATION

12. That the Committee note the progress of internal audit work for the period ending 31 August 2017.

APPENDICES ATTACHED

13. **Appendix 1 – Internal Audit Progress Report 2017/18**

Contact: Karen Shaw, Chief Internal Auditor, karen.Shaw@hants.gov.uk, 01962 846194

Internal Audit Progress Report

September 2017

Hampshire Fire and Rescue Authority



**HAMPSHIRE
FIRE AND
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SERVICE**

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

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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, updated in 2017, [the Standards].

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 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 Hampshire Fire and Rescue Authority that these arrangements are in place and operating effectively.

Hampshire Fire and Rescue Authority’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

2. Purpose of report

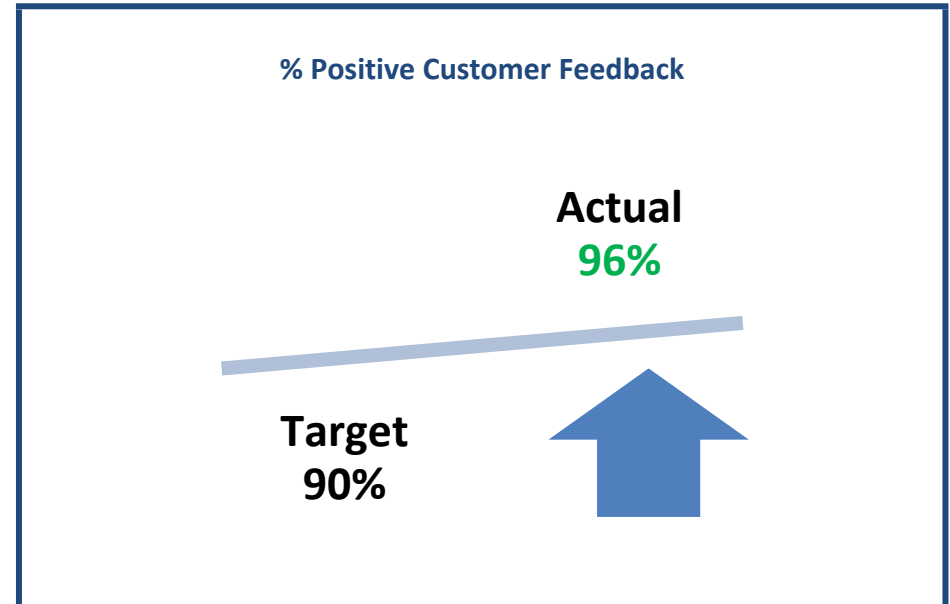
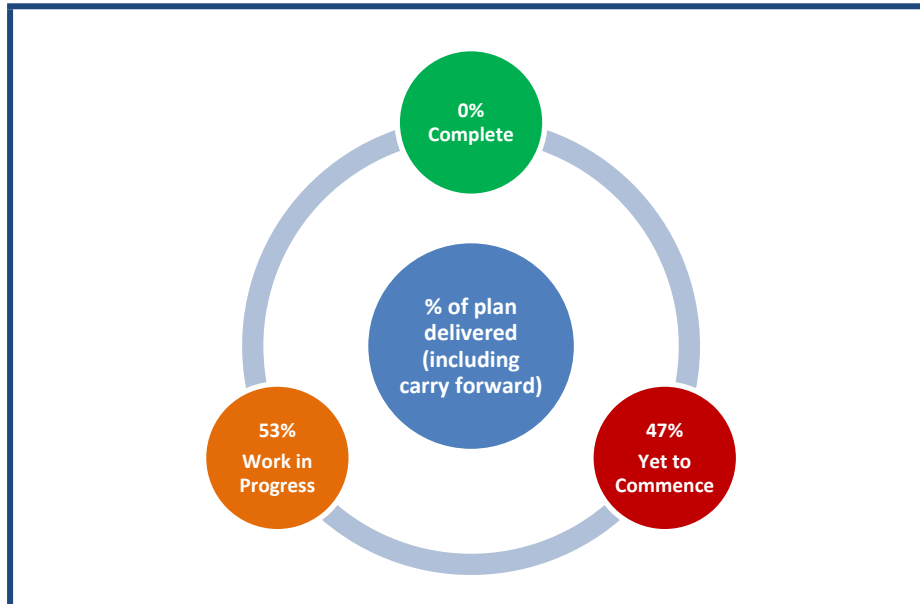
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to Senior Management and the Board, summarising:

- 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. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

4. Status of 'Live' Reports and reports closed since our last progress report

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
2013/14									
Networked control	2.7.14	Head of Response Delivery		Adequate	5(0)	0(0)	0(0)	3(0)	2(0)
2014/15									
IT-Firewatch	30.7.15	H o KM		Limited	18(0)	0(0)	0(0)	9(0)	9(0)
Partnerships and associated contracts (SCAS)	14.8.15	D o PS		Adequate	6(1)	0(0)	0(0)	4(1)	2(0)
Safeguarding	3.12.15	ACO	AM CSS	Adequate	14(3)	0(0)	0(0)	14(3)	0(0)
2015/16									
Local management of shared services processes	11.7.16	D o PS	Lead HR BP	Limited	5(2)	0(0)	0(0)	5(2)	0(0)
Business continuity	7.6.16	D o PS	H o KM	Limited	12(3)	0(0)	0(0)	7(3)	5(0)
Provided vehicles	4.7.16	D o PS	H o PA	Limited	10(3)	0(0)	0(0)	6(3)	4(0)

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
Property management – property agreements	18.8.16	D o PS	H o PA	Limited	14(1)	0(0)	2(1)	12(0)	0(0)
Risk management 2015/16	19.12.16	DoPS	HoKM	Limited	8(6)	0(0)	0(0)	7(5)	1(1)
Effectiveness of Service Delivery Redesign 2016/17	6.4.17	D o PS/ CFO	ACO	Adequate	3(0)	0(0)	3(0)	0(0)	0(0)
Procurement – supplies and stores 2016/17	8.6.17	D o PS	H o PA	Limited	13(1)	0(0)	6(1)	6(0)	1(0)
Commercial activities – income generation 2016/17	22.6.17	D o PS	H o PA	Adequate	9(0)	0(0)	7(0)	2(0)	0(0)
Procurement processes 2016/17	22.6.17	D o PS	H o PA	Limited	9(3)	0(0)	8(3)	1(0)	0(0)
Procurement of operational equipment and vehicles 2016/17	22.6.17	D o PS	H o PA	Limited – operational equipment Adequate - vehicles	10(0)	0(0)	8(0)	1(0)	1(0)
Local management of shared services - Sickness management	30.8.17	D o PS	Head of HR and	Limited	5(0)	0(0)	5(0)	0(0)	0(0)

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
			Workforce Development						

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

Four reports were issued since the last Standards and Governance Committee which resulted in Limited assurance opinions. These reviews related to 2016/17, details of which are included in the annual internal audit report.

6. Planning & Resourcing

The internal audit plan for 2017/2018 was approved by the Hampshire Fire and Rescue Authority’s Management Team and the Standards and Governance Committee in March 2017.

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

7. Rolling Work Programme

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ↻ Delay)	Comment
Audit Plan 2016/17										
Local management of shared services (Sickness management)	D o PS	Head of HR and Workforce Development	✓	✓	✓	✓	✓	Limited		
Audit Plan 2017/18										
Implementation of savings plan	H o F	Lead Finance BP	✓	✓	✓					
Information management/security	D o PS	Head of ICT	Q3							
Safeguarding	D o CS and R	H o CS	✓	✓						
Workforce development	H of HR and Training	Lead HR BP	Q4							

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Fleet maintenance centre	D o PS	H o PA	✓	✓	✓					
IT Strategy, management and governance	D o PS	H of ICT	✓	✓	✓					
Pro-active fraud work	D o PS	H o KM								
NFI	D o PS	H o KM	N/A	N/A		N/A	N/A			
Shared services audit plan 2017/18										
Payroll			✓	✓						
Payroll support			✓	✓						
Order to Cash (OTC)			✓	✓						
Purchase to pay (P2P)			✓	✓	✓					
Main accounting system (SAP)			✓							
Treasury Management			✓	✓	✓					
Debt Collection			✓	✓						

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
BACS			✓	✓	✓	✓	✓	Adequate		
Governance arrangements			✓	✓						
Statutory Checks			✓	✓	✓					
Recruitment			✓	✓	✓					
Category Management										
Contract Management										

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Key to abbreviations:	
ACO	Assistant Chief Officer
AM CSS	Area Manager – Community Safety Support
CFO	Chief Financial Officer
D o PS	Director of Professional Services

D o CS and R	Director of Community Safety and Resilience
H o CS	Head of Community Safety
H o F	Head of Finance
H o ICT	Head of ICT
H o KM	Head of Knowledge Management
H o PA	Head of Physical Assets
Lead Finance BP	Lead Finance Business Partner
Lead HR BP	Lead Human Resources Business Partner
N/A	Not applicable



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date 15 SEPTEMBER 2017

Title **IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS –
PROGRESS REPORT**

Report of Chief Officer

EXECUTIVE SUMMARY

1. This report provides the Committee with an overview of the work we do as officers to oversee the implementation of internal audit recommendations and their respective actions.
2. It also provides an update on those actions that have not been completed within their target date, and their status.
3. The Standards and Governance Committee has a key scrutiny role in monitoring the implementation of internal actions.

BACKGROUND

4. We see the internal audit follow-up process as an important element in our overall approach to risk management and governance. When an action is agreed by managers to address a control weakness, or to make an improvement to the way we work, it is important that the action is then implemented as planned.

5 Liaison with internal audit and the follow up process

- 5.1 The internal audit service is provided to the Authority by Southern Internal Audit Partnership at Hampshire County Council. There is an Internal Audit Charter that has been in place since 2014. This and the Internal Audit Plan are reviewed and updated annually to reflect changing organisational priorities and needs.
- 5.2 The Knowledge Management team maintains a record of audits against the current Internal Audit Plan and whether they are in progress or have been completed.

5.3 Once a final audit report has been issued, the agreed management actions are recorded along with:

- the priority of the recommendation;
- the target date for implementation; and
- the person responsible for the action.

5.4 The Knowledge Management Team will ask for confirmation and evidence that an action has been implemented, or if not, when it is expected to be. The response is recorded. Any recommendations that continue to remain outstanding are referred to the relevant Director. Our internal Risk and Assurance Board now keeps an overview of outstanding recommendations.

5.5 Performance of the implementation of audit recommendations remains good. We do however recognise the need to make improvements in the speed with which we progress the individual audits. We are committed to this, and the internal Risk and Assurance Board will oversee progress.

5.6 The table below details those recommendations that are currently outstanding beyond their agreed target date and 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			
Audit Plan year 2013/14			
Networked Fire Control Project			
Review partnership and FRS benefits alignment.	Initial target August 2014 Revised to December 2017	M	Due to unavoidable delays the project close date has been extended to 31.12.17. Although some benefits measurement has taken place, the close report is yet to be complete. This will detail a full assessment of the benefits which will meet the outstanding actions.
Undertake further baseline benefits measurement (FRS).	Initial target August 2014 Revised to December 2017	M	
Audit Plan year 2014/15			
Partnerships and Associated Contracts – South Central Ambulance Service			
Partnerships Policy to be updated and a Partnerships Register to be created.	July 2016	M	An overall policy framework has now been agreed with guidance notes on partnership governance planned. The register is being considered to ensure that it provides value proportion to the amount of bureaucracy involved.

Audit Plan year 2015/16			
Provided Vehicle Policy			
Review the current policy and address the points observed by IA. Report to Project Board.	August 2016	M	Policy has been updated.
Driver's Handbook to be reviewed in light of the observations and amended where needed. Report to Project Board.	August 2016	M	
Ensure that systems are understood and support the ability of managers to check reported mileage. Report to Project Board.	August 2016	M	
Clarification through Project Board of what constitutes 'normal place of work' and communicated to FDS officers. Report to Project Board.	August 2016	M	
Risk Management			
The risk management framework will include an effective process to ensure risks are discharged appropriately and archived.	April 2017	M	A revised Risk Management Strategy was approved in March 2017. The Risk and Assurance Board is currently overseeing a new framework to ensure that there are adequate controls in place.
Audit Plan year 2016/17			
Supplies and stores procurement			
Process maps for day to day operations to be created, to be displayed within stores area at all times.	July 2017	M	Work is ongoing to progress.
Procurement of Operational Equipment & Vehicles			
Add process step to operating procedures to ensure vehicle modifications and refurbishments are fully compliant with stated procurement processes.	July 2017	M	Work is ongoing to progress.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

- 6 Implementation of internal audit recommendations assists the Authority in the improvement planning process, performance management framework, and in compliance with its governance arrangements. This in turn, assists the Authority in achieving its aim to be the best fire and rescue service in the country.

RESOURCE IMPLICATIONS

- 7 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.

- 8 The management of internal audit actions is within current resources.

LEGAL IMPLICATIONS

- 9 There are no legal implications as a result of this report.

PEOPLE IMPACT ASSESSMENT

- 10 The contents of this report are considered compatible with the provisions of equality and human rights legislation.

RISK ANALYSIS

- 11 Failure to implement internal audit recommendations clearly leaves the Authority vulnerable to the consequences of the identified risks and weaknesses in control. The process 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.

RECOMMENDATION

- 12 That the progress made towards the implementation of the internal audit management actions is noted and continues to be monitored.

Contact: Samuel Fairman, Performance Review Manager,
Samuel.fairman@hantsfire.gov.uk



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Approved

Date **15 SEPTEMBER 2017**

Title **ANNUAL ASSURANCE STATEMENT**

Report of Chief Officer

EXECUTIVE SUMMARY

1. The Authority has a responsibility to publish a Statement of Assurance on an annual basis as part of the Fire and Rescue National Framework requirements. The Statement sets out the approach to ensure the appropriate arrangements are in place in terms of governance and operational delivery, going beyond the scope of the Annual Governance Statement. It is published on the Service's website with a series of links to enable it to be publicly available and maintained up to date.
2. The draft Statement for 2017 is attached in appendix 1 for Members' comment and approval.

BACKGROUND

3. **The requirements of the Fire and Rescue National Framework**
 - 3.1 The Fire and Rescue National Framework for England, 2012, sets out a requirement for fire and rescue services to publish Statements of Assurance. It says:

‘Fire and rescue authorities must provide annual assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their integrated risk management plan and the requirements included in the Framework. To provide assurance, fire and rescue authorities must publish an annual statement of assurance.’
 - 3.2 After considering the guidance, in 2013 the Authority agreed that its Assurance Statement should consist of summary documents such as the Service plan and our annual performance report, with references and hyperlinks to *signpost* the reader to more detailed sources of reference if they require it, rather than writing one long document. This method enables us to ensure that information is more dynamic and up to date.

- 3.3 The Statement includes three sections, financial, governance (including transparency) and operational. A review of the Statement is made on an annual basis and presented to the Standards and Governance Committee.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

- 4 As the Authority is accountable to its local communities, the Authority needs to be transparent about decisions and actions taken, and engage with communities so local people can scrutinise and influence service delivery. Publication of information to our community will enable this engagement.

RESOURCE IMPLICATIONS

- 5 The requirements set out in this report have been met within current resources.

LEGAL IMPLICATIONS

- 6 As reported in paragraph 1 above, the preparation and publication of the Annual Assurance Statement is a requirement of the Fire and Rescue National Framework for England.

PEOPLE IMPACT ASSESSMENT

- 7 The proposals in this report are considered compatible with the provisions of equality and human rights legislation.

RISK ANALYSIS

- 8 Failing to comply with the requirements will reduce our transparency and could ultimately result in government intervention.

RECOMMENDATION

- 9 That the Annual Assurance Statement 2017 is received and approved by the Committee.

APPENDICES ATTACHED

- 10 Appendix 1 - Annual Assurance Statement 2017

BACKGROUND PAPERS

11 Fire and rescue national framework for England, DCLG, 2012

Guidance on statements of assurance for fire and rescue authorities in England, DCLG, May 2013

Chief Fire Officers Association circular 2013/10 - Annual Statement of Assurance March 2013

Contact: Samuel Fairman, Performance Review Manager,
Samuel.fairman@hantsfire.gov.uk

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Appendix 1 - Annual Assurance Statement 2017

Introduction

We believe in continual improvement and constantly look to develop what we do for the community as well as ensure that we provide value for money. To achieve this improvement we seek information from our community about their satisfaction and encourage feedback from staff, partner organisations, and other professionals.

We gather information from members of the public after incidents and undertake a range of audits 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 Service plan.

This constant process of review helps us to improve our performance, making Hampshire a safer place to live. We are very proud of our past performance. However, we will not stand still and are always developing new initiatives to improve.

To improve our services and ensure we are delivering the best service to the public we focus our attention on our performance in the three key areas of Finance, Governance and Operational Activity. These areas help strengthen our organisation and give us a solid platform to grow.

Financial

It is important that public money is well used and appropriately managed. We do this by using proper accounting practice and financial regulations. This means that when we plan our budget or require additional funds, there are protocols to give appropriate scrutiny on how public money is to be used and ensure there is clear justification to do so.

Proper and legal accounting practice

We have robust systems for identifying and evaluating all significant financial and operational risks to the Authority on an integrated basis. This includes the active participation of all staff associated with planning and delivering services. We also have policies and procedures in place for the prevention of fraud & corruption and maintain a Register of Interest and a register of Gifts & Hospitality.

For more details please see: <http://www.hantsfire.gov.uk/how-we-are-performing/our-performance/budget-accounts-and-regulations/financial-regulations/>

Public money is used economically, efficiently and effectively

Financial Regulations are the regulatory framework within which the financial affairs of the Authority operate, and apply to all the Authority's activities. The regulations identify responsibilities in full, but from a common sense point of view can be summarised as follows:

- Major financial decisions, including setting the annual budget, must be taken by members as advised by the Treasurer.
- The Authority encourages the Chief Officer and his staff to take as much day-to-day responsibility for financial management of the Service as possible within the agreed budget.
- The Treasurer (for financial matters) and the Clerk (for legal matters) have statutory responsibilities and should be consulted on significant issues or where members or officers have any doubt about the correctness of a possible action.
- Spending must be regularly monitored to ensure that it stays within approved budgets.
- Members, as advised by the Treasurer, Clerk and Chief Officer, are responsible for identifying significant risks to the Authority and for putting in place a strategy to deal with them.
- Payments, including to employees, can only be made through arrangements approved by the Treasurer and within detailed procedures laid down.
- All partnership arrangements must take account of appropriate financial and legal matters.

For more details please see: <http://www.hantsfire.gov.uk/how-we-are-performing/our-performance/budget-accounts-and-regulations/financial-regulations/>

Governance

As well as having financial regulations and a financial management strategy it is important for us to follow appropriate business practice. How we do this is detailed in our 'Annual Governance statement', which can be found in our 'Statement of accounts'. In addition to this, we provide the public with open access on our activity and spending. This gives us greater accountability to the public.

Measures taken by the authority to ensure appropriate business practice

The governance framework comprises the systems and processes, and cultures and values, by which Hampshire Fire and Rescue Service is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Fire 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.

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, in order to manage them efficiently, effectively and economically.

For more details please see: <https://www.hantsfire.gov.uk/how-were-performing/our-performance/budget-accounts-and-regulations/statement-of-accounts/>

Transparency

The Local Government Transparency Code 2014 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 Data Protection Act 1998.

For more details please see: <http://www.hantsfire.gov.uk/how-we-are-performing/open-data/>

Operational

Our operational activities are supported by clearly defined policies and procedures. An Operational Assurance team work hard to capture lessons post incidents, regarding our effectiveness and look to make improvements where possible. As our understanding of risks and our local environments change we ensure that these are reviewed and revised in accordance with national policy frameworks. We also use the National Coordination and Advisory Framework (NCAF) to ensure we provide robust, flexible response arrangements that can be adapted to the type and size of an event.

Information is integral to our continual service improvement. Using historical data we are able to learn from past events to make improvements for the future. Furthermore, we work closely with partner agencies to share crucial information and also deliver cost effective services to the public.

Integrated Risk Management Plan (IRMP)

Our IRMP sets out our goals as a Service and how we plan to continue to make life safer for everyone in Hampshire. This involves:

- Identifying existing and potential risks to the communities within Hampshire
- Evaluating the effectiveness of current preventative and response arrangements
- Identifying opportunities for improvements and determine policies and standards for prevention and intervention
- Providing the resource requirements needed to meet these policies and standards

To produce the Service's IRMP for the future, we have, over the last couple of years, reviewed every angle of our Service including how we respond to incidents, how we can create safer communities and how we can help build community resilience. This extensive piece of work was called the Risk Review project.

This began in February 2014, the Service set out to review all the risks in Hampshire, including population demographics, businesses and crime levels. By September 2014 we had scenarios for change, which were then put to a cross-section of our staff for feedback. After gathering this data we took this forward into the creation of our initial draft proposals. We looked to members of the Service, and their representative bodies, to give individual feedback and a view to the help shape the proposals going forward to the next phase. In 2015, we again put our proposals back to our staff so that they could understand how the process was developing. It allowed staff a further opportunity to have their say on the vision for the future of their local fire station.

The proposals were then reviewed by the Service Management Team and by our governing body the Hampshire and Fire Rescue Service Authority. Following the review we entered a 12 week consultation period, beginning in September 2015, which gathered input and opinions from all of our key stakeholder groups from across the county. The consultation closed on 4 December 2015 and the proposals were then amended and approved by Hampshire Fire and Rescue Authority on the 24 February 2016.

In March 2016, the Safer Hampshire consultation was awarded a certificate of best practice from The Consultation Institute:
(<https://www.hantsfire.gov.uk/EasySiteWeb/GatewayLink.aspx?allId=12485>)

To view our IRMP please see:

<https://www.hantsfire.gov.uk/EasySiteWeb/GatewayLink.aspx?allId=13820>

The approved proposals are now being implemented under the governance of the Service Delivery Redesign project.

Service Plan

Our Service Plan clearly lays out our vision to work smarter, be more efficient, and to make life safer for everyone in Hampshire. Expanding on the areas covered in our IRMP we look to create safer communities through the strengthening of our Service. This is set out into 9 overarching priorities:

Safer

- Building Community Resilience
- Creating Safer Communities
- Responding to Incidents

Stronger

- Assets & Money
- Communications & Engagement
- Knowledge
- Our People & Leadership
- Technology
- Working with Partners

For more details please see: <http://www.hantsfire.gov.uk/about-us/plan/>

Performance

As part of the governance arrangements within the Service Management Team (SMT), a number of boards have been established to effectively manage important areas of the organisation. One of these groups is the Performance Board. This Board has delegated authority from SMT to act in a monitoring capacity for managing and thereby improving the performance of all organisational activity that Hampshire Fire & Rescue Service (HFRS) undertakes.

The headings of the logic model are as follows:

- **Activity** – activities being under taken
- **Input** – resources available to deliver the activity
- **Output** – quantifiable metrics to show productivity of activity
- **Outcome** – immediate measurable change the activity hopes to deliver
- **Impact** – wider benefits the Service or public may realise

Successful performance management relies on effective monitoring that drives informed decision making. Therefore, our Framework is there to ensure performance is appropriately reported and improvement actions are driven through transparent scrutiny. This starts at a local level with a common approach to the establishment of Station and Team Plans and agreement of ways of monitoring the delivery of these plans. This then feeds up through the monitoring of delivery of both business as usual and transformational change activities towards the achievement of the objectives in the Service Plan, to the provision of reports to the Fire Authority.

For more information on our performance reporting, please see:

<https://www.hantsfire.gov.uk/how-were-performing/our-performance/performance-standards/>

Peer Review

Our Peer Review took place from 24th to 27th November 2015. This consisted of a range of on-site activities including interviews, focus groups and fire station visits. The peer team met with a broad cross-section of officers, staff, front-line firefighters, partners and elected members. The peer team undertook background reading provided to them in advance, including the HFRS Self-Assessment. The evidence and feedback gathered was assimilated into broad themes and was delivered to HFRS on the final day of the challenge. An action plan was developed to make improvements as a result of the Peer Review feedback, the delivery of which has been overseen by the Fire Authority.

For more information, please see: <https://www.hantsfire.gov.uk/how-were-performing/our-performance/peer-review/>

Civil 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, including improved ability to operate effectively together. We hold several assets and deliver a response capability to National incidents that may arise in support of this initiative and in compliance with the Civil Contingencies Act 2004.

For more information, please see: <http://www.hantsfire.gov.uk/about-us/what-we-do/civil-resilience/>



Purpose: Decision

Date **15 SEPTEMBER 2017**

Title **ANNUAL ACCOUNTS 2016/17**

Report of Treasurer

EXECUTIVE SUMMARY

1. The Accounts and Audit Regulations require the Authority's Statement of Accounts to be approved by the 30 September following the year end. The Authority has delegated responsibility for the approval of the draft statement of accounts to the Standards and Governance Committee.
2. The Statements have been audited and the conclusions of the audit are contained within Ernst and Young's (EY) audit results report, which is also on this agenda.
3. A report on the final accounts for 2016/17 was submitted to the Authority on 25 July and the Statement of Accounts is consistent with that report subject only to a small number of minor changes agreed during the audit. The Annual Governance Statement, which forms part of the annual accounts was approved by the Authority on 13 June.
4. This report presents for the Committee's approval the Statement of Accounts 2016/17 and recommends that the Treasurer be given delegated authority to make any amendments if required prior to the issue of the audit opinion.
5. From 2015/16 onwards there was a new requirement to publish a draft set of accounts in advance of them being audited. For HFRA these have been available on the web since the beginning of June. The final Statement of Accounts, which includes minor adjustments agreed with the External Auditors (none of which it is felt need to be brought to the attention of this Committee) are attached at Appendix 1.
6. The early publication of the draft accounts this year also aligns with new requirements that will come into force for the 2017/18 accounts, that need to be produced by the end of May and audited and reported by the end of July. A 'dry run' was therefore undertaken this year and the end of May timetable was successfully achieved.

7. The final sign off of the accounts and the Auditors report was not brought forward as part of this process since committee dates were already in place, but for the 2017/18 accounts a Committee meeting late in July will be required.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

8. The Statement of Accounts have been drawn up in the form prescribed by the 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. The Code is updated each year and for this Authority, there were two major changes that have been reflected in the draft accounts.
9. The first relates to the Comprehensive Income and Expenditure Statement (CIES) which can now be presented in line with the Authority's financial reporting structure rather than under the Service Reporting Code of Practice (SeRCOP) headings. This then aligns to the second change, which is the inclusion of an Expenditure Funding Analysis (EFA) which provides a comparison of expenditure between an accounting and funding basis and shows the adjustments needed to reconcile back to the CIES.

STATEMENT OF ACCOUNTS

10. The Statement of Accounts comprises a number of separate statements, the key features of which are summarised in the following paragraphs.

Movement in Reserves Statement

11. 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 other reserves.

Comprehensive Income and Expenditure Statement

12. This statement shows the accounting cost of providing services rather than the amount funded from taxation, as explained above this has now been presented using financial reporting headings rather than SeRCOP. The taxation position is shown in the Movement of Reserves Statement.

Balance Sheet

13. This shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by reserves; either useable or unusable.

Cash Flow Statement

14. 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.

Notes to the accounts

15. 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

16. All Fire Authorities are required by legislation to operate a Pension Fund Account and the amounts paid into and out of it are specified by regulation. Members will be aware that the Authority pays an employer's pension contribution based on a percentage of pay into the pension fund account.
17. The Account is balanced to each year to nil by receiving cash in the form of a pension top-up grant from the Government equal to a percentage of the amount by which the amount payable from the Account exceeded the amount receivable. This percentage is agreed on an annual basis and for 2016/17 was 100%.

Annual Governance Statement

18. The Annual Governance Statement has to accompany the Statement of Accounts. The Authority's Statement was approved by the Authority on 13 June.

Statement of Responsibilities for the Statement of Account

19. This statement records the responsibility:
 - of the local authority to appoint an officer with responsibility for the proper administration of its financial affairs, the Treasurer within this Authority
 - of the Treasurer 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 view of the Authority
 - of the Chairman of this Committee to confirm that the accounts have been considered and approved by the Committee.

LETTER OF REPRESENTATIONS

20. 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.

21. The letter provides additional assurance that all matters have been disclosed to the auditors and that no undue influence has been applied in producing the accounts that would prevent them giving a true and fair view of the Authority's financial position.
22. The letter is usually provided at the meeting of the Committee, but since there has been such a long period between the production and audit of accounts and the sign off meeting, it has been possible to provide it as part of the formal papers at Appendix 2.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

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

CONSULTATION

24. No consultation is required for this report as it is based on historic information and is a purely factual document. The annual accounts will be audited by Ernst and Young and a separate report is presented elsewhere on this agenda.

RESOURCE IMPLICATIONS

25. There are no direct resource implications contained within this report.

LEGAL IMPLICATIONS

26. It is a legal requirement that the Statement of Accounts is approved by those charged with governance and is signed off by external audit.

PEOPLE IMPACT ASSESSMENT

27. There are no direct impacts on people as a result of this report.

OPTIONS

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

RISK ANALYSIS

29. The statement of accounts is an important element of the Authority's corporate governance arrangements. It has been prepared in accordance with the appropriate statutory code. Together with the Budget Book and the report on

the final accounts for 2016/17, it provides evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

CONCLUSION

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

RECOMMENDATION

31. That the attached Statement of Accounts for 2016/17 be approved subject to any amendments reported at the meeting.
32. That the Treasurer be given delegated authority to approve any minor amendments to the Statement of Accounts if required.
33. That the Letter of Representations contained in Appendix 2 is considered and approved by the Committee

APPENDICES ATTACHED

Appendix 1 – Statement of Accounts and Annual Governance Statement 2016/17

Appendix 2 – Letter of Representations

BACKGROUND DOCUMENTS

Section 100 D - Local Government Act 1972 – background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report.

Final Accounts Report – F&GP Committee 4 July 2016

NB: the list excludes Published works

Documents which disclose exempt or confidential information as defined in the Act:

None

Contact:

Rob Carr, Chief Finance Officer, Rob.Carr@hants.gov.uk, 01962 847508



HAMPSHIRE
**FIRE AND
RESCUE**
AUTHORITY

Statement of Accounts 2016-17

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Narrative Statement

Introduction

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

- Understand the overall financial position of the Authority and the outturn position for 2016/17;
- Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Authority is sound and secure.

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

This Narrative Statement has been structured to help enable readers to understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts. The statement provides information about Hampshire, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

- Statement from the Chairman of Hampshire Fire and Rescue Authority
- Introduction from the Chief Financial Officer
- An Introduction to Hampshire
- The Fire and Rescue Authority's Performance
- Financial Performance of the Authority 2016/17
- Corporate Risks
- Summary Position
- Where you can get further information

This is followed by an explanation of the Financial Statements, including information on changes during 2016/17.

Narrative Statement

Statement from the Chairman of Hampshire 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 2016/17. The Fire and Rescue Authority has always had a strong track record of financial management and stewardship and this continues to be evident as we progress through this period of austerity.”

“The next phase of savings required to respond to reductions in Government grant are already well underway and are partly reflected in the out turn position for the Authority for 2016/17, which will contribute to balancing the budget over the medium term.”

“We continue to be at the forefront of ‘blue light’ collaboration, opening the first joint Fire and Police Headquarters in the country and expanding our co-responding service which we provide in partnership with the South Central Ambulance Service.”

“During 2016/17 our Risk Review project moved from development into implementation with the new vehicles, equipment and crewing arrangements supporting a new way of responding to incidents which we expect to improve performance but for less cost.”

“The financial information contained in this narrative statement and the accounts themselves once again serve to highlight the strength and success of Hampshire Fire and Rescue Authority.”

Councillor Chris Carter – Chairman of Hampshire Fire and Rescue Authority

Introduction from the Chief Financial Officer

The Statement of Accounts for 2016/17 draws to a close a further successful financial year for Hampshire Fire and Rescue Authority. Financial performance has been strong and the Authority is already benefitting from the next phase of the savings programme.

This Narrative Statement is designed to help readers better understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts themselves.

It contains background information about the Fire and Rescue Authority and outlines some of the key financial issues in areas such as revenue and capital spending, reserves and treasury management. It also provides information about the Fire Authority’s performance during the year.

The accounts themselves are very complex and technical in nature, but I hope you will take the time to look through them and in particular, read the Narrative Statement which provides an excellent summary of what has happened during the financial year and outlines the financial standing of the Fire and Rescue Authority as at 31 March 2017.

If you would like more information on the accounts or have any questions on the content then contact information is contained within this Narrative Statement.

Rob Carr – Head of Finance

Narrative Statement

An Introduction to Hampshire

Hampshire is notable for housing the birthplaces of the Royal Navy, British Army and the Royal Air Force. It is bordered by Dorset to the west, Wiltshire to the north-west, Berkshire to the north, Surrey to the north-east, and West Sussex to the east. The southern boundary is the coastline of the English Channel and the Solent, facing the Isle of Wight. Hampshire is in the top ten of the largest counties by land area (covering approximately 1,400 square miles).

Hampshire Fire and Rescue Authority is a combined Fire Authority covering the whole of the geographic area of Hampshire including the two unitary authorities of Portsmouth and Southampton. The Fire Authority itself is made up of Councillors from Hampshire County Council and the two Cities.

The County also contains two national parks; the first covering the New Forest, and therefore governance of this area is carried out by a national park authority as well as the New Forest District Authority, the second the newer national park for the South Downs which covers the chalk downlands from Winchester eastwards which embraces a large number of local Authority areas across three counties, Hampshire, West and East Sussex.

Key Facts about Hampshire

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

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

Population 1,800,500 (Office for National Statistics Mid Year Estimates 2014)	728,980 households, of which 68% are owner-occupied (2011 Census)	85% of Hampshire is defined as rural and over a third of the County's area is within National Parks or Areas of Outstanding Natural Beauty
Hampshire has 80,000 businesses and a Gross Value Added of £47 billion, making it the largest 'County area' economy in the UK	The Hampshire economy is worth approximately £44.5 billion (ONS)	Tourism is worth almost £3 billion annually to the Hampshire economy and each year Hampshire is visited by 4.6 million staying visitors and a further 48 million day visitors
There are 51 Fire Stations across Hampshire of which 13 are whole time and 38 are retained	Hampshire has 5,300 miles (8,600 kilometres) of road and 193 miles (310 kilometres) of railway track, incorporating 49 stations	The population aged 65 and over in Hampshire increased by 21% between 2001 and 2011, nearly double the national increase (11%)

Hampshire Fire and Rescue Authority provides a wide range of services which make a difference to residents' lives on a daily basis, including responding to fire incidents,

Narrative Statement

attending road traffic collisions, Home Safety Visits, working with vulnerable or high risk groups to improve community safety and providing a co-responding service in partnership with South Central Ambulance Service.

Our Service Plan sets out our ambition to Make Life **Safer**, which we aim to achieve by:

- **Responding to Incidents** – We aim to continue to improve the way we respond to incidents and have effective strategies and appropriate resources and equipment in place to achieve this.
- **Creating Safer Communities** – We aim to reduce all risks across Hampshire by creating pioneering partnerships that target the most vulnerable people and places. This approach helps us to reach the wide range of societal and demographic changes that affect daily life, ensuring people are safer at home, travelling and socialising.
- **Building Community Resilience** – We will aim to enhance our communities' ability to prepare for, deal with and recover from incidents. We will work closely with partner agencies in targeted areas to assist communities and local businesses with pre-planning and education, enabling them to become more resilient to emergencies.

Our service plan for 2015-20

Our Service Plan sets out our Pathway to 2020 and how we aim to make Hampshire Fire and Rescue Authority, smarter, more efficient and relevant over the medium term, whilst at the same time responding to the Government grant reductions that have been applied across the public sector.

The Plan can be found at the link below and sets out how we intend to make the Service **Stronger** and make life **Safer** for the residents of Hampshire.

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

We feel that we will be a stronger organisation that makes life safer if...

Our communities...

- Feel safe and secure living and working in Hampshire
- See a professional and highly effective public service
- Trust the service to be there when they need it
- Feel public money is used effectively to make their lives safer

We aim to make ourselves Stronger by concentrating on 6 key areas:

- **Knowledge** – Using knowledge to plan and deliver better services for the public.
- **Technology** - Improving the technology we deploy to increase quality, agility and reduce cost across our business, establishing it as a driver for innovation and improvement.
- **People and Leadership** – Ensuring our people understand expectations on goals, standards and behaviour, and feel motivated and equipped to perform highly.
- **Assets and Money** - Improving the return on our physical assets and use medium-term financial planning to ensure we effectively prioritise our resources.
- **Communications and Engagement** - Developing targeted communications and engagement opportunities with our key stakeholders to improve our services.
- **Working with Partners** - Placing partnerships at the heart of all our work to deliver services across the county and over its borders

Narrative Statement

Looking towards 2020

The Authority's Medium Term Financial Plan (MTFP) sets out the strategy for balancing the budget over the next four years. Following the local government finance settlement issued in January 2016 (which set out provisional grant figures until 2019/20), together with favourable changes implemented as part of the 2017/18 budget setting process, the Authority was in the very strong position that it was able to largely balance its budgets to 2019/20 based on a strategy of:

- Full delivery of the existing Phase 2 savings programme
- Council tax increases of 1.99% each year for four years and
- Development of Phase 3 savings and income generation which would de-risk the financial plan and potentially provide additional resources for service development and annual contributions for financing the Capital Programme

The setting of the 2017/18 budget in February 2017, implemented further changes as part of the Phase 2 savings programme and increased council tax for the second year running, in line with the MTFP. The early implementation of savings, together with other favourable items such as savings in pension costs, generated a budget surplus in the year and this will be transferred to reserves to provide funding for the cost of implementing savings plans and service improvements.

A key part of the Phase 2 savings programme is the implementation of the changes arising from the Risk Review project, which makes fundamental changes to the way in which HFRS responds to incidents and the staffing and equipment that will be required on all of the stations across the county. The Risk Review has now moved into implementation under a separate major project called Service Delivery Re-Design (SDR), which is rolling out the new vehicles, equipment and revised crewing arrangements to facilitate fundamental changes to the way in which the Service responds to incidents. Further information on these changes can be found in the following report :

[Service delivery redesign update](#)

The early implementation of other savings, together with the additional income generated by council tax increases means that the implementation of the SDR can be left until later in the 4 year period to ensure that sufficient time and capacity is given to properly implement the changes and to test the effectiveness of the new arrangements as part of the implementation process.

The success of the savings programme, backed up by the significant levels of reserves available to fund new investment and transformation activity means that the Fire Authority is in a very strong financial position as it moves towards the end of the decade.

Narrative Statement

Key Facts about Hampshire 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 the County must be balanced with the efficient use of resources and the utilisation of the capacity that we have available to improve all aspects of public safety. Charged with directing the outcomes, priorities and policies of the Authority are the members of the Fire Authority who are nominated to serve on the Authority by Hampshire County Council and Southampton and Portsmouth City Councils.

During 2016/17 the Fire and Rescue Authority had 25 Members who decide the budgets and policies for the vital services provided by Hampshire Fire and Rescue Authority and the composition is as follows:

Nominating Authority	Number of Members	Composition
Hampshire County Council	19	11 Conservative, 4 Liberal Democrat, 2 UK Independence Party, 1 Labour, 1 Independent
Southampton City Council	3	2 Labour, 1 Conservative
Portsmouth City Council	3	2 Conservative, 1 Liberal Democrat
	<hr/> 25 <hr/>	

During the year, new governance arrangements were approved by the Authority that reduce the number of Authority members to 11 and made provision for one of those spaces to be filled by the Police and Crime Commissioner. These new arrangements will start in 2017/18 and further information can be found in the report below:

[Governance structure - consultation](#)

Under Hampshire Fire and Rescue Authority's Constitution, the Authority currently manages its affairs by way of a Committee system. The Chairman is appointed by the Fire and Rescue Authority and appointments to the various Committees are carried out at the Annual General Meeting each year, although again, these arrangements are being streamlined as part of the governance review.

Supporting the work of the Fire Authority Members are the Directors which comprise 6 Chief Officers and is 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. In addition, there is a partnership arrangement with the Isle of Wight Council whereby Hampshire provides senior leadership to the Fire Service albeit that it remains part of the Isle of Wight Council democratic and financial set up. Work has been started to look at the potential option of combining the two services that will be presented to both authorities in the current financial year.

Narrative Statement

The current make up of the Directors Team is detailed below. Note 22 shows the further detail of people that have been in a strategic post during 2016/17.

- Chief Officer – Dave Curry
- Director of Service Delivery and Deputy Chief Officer – Neil Odin
- Director of Professional Services – Geoff Howsego
- Assistant Chief Officer (Head of Response) – Andy Bowers
- Assistant Chief Officer (Head of Community Safety) – Shantha Dickinson
- Director of Human Resources and Workforce Development – Jenny Lewis
- Director of Finance – Rob Carr

At the end of 2016/17, the Fire and Rescue Authority employed a Full Time Equivalent (FTE) total of 1,498 staff, which takes account of those staff that work part-time. There has been a general trend of reducing employee numbers over the last 4 years across all categories of staff as a result of the savings and transformation programs that have been in place, however, the increase in non-uniformed staff reflects additional activity across the service on managing and implementing a wide portfolio of change plans. The breakdown between staff groups is shown in the following table:

March 2016	Full-time equivalent employees	March 2017
729	Whole time Fire Fighters	715
502	Retained Duty System Fire Fighters	499
34	Control Room	33
233	Green book (non-uniformed staff)	251
1,498		1,498

The Fire and Rescue Authority's Non-Financial Performance

In Hampshire, we are proud of our strong record of delivering excellent services that provide value for money. Over the last few years we have risen to the challenge of national spending cuts with an ambitious program of savings and modernisation, while protecting frontline services and ensuring that we continue to keep people safe across the County.

The Fire and Rescue Authority's Performance Management Framework (PMF) provides the local governance structure for performance management and reporting to the Performance, Review and Scrutiny Committee. A number of key performance measures are recorded that seek to assess how well we are doing in the key areas covered by our Service Plan.

A summary of the key indicators at the end of 2016/17 is shown in the following tables:

Narrative Statement

Making life safer

	2015/16	2016/17	Variance
Fire Fatalities	9	3	-67%
Fire Casualties	47	48	2%
Building Fires Confined to Room of Origin	85.7%	85.7%	0%

Responding to incidents

	2015/2016	2016/2017	Variance
All Fires	3,778	3,875	3%
False Alarms	5,737	6,615	15%
Special Service Calls	2,130	2,822	32%
Co-Responder Calls	12,044	9,307	-23%
Critical Response (8mins/80%)	66%	64%	-3%

Creating safer communities

	2015/2016	2016/2017	Variance
Accidental Dwelling Fires	783	778	-1%
Deliberate Primary Fires	239	283	18%
Deliberate Secondary Fires	724	803	11%
Fires in regulated non-domestic properties	272	248	-9%

Some of the indicators show an improvement, however there has been a marginal deterioration in Critical Responses, although the Service's ability to respond within the target of 8 minutes is obviously dependent on a large number of factors such as location of the fire, time of day, traffic conditions and weather etc. Further information on the performance of the Fire Authority can be found at the following link:

[July Fire Authority Agenda](#)

Narrative Statement

The Fire and Rescue Authority's Financial Performance

Revenue Position

The Authority continued its policy of implementing savings ahead of need and this coupled with favorable changes in the budget and the first council tax increase for a number of years meant that once again Hampshire was able to set a surplus budget in 2016/17.

Most of the Fire and Rescue Authority's income comes from Government grants, council tax and business rates. Small amounts of fees and charges contribute to the cost of some services and interest is earned on day-to-day cash balances. Government capital grants and external contributions applied to finance capital expenditure have been excluded from the following table. The proportion of the Authority's income obtained from these sources is as follows:

	2015/16	2016/17
	%	%
Council tax	53	55
Business rates	19	19
General Government grants	22	19
Fees, charges and interest	4	5
Specific Government grants	2	2
	100	100

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

	2015/16	2016/17
	%	%
Employee benefit expenses	72	75
Other service expenses	28	25
	100	100

The Fire and Rescue Authority has continued to demonstrate strong financial stewardship over this extremely challenging period. At the end of 2016/17, overall net expenditure was over £2.1 million lower than budgeted mainly as a result of savings in Fire Fighter's staff costs and the delivery of elements of the next phase of savings. Income from partners and from interest on cash balances continue to make contributions above the budgeted level and there were savings in the costs of pension contributions during the year as a result of the move to the new 2015 Fire Fighter's Career Average Revalued Earnings (CARE) scheme. This latter position has now been reflected in the 2017/18 budget position.

This underspend will be transferred to balances to provide investment funding for service improvement and transformation including a significant proportion that will be required to implement the SDR project highlighted above. The main components of the 2016/17 budget and actual income and expenditure are set out below:

Narrative Statement

	Budget	Actual	Variance over / (under) spend
	£'000	£'000	£'000
Service Delivery	46,524	43,929	(2,595)
Professional Services	18,174	17,163	(1,011)
Pensions	991	879	(112)
Other items not allocated to services	593	632	39
Net cost of Fire and Rescue Services	66,282	62,603	(3,679)
Minimum Revenue Provision	504	504	0
Interest	229	124	(105)
Revenue contributions to capital outlay	4,423	6,133	1,710
Planned draw from reserves	(6,445)	(6,469)	(24)
Budget requirement	(64,993)	(65,037)	(44)
Surplus transferred to transformation reserve	0	(2,142)	(2,142)

Capital

In 2016/17 the Fire and Rescue Authority spent just over £11 million on capital projects, which was lower than originally planned. This was mainly as a result of slippage in a number of schemes, together with a planned delay in the purchase of new vehicles due to changes in the type of vehicles to be used within the Service Delivery Re-design project. Key projects in the year were:

	£'000
Basingstoke Fire Station	4,513
Vehicle purchases	3,103
Estates Transformation	2,517
Other schemes including Equipment and Systems purchases	962

The total capital expenditure of £11.095 million (excluding leased vehicles) was financed in the following way :

	£'000
Capital grants	1,772
Capital receipts	2,914
Reserves	1,808
Revenue contributions	4,324
Other contributions	277
	<u>11,095</u>

The Authority may borrow on a day-to-day basis from internal resources, such as the revenue account and earmarked reserve balances to finance capital expenditure. Total external debt at 31 March 2017 was the same as the previous year at £8.35 million and investments decreased by £10.7 million to £26.7 million. Investment levels can fluctuate

Narrative Statement

during the year as a result of changing cashflows, but part of the reduction in 2016/17 will relate to the use of previously held funds to finance the capital program.

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

[July Fire Authority agenda](#)

Treasury Management and Prudential Indicators

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

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

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

All treasury activity has complied with the Fire and Rescue Authority's Treasury Management Strategy and Investment Strategy for 2016/17, and all relevant statute, guidance and accounting standards. In addition the Fire and Rescue Authority has complied with all of the prudential indicators set in its Treasury Management Strategy.

Further information is provided in Appendix 4 to the outturn report for 2016/17 linked above.

Pension Fund Liability

The estimated future pension liability of the Authority has increased by £130.5m. This is mainly due to changes in the financial assumptions used to calculate the present value of liabilities, such as a lower discount rate being used this year to reflect the current rate of return on corporate bonds.

This is 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.

Reserves and Balances

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

At the end of the 2016/17 financial year the Fire and Rescue Authority's earmarked reserves together with the general fund balance stand at just over £31 million - a decrease of £9m on the previous year, mainly as a result of funding the capital program during the year.

The table below summarises the total level of reserves and balances that the Fire and Rescue Authority holds and compares this to the position reported at the end of 2015/16:

Narrative Statement

	Balance 31/03/2016 £'000	Balance 31/03/2017 £'000
Transformation Reserve	8,767	4,018
Capital Payments Reserve	23,590	23,762
Earmarked Underspends Reserve	107	236
Revenue Grants Reserve	430	551
Capital Grants Reserve	1,759	0
Capital Receipts	2,914	0
General Balance	2,500	2,500
Total Reserves and Balances	40,067	31,067

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

Corporate Risks

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

Risk management arrangements are detailed in the Annual Governance Statement. The Authority currently has a number of significant projects covering a wide range of services, most of which are targeted at saving money over the medium term, which still remains one of the biggest risks to the effective operation of the service. These projects can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Fire and Rescue Authority. Specific risks relating to partnerships and projects have been incorporated into the Annual Governance statement where appropriate.

The impact of the current economic climate on the Fire and Rescue Authority is taken into account when the Fire and Rescue Authority sets its budget, although in general terms, there is not a significant link between the two items. Any significant movements and events in the year were reported to Finance and General Purposes Committee. Monitoring of spend against the budget takes place throughout the year and is reported to Senior Management monthly and to Finance and General Purposes Committee on a quarterly basis. In the future all reporting will be direct to the Full Authority under the new governance arrangements.

Summary Position

It is clear that the Fire and Rescue Authority's financial and non financial performance in 2016/17 continues to be good. The revenue outturn with a £2.1m under spend is in line with expectations and allows a contribution to reserves in line with the Medium Term Financial Plan. Capital spend has been broadly in line with expectations allowing for the fact that elements of the programme were planned to be delayed. The Authority has

Narrative Statement

sufficient reserves and balances to provide financial resilience for 2017/18 and future years.

In 2016/17, the Authority has faced and dealt successfully with significant change. This trend will continue and indeed accelerate as grant reductions deepen and the pace of change increases, but the Authority is well placed to adapt to the challenges and to take advantage of the opportunities offered. There are risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, the Authority is in a very strong position as it moves into 2017/18.

Changes to the accounts

Expenditure and funding analysis

The Code of Practice 2016/17 introduced a requirement to present an Expenditure and Funding Analysis (EFA) as a replacement for the previous Service Reporting Code of Practice format. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax precept and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Whilst the EFA is not a main accounting statement, it provides an important analysis for the reader of the accounts. The Code requires the EFA to be given due prominence in the financial statements in accordance with the needs of the user. As a link between the budget (i.e. management accounts) and the statutory accounts (i.e. the financial accounts), the EFA is presented before the main statements in this document.

Summary of Statement of Accounts

The accounts for 2016/17 are set out from page 16.

They consist of the following:

- Expenditure and Funding Analysis – this disclosure note compares the net expenditure as funded by taxation with the accounting cost of providing services as presented in the Comprehensive Income and Expenditure Statement.
- Comprehensive Income and Expenditure Statement – shows the accounting cost in the year of providing services measured in accordance with international accounting standards rather than on the basis of the costs that are required to be financed from taxation.
- Movement in reserves statement – analyses the change in net worth between the general fund, other usable reserves and unusable reserves.
- Balance Sheet – this sets out the financial position on 31 March 2017.
- Cash flow statement - this summarises cash coming in or going out from transactions with others for revenue and capital purposes.
- Statement of accounting policies – sets out the policies adopted by the Authority in preparing the Accounts. They are largely determined by the Code of Practice.
- Pension Fund Accounts – reflects the payments made to pensioners and those retiring, transfers between pension funds by employees joining and leaving the Authority and employer contributions. These costs are met by a specific Government grant.

Narrative Statement

- Statement of responsibilities for the statement of accounts – records the respective responsibilities of the Authority, Treasurer and Chairman of the Authority.
- The Independent Auditor’s Report – giving an opinion on the financial statements
- Annual Governance Statement – outlining the arrangements for, and effectiveness of, internal governance arrangements.

Relationship between Accounting Statements

The different accounting statements are linked in several important ways. The Expenditure and Funding Analysis compares the net expenditure as funded by taxation with the accounting cost of providing services as presented in the Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure Statement balance is reconciled in the Movement in Reserves Statement to the actual movement in the general fund cash reserve.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable’ reserves (i.e. those that can be applied to fund expenditure or reduce 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.

Where you can get further information

You can get more information about the accounts from the Head of Finance, Hampshire Fire and Rescue Authority, Fire and Police Headquarters, Eastleigh, SO50 9SJ, Telephone: (01962) 847533, e-mail: budget@hants.gov.uk.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a new requirement of the 2016/17 Code of Practice for Local Authority Accounting and shows how annual expenditure is used and funded from resources (government grants, rents, council tax precept and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Whilst the EFA is not a main accounting statement, it provides an important analysis for the reader of the accounts. As such, the Code requires the EFA to be given due prominence in the financial statements in accordance with the needs of the user. As a link between the budget (i.e. management accounts) and the statutory accounts (i.e. the financial accounts), the EFA is presented before the main statements in this document.

Net Expenditure chargeable to the General Fund Balance	2015/16		Net expenditure in the CIES		2016/17		Net expenditure in the CIES
	Adjustments between accounting and funding basis (see note 19)	£'000			£'000	Adjustments between accounting and funding basis (see note 19)	
43,774	8,491	52,265	Service Delivery	43,929	10,497	54,426	
15,556	1,889	17,445	Professional Services	17,163	2,421	19,584	
758	(210)	548	Pensions	879	(100)	779	
285	2,020	2,305	Other items not allocated to services	632	(113)	519	
			Net cost of Fire and Rescue Services				
60,373	12,190	72,563		62,603	12,705	75,308	
(65,514)	15,528	(49,986)	Other income and expenditure	(58,276)	12,076	(46,200)	
(5,141)	27,718	22,577	(Surplus) or deficit on the provision of services	4,327	24,781	29,108	
(30,253)			Opening General Fund (including earmarked reserves) balance at 1 April	(35,394)			
(5,141)			Plus (surplus)/deficit on provision of services	4,327			
(35,394)			Closing General Fund (including earmarked reserves) balance at 31 March	(31,067)			

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. From 2016/17, services are aligned with the operational structure of the Authority. Previously, total cost was analysed in accordance with CIPFA definitions of services.

Net Expenditure chargeable to the General Fund Balance £'000	2015/16			2016/17		Note	
	Gross expenditure	Gross Income		Net Expenditure chargeable to the General Fund Balance £'000	Gross expenditure		Gross Income
	£'000	£'000		£'000	£'000		£'000
52,265	54,546	(2,281)	Service Delivery	54,426	57,133	(2,707)	
17,445	18,827	(1,382)	Professional Services	19,584	21,026	(1,442)	
548	548	0	Pensions	779	801	(22)	
70,258	73,921	(3,663)	Fire and Rescue Services	74,789	78,960	(4,171)	
2,305	2,305		Other items not allocated to services	519	519	0	
72,563	76,226	(3,663)	Net cost of Fire and Rescue Services	75,308	79,479	(4,171)	
74	74	0	Other income and expenditure:- Other operating income and expenditure	10	10	0 9	
21,719	23,224	(1,505)	Financing and investment income and expenditure	19,219	19,586	(367) 10	
(71,779)	0	(71,779)	Taxation and non-specific grant income	(65,429)	0	(65,429)	
(49,986)	23,298	(73,284)	Total other income and expenditure	(46,200)	19,596	(65,796)	
22,577	99,524	(76,947)	(Surplus)/deficit on the provision of services	29,108	99,075	(69,967)	
(1,411)			(Surplus) or deficit on revaluation of PPE assets	(12,373)			
(115)			(Surplus) or deficit on revaluation of available for sale financial assets	(143)			
(111,038)			Remeasurement of the net defined pension benefit liability/(asset)	107,350			
(112,564)			Other Comprehensive (Income)/Expenditure	94,834			
(89,987)			Total Comprehensive (Income)/Expenditure	123,942			

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The General Fund Balance includes earmarked revenue reserves held for specific purposes.

	General Fund Balance*	Capital receipts reserve	Capital grants unapplied reserve	Total Usable Reserves 8	Total Unusable Reserves 18	Total Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 31 March 2015	(30,253)	(3,136)	(1,138)	(34,527)	554,996	520,469	
Movements During 2015/16:							
Total Comprehensive Income and Expenditure	22,577	0	0	22,577	(112,564)	(89,987)	
Adjustments between accounting basis and funding basis under regulations	(27,718)	222	(621)	(28,117)	28,117	0	7
Net (Increase)/Decrease in year	(5,141)	222	(621)	(5,540)	(84,447)	(89,987)	
Balance as at 31 March 2016	(35,394)	(2,914)	(1,759)	(40,067)	470,549	430,482	
Movements During 2016/17:							
Total Comprehensive Income and Expenditure	29,108	0	0	29,108	94,834	123,942	
Adjustments between accounting basis and funding basis under regulations	(24,781)	2,914	1,759	(20,108)	20,108	0	7
Net (Increase)/Decrease in year	4,327	2,914	1,759	9,000	114,942	123,942	
Balance as at 31 March 2017	(31,067)	0	0	(31,067)	585,491	554,424	

* includes earmarked reserves

Balance Sheet

The balance sheet shows the value of assets and liabilities recognised by the Authority as at 31 March. The assets less liabilities are matched by reserves. Usable reserves can be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve can only be used to fund capital expenditure). Unusable reserves include those that hold unrealised gains and losses (for example the revaluation reserve, where amounts would only become available to provide services if the assets are sold) and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2016		31 March 2017	Note
£'000		£'000	
112,664	Property, plant and equipment	127,387	11
640	Investment property	670	16
7,619	Long term investments	11,900	12.12
47	Long term debtors	11	12.17
120,970	Long term assets	139,968	
1,200	Assets held for sale	1,200	15
928	Inventories	962	14
7,347	Short term debtors	11,484	12.20
19,946	Short term investments	10,450	12.15
9,832	Cash and cash equivalents	4,210	12.23
39,253	Current assets	28,306	
(7,939)	Short term creditors	(9,575)	12.10
(130)	Short term borrowing	(65)	12.8
(8,069)	Current liabilities	(9,640)	
31,184	Net current assets	18,666	
(573,020)	Net liabilities relating to defined benefit pension schemes	(703,530)	30.4/30.6
(32)	Long term creditors	0	12.7
(1,234)	Provisions	(1,178)	17
(8,350)	Long term borrowing	(8,350)	12.7/12.9
(582,636)	Long Term Liabilities	(713,058)	
(430,482)	Net Liabilities	(554,424)	
	Financed by:		
	Usable reserves		
(2,500)	Revenue account	(2,500)	8
(32,464)	Earmarked reserves	(28,016)	8
(2,914)	Usable capital receipts reserve	0	8
(1,759)	Capital grants unapplied reserve	0	8
(430)	Revenue grants unapplied reserve	(551)	8
(40,067)	Total usable reserves	(31,067)	
470,549	Unusable reserves	585,491	18
430,482	Total reserves	554,424	

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.

2015/16 £'000		2016/17 £'000	Note
22,577	Net (surplus) or deficit on provision of services	29,108	CIES
(31,216)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(28,397)	31.1
3,864	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	31.2
(4,775)	Net cash (inflow)/outflow from Operating Activities	725	
4,014	Investing Activities	4,832	31.4
92	Financing Activities	65	31.5
(669)	Net (increase)/decrease in cash and cash equivalents	5,622	
(9,163)	Cash and cash equivalents at the beginning of the reporting period	(9,832)	
(9,832)	Cash and cash equivalents at the end of the reporting period	(4,210)	

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1 Accounting policies

General principles

- 1.1 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 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is based on International Financial Reporting Standards (IFRS) and the Best Value Accounting Code of Practice for the relevant year.
- 1.2 The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of income and expenditure

- 1.3 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.
- 1.4 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.

Cash and cash equivalents

- 1.5 Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice on the same day. Cash equivalents are investments that mature the same day as the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
- 1.6 In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Notes to the core financial statements

Exceptional items

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

Prior period adjustments, changes in accounting policies and estimates and errors

- 1.8 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.
- 1.9 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.
- 1.10 Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Employee benefits

- 1.11 Employee benefits comprise those payable during employment, on termination of employment and post employment:

Benefits Payable During Employment

- 1.12 Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual would be made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year if it proved to be material. The accrual would be made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual would be charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.
- 1.13 Analysis has proven that this is currently immaterial so no adjustment is made.

Termination Benefits

- 1.14 Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the cost of services in the Comprehensive Income and Expenditure Statement when the

Notes to the core financial statements

Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

- 1.15 Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional charges for pension enhancement termination benefits and replace them with a charge for the actual amount payable to the former employee and the pension fund.

Post Employment Benefits

- 1.16 Employees of the Authority are members of a number of separate pension schemes:
- The 1992 Firefighters' Pension Scheme (FPS 1992) (closed to new members on 5 April 2006)
 - The 2006 New Firefighters' Pension Scheme 2006 (NFPS 2006) including retained firefighters (open to new members from 6 April 2006 until end of March 2015)
 - the 2015 Firefighters' Pension Scheme (FPS 2015) for firefighters (open to new members from 1 April 2015)
 - the Modified 2006 Firefighters' Pension Scheme (MNFPS 2006) for retained firefighters (closed to new members)
 - The Local Government Pensions Scheme, administered by Hampshire County Council (LGPS)
- 1.17 All schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority where:
- 1.18 The liabilities attributable to the Authority are included in the Authority's Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees).
- 1.19 Liabilities are discounted to their value at current prices using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.
- 1.20 The assets of the LGPS pension fund attributable to the Authority are included in the Authority's Balance Sheet at their fair value: for quoted securities this means the current bid price; for unquoted securities this is based on a professional estimate; for unitised securities this means the current bid price; for property this means an estimate of the market value.
- 1.21 The change in the net pensions liability is analysed into five components:
- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost (including curtailments) – the increase in liabilities arising from current year decisions which effect years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of other costs

Notes to the core financial statements

- financing cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - Actuarial gains and losses – These are now analysed into three different groups:
 - Gains / losses due to a change in financial assumptions
 - Gains / losses due to a change in demographic assumptions
 - Gains / losses due to liability experienceThese show the changes in pension liabilities that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the pensions reserve.
 - Contributions paid to the Hampshire County Council pension fund and pension fund account – cash paid as employer's contributions to the LGPS pension fund and firefighter schemes pension fund account in settlement of liabilities; not accounted for as an expense.
- 1.22 In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Discretionary benefits

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

Events after the balance sheet date

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

Financial instruments

Financial liabilities

- 1.26 Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.
- 1.27 The Authority's long term borrowing is mainly with the Public Works Loan Board. For the borrowings that the Authority has this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial assets

- 1.28 Financial assets are classified into two types:
- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
 - available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments
- 1.29 Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.
- 1.30 Available-for-Sale Assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
- instruments with quoted market prices – the market price;
 - other instruments with fixed and determinable payments – net present value;
- 1.31 Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been

Notes to the core financial statements

- incurred, these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.
- 1.32 Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- 1.33 If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).
- 1.34 Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Fair Value Measurement

- 1.35 The 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.
- 1.36 The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.
- 1.37 When measuring the fair value of a non-financial asset, the Authority takes into account a market participants 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.
- 1.38 The Authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets and liabilities:
- Level 1 – quoted prices in active markets for identical assets or liabilities that the Fire Authority can access at the measurement date
 - Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
 - Level 3 – unobservable inputs for the asset or liability

Notes to the core financial statements

Government grants and contributions

- 1.39 Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that the Authority will comply with the conditions attached to the payments, and the grants or contributions will be received.
- 1.40 Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the donor.
- 1.41 Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
- 1.42 Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.
- 1.43 Where revenue grants are credited to the Comprehensive Income and Expenditure Statement but are yet to be used, they are transferred to an earmarked reserve in the Movement in Reserves Statement. Once used in subsequent years, they are transferred to the General Fund to fund the revenue expenditure.

Intangible assets

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

Inventories and long term contracts

- 1.45 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.

Investment properties

- 1.46 Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between separate and knowledgeable parties. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
- 1.47 Material rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Leases

- 1.48 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.
- 1.49 Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
- 1.50 The Authority as a lessee:
- Finance Leases - Where the Authority leases a material asset under a finance lease (such as the front-line appliances) it is recognised in the accounts as if it were the Authority's asset. The arrangement is treated as borrowing and rentals payable are treated partly as capital expenditure (for the principal element) and partly as revenue expenditure (for the interest element).
 - Operating Leases - Where the Authority leases an asset under an operating lease (such as support vehicles) the asset is not recognised in the balance sheet. Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense on a straight line basis.
- 1.51 The Authority as a lessor:
- Finance leases - Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. A gain, representing the Authority's net investment in the lease, is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to

Notes to the core financial statements

be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

Overheads and support services

- 1.52 The costs of overheads and support services were previously charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). With the introduction of the Expenditure and Funding Analysis, overheads and support service costs are charged to other services only where these are reported to key decision makers during the year. The majority are shown within Professional Services.

Property, plant and equipment

- 1.53 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

- 1.54 Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment assets is capitalised on an accruals basis, provided that it benefits the Authority and the services that it provides are for more than one financial year. Spending on IT assets and intangible assets (such as software licences) typically yields benefits for a period of less than five years. Such expenditure is capitalised only if it yields benefits of five years or more which is not in accordance with recommended practice. This does not have a material effect in the accounts. 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.

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Measurement

- 1.55 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:
- Land and Buildings are measured at fair value. For land and buildings this means Existing Use Value (EUV) for non-specialised properties or Depreciated Replacement Cost (DRC) for specialised properties such as fire stations.
 - Vehicles, Plant and Equipment are measured at depreciated historical cost (as this is not materially different from the fair value).
 - Assets under construction are measured by historic cost
 - Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. 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.]
- 1.56 Where decreases in value are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
 - where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- 1.57 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

- 1.58 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.
- 1.59 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.
- 1.60 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

- 1.61 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.

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- 1.62 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.
- 1.63 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. When one or more components are replaced or enhanced incurring capital expenditure in excess of £350,000, all assets on the site are revalued and the useful life of each asset is reassessed to ensure an appropriate rate of depreciation. Replaced components are derecognised by disposing of their gross book value and accumulated depreciation.
 - Furniture and equipment - 10 years.
 - Vehicles - between five and 10 years.
- 1.64 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.
- 1.65 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

- 1.66 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 costs to sell 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.
- 1.67 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

Notes to the core financial statements

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.

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

Heritage Assets

- 1.69 A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. They are intended to be preserved for future generations.
- 1.70 The Authority will only value and include in the financial statements such assets where the cost in measuring them would be proportionate to the benefit received by the readers of these financial statements.

Provisions

- 1.71 Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.
- 1.72 Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
- 1.73 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.

Contingent liabilities

- 1.74 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.
- 1.75 Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Notes to the core financial statements

Contingent assets

- 1.76 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.
- 1.77 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.

Reserves

- 1.78 The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance.
- 1.79 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 so that there is no net charge against council tax for the expenditure.
- 1.80 Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Revenue expenditure funded from capital under statute

- 1.81 Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.
- 1.82 Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.
- 1.83 An example of this type of expenditure is smoke detectors which are fitted into individual's homes and therefore do not add to the value of the Authority's assets.

VAT

- 1.84 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.

Redemption of debt

- 1.85 The Authority's borrowing for capital purposes is determined by the Authority each year in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities. The total borrowing is known as the Capital Financing Requirement which is derived from the opening balance sheet. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 which came into force on 31 March 2008 and affect 2007/08 and subsequent years require the Authority to make provision for the redemption of debt. The Authority has approved

Notes to the core financial statements

the policy that in accordance with requirement a minimum revenue provision is put aside from revenue which will be equal to 4% of the capital financing requirement for capital purposes at the start of the financial year. For unsupported borrowing incurred after 1 April 2008, minimum revenue provision is made on a basis to reflect the life of the assets financed.

Interests in Companies and Other Entities

- 1.86 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.
- 1.87 Disclosures of material involvement with other entities are provided under note 26.
- 1.88 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 their interest in the Company becomes material.

2 Accounting Standards Issued, Not Adopted

- 2.1 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.
- 2.2 The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are:
- Amendment to the reporting of pension fund scheme transaction costs;
 - Amendment to the reporting of pension fund investment concentration
- 2.3 These changes relate to pension fund accounting disclosures and will not have a material impact upon the financial statements of the Fire Authority.

3 Critical judgements in applying accounting policies

- 3.1 In applying accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:
- There is a high degree of uncertainty about future levels of funding for local government. The Authority has made decisions as to how much it should be adding to both the capital payments and transformation reserves in order to help minimise the impact of reduced funding.
 - The Authority has made judgements on whether its vehicle lease arrangements are operating leases or finance leases. These judgements are based on an assessment as to whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are that front line appliances are finance leases and support vehicles remain as operational leases. The accounting treatment for operating and finance leases is significantly different but would have a significant effect on the accounts if any new lease entered into were of an extremely high value.

Notes to the core financial statements

- 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.
- 3.2 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.
- 3.3 The following arrangements have been deemed outside the scope of group accounts, but due to the Authority having contractual rights and obligations and rights to assets and liabilities arising from their partnership agreements the transactions associated with the collaborative arrangement are included in the authority's accounts.
- Network Fire Control Services Partnership
 - South Central Ambulance Service (SCAS) Co-responder scheme.
 - Joint working with Hampshire County Council and Hampshire Constabulary
- 3.4 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 2016/17 this has been judged immaterial as their turnover is less than 1% of the Authority's total income.

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

- 4.1 The Statement of Accounts contains estimated figures on the Authority's net liability to pay pensions that are based on a number of complex assumptions made by the scheme's actuaries about things such as retirement ages, mortality rates, rate at which salaries will increase and expected returns on pension fund assets. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates. Sensitivity analysis to these assumptions is included in note 30.18.
- 4.2 Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in earlier financial years in their proportionate share. Therefore, a provision has been recognised this year for the best estimates as provided by the district, borough and unitary authorities in Hampshire of the amount that businesses have been overcharged up to 31 March 2017. In most cases the estimates have been based on the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017.

Notes to the core financial statements

5 Material Items of income and expense

5.1 There were no individually material items of income or expenditure in 2016/17.

6 Events after the balance sheet date

6.1 The Statement of Accounts was authorised for issue by the Chief Financial Officer on 5 September 2017. 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 2017, the figures in the financial statements and notes would have been adjusted in all material respects to reflect the impact of this information.

7 Adjustments between accounting basis and funding basis under regulations

7.1 This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure:

Notes to the core financial statements

2015/16	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:				
* Pensions costs transferred to (or from) the Pensions Reserve	(26,888)			26,888
* Financial instruments (transferred to the Financial Instruments Adjustments Account)				
* Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(467)			467
* Holiday pay (transferred to the Accumulated Absences Reserve)	0			0
* Capital grants and contributions unapplied (transfers to capital grants applied)	621		(621)	
* Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	0			0
* Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(7,081)			7,081
Total Adjustments to Revenue Resources	(33,815)	0	(621)	34,436
Adjustments between Revenue and Capital Resources				
* Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0		
* Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0		
* Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	624			(624)
* Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	160			(160)
Total Adjustments between Revenue and Capital Resources	784	0	0	(784)
Adjustments to Capital Resources				
* Use of the Capital Receipts Reserve to finance capital expenditure		222		(222)
* Application of capital grants to finance capital expenditure	5,313			(5,313)
* Cash payments in relation to deferred capital receipts				
Total Adjustments to Capital Resources	5,313	222	0	(5,535)
Total Adjustments	(27,718)	222	(621)	28,117

Notes to the core financial statements

2016/17	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:				
* Pensions costs transferred to (or from) the Pensions Reserve	(23,160)			23,160
* Financial instruments (transferred to the Financial Instruments Adjustments Account)				
* Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	101			(101)
* Holiday pay (transferred to the Accumulated Absences Reserve)	0			0
* Capital grants and contributions unapplied (transfers to capital grants applied)	(1,759)		1,759	
* Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	0			0
* Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(8,715)			8,715
Total Adjustments to Revenue Resources	(33,533)	0	1,759	31,774
Adjustments between Revenue and Capital Resources				
* Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0		
* Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0		
* Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	570			(570)
* Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,132			(6,132)
Total Adjustments between Revenue and Capital Resources	6,702	0	0	(6,702)
Adjustments to Capital Resources				
* Use of the Capital Receipts Reserve to finance capital expenditure		2,914		(2,914)
* Application of capital grants to finance capital expenditure	2,050			(2,050)
* Cash payments in relation to deferred capital receipts				
Total Adjustments to Capital Resources	2,050	2,914	0	(4,964)
Total Adjustments	(24,781)	2,914	1,759	20,108

Notes to the core financial statements

8 Transfer to/from Usable Reserves

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. The table below sets out the opening and closing balance of each reserve.

	Balance 1 April 2015 £'000	Movement in 2015/16 £'000	Balance 31 March 2016 £'000	Movement in 2016/17 £'000	Balance 31 March 2017 £'000	note
Revenue Reserves						
A. General Fund Balance	(2,500)	0	(2,500)	0	(2,500)	
B. Earmarked Revenue Reserves Fully Committed to Existing Spend Programmes						
Designated Underspending Reserve	(104)	(3)	(107)	(129)	(236)	8.3
General Capital Reserve	(20,595)	(2,995)	(23,590)	(172)	(23,762)	8.1
Revenue Grants Unapplied	(648)	218	(430)	(121)	(551)	8.4
	(21,347)	(2,780)	(24,127)	(422)	(24,549)	
Corporate Reserves						
Equipment Reserve	0	0	0		0	
Grant Equalisation Reserve	0	0	0		0	
Service Improvement Reserve	(284)	284	0		0	8.7
Transformation Reserve	(6,122)	(2,645)	(8,767)	4,749	(4,018)	8.2
	(6,406)	(2,361)	(8,767)	4,749	(4,018)	
Total Earmarked Revenue Reserves Available	(27,753)	(5,141)	(32,894)	4,327	(28,567)	
Total Revenue Reserves and Balances	(30,253)	(5,141)	(35,394)	4,327	(31,067)	
Capital Reserves						
Capital Grants Unapplied	(1,138)	(621)	(1,759)	1,759	0	8.6
Capital Receipts Reserve	(3,136)	222	(2,914)	2,914	0	8.5
Total Capital Reserves and Balances	(4,274)	(399)	(4,673)	4,673	0	
Total Usable Reserves	(34,527)	(5,540)	(40,067)	9,000	(31,067)	

- 8.1 The general capital reserve is used to match the timing of available resources with capital payments. The Authority has had the aim for a number of years to increase this reserve given the withdrawal of Government funding for capital.
- 8.2 The Transformation Reserve was established in 2014/15 to fund all transformational projects that will support the re-design of the service over the next few years in order to achieve the financial savings that are required to balance the budget.
- 8.3 The designated underspends reserve enables departments to carry forward specific underspends into the next financial year.
- 8.4 The revenue grants unapplied reserve is required as grants have to be accounted for in the year they are received. This reserve contains the value of grants unspent during the year, where there is no repayment conditions attached, in order for them to be applied when the expenditure is incurred.
- 8.5 The capital receipts reserve is the proceeds from the sale of capital assets (buildings and vehicles) which is available to finance future capital expenditure.

Notes to the core financial statements

- 8.6 The capital grants unapplied reserve is the equivalent of the revenue grants unapplied reserve (8.4) but for capital grants.
- 8.7 The Service Improvement Reserve was established in 2014/15 to hold any of the unspent budget controlled by the Heads of Service, for day to day improvements which will benefit the service. This reserve has now been consolidated into the Transformation Reserve (8.2).

9 Other Operating Expenditure

Other operating expenditure represents the net surplus or deficit on the disposal of non-current assets. The following statement shows the analysis:

2015/16 £'000		2016/17 £'000
0	Sale proceeds	0
74	Less net book value of assets sold	10
0	Costs of sale	0
	(Gain) / loss on sale charged to the Comprehensive Income and	
74	Expenditure Account	10

10 Financing and investment income and expenditure

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

2015/16 £'000		2016/17 £'000
469	Interest payable	426
(1)	Interest on loans	0
(267)	Interest from short-term investments	(224)
(99)	Dividend income	(143)
945	Investment property (gains) and losses	(30)
(88)	Investment property transactions	0 *
21,810	Pensions interest cost	20,380
(1,050)	Pensions interest on assets	(1,190)
21,719	Total	19,219

* For 2016/17 investment property transactions of £109,393 are credited to the net cost of services.

11 Property, Plant and Equipment

Movements

- 11.1 The movements in property, plant and equipment are shown in the following tables. Note that the 2015/16 analysis has been restated in respect of the gross book value and depreciation of disposed assets. However, the net book value at 31 March 2016 is not affected by these changes.

Notes to the core financial statements

2015/16 (restated)	Other land and build's £'000	Vehicles and equip't £'000	Surplus assets £'000	Assets under const'n £'000	Total £'000
Cost or Valuation:					
At 31 March 2015	112,101	34,415	0	1,432	147,948
Adjustment to opening balance	0	0	0	0	0
Revised value as at 31 March 2015	112,101	34,415	0	1,432	147,948
Additions in year	18	1,986	0	3,821	5,825
Donations	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,643)	0	0	0	(2,643)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,704)	0	0	0	(1,704)
Derecognition - Disposals	0	(1,017)	0	0	(1,017)
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0
Other movements in cost or valuation	(1,674)	237	0	(350)	(1,787)
At 31 March 2016	106,098	35,621	0	4,903	146,622
Accumulated depreciation:					
At 31 March 2015	(14,078)	(20,721)	0	0	(34,799)
Adjustment to opening balance	0	0	0	0	0
Revised value as at 31 March 2015	(14,078)	(20,721)	0	0	(34,799)
Depreciation Charge	(1,961)	(2,486)	0	0	(4,447)
Depreciation written out on revaluation	4,059	0	0	0	4,059
Depreciation written out on the Surplus/Deficit on the Provision of Services	89	0	0	0	89
Impairment (losses)/reversals recognised in the Revaluation Reserve	(6)	0	0	0	(6)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	0	943	0	0	943
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0
Other movements in cost or valuation	203	0	0	0	203
Accumulated depreciation as at 31 March 2016	(11,694)	(22,264)	0	0	(33,958)
Net book value 31 March 2016	94,404	13,357	0	4,903	112,664
Net book value 31 March 2015	98,023	13,694	0	1,432	113,149

Notes to the core financial statements

2016/17	Other land and build's £'000	Vehicles and equip't £'000	Surplus assets £'000	Assets under const'n £'000	Total £'000
Cost or Valuation:					
At 31 March 2016	106,098	35,621	0	4,903	146,622
Adjustment to opening balance					0
Revised value as at 31 March 2016	106,098	35,621	0	4,903	146,622
Additions in year	682	3,153		7,260	11,095
Donations					0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,443				7,443
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,476)				(2,476)
Derecognition - Disposals	(2,272)	(85)			(2,357)
Derecognition - Other					0
Assets reclassified (to)/from held for sale					0
Other movements in cost or valuation	4,596	2,122		(6,718)	0
Gross book value as at 31 March 2017	114,071	40,811	0	5,445	160,327
Accumulated depreciation:					
At 31 March 2016	(11,694)	(22,264)	0	0	(33,958)
Adjustment to opening balance	0	0	0	0	0
Revised value as at 31 March 2016	(11,694)	(22,264)	0	0	(33,958)
Depreciation Charge	(1,950)	(2,405)			(4,355)
Depreciation written out on revaluation	5,573				5,573
Depreciation written out on the Surplus/Deficit on the Provision of Services	27				27
Impairment (losses)/reversals recognised in the Revaluation Reserve	(642)				(642)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(1,932)				(1,932)
Derecognition - Disposals	2,272	75			2,347
Derecognition - Other					0
Assets reclassified (to)/from held for sale					0
Other movements in cost or valuation					0
Accumulated depreciation as at 31 March 2017	(8,346)	(24,594)	0	0	(32,940)
Net book value 31 March 2017	105,725	16,217	0	5,445	127,387
Net book value 31 March 2016	94,404	13,357	0	4,903	112,664

Notes to the core financial statements

Capital commitments

11.2 As at 31 March 2017 the Authority had entered into a number of contracts for the construction or enhancement of property and the purchase of vehicles and equipment. Formally committed expenditure as at 31 March 2017 totalled £340,119 (£1,827,634 at 31 March 2016).

Major commitments were:

	£
Basingstoke Fire Station	36,466
Estates Transformation	6,214
Fireground Radios	172,418
Solar Photovoltaic Panels	27,568
Vehicle Replacement Programme	95,596

Revaluations

11.3 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.

11.4 The following statement shows the progress of the Authority's rolling programme for the revaluation of property. Land and buildings are required to be valued within five years. Vehicles, plant and equipment are held at historic cost.

	Land and buildings £'000	Vehicles, plant and equipment £'000	Total property, plant and equipment £'000
Valued at historic cost		16,217	16,217
Valued at current value in:			
Pre 2012/13	2,268		2,268
2012/13	2,816		2,816
2013/14	15,972		15,972
2014/15	7,400		7,400
2015/16	16,149		16,149
2016/17	61,120		61,120
Total	105,725	16,217	121,942

Impairment losses

11.5 During 2016/17 the Authority recognised impairment losses totalling £2.574 million (£1.615 million in 2015/16).

Notes to the core financial statements

Heritage assets

- 11.6 The heritage assets held by the authority are two vintage vehicles and a small collection of equipment such as helmets.
- 11.7 The collection is not recognised in the financial statements as no information is available on the value of these assets. Obtaining specialist valuations for these assets would be disproportionate in comparison to the benefits to the users of the financial statements.

12 Financial Instruments

Financial Instruments – classifications

- 12.1 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 Liabilities

- 12.2 A financial liability is an obligation to transfer economic benefits controlled by Hampshire Fire & Rescue Authority and can be represented by a contractual obligation to deliver cash and financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to Hampshire Fire & Rescue Authority.
- 12.3 Hampshire Fire & Rescue Authority's financial liabilities held during the year were long-term loans from the Public Works Loan Board and are measured at amortised cost.

Financial Assets

- 12.4 A financial asset is a right to future economic benefits controlled by Hampshire Fire & Rescue Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by Hampshire Fire & Rescue Authority during the year are held under the following classifications:
- 12.5 Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:
- Cash
 - Bank current and notice accounts
 - Loans to other local authorities
- 12.6 Available for sale financial assets (those that are quoted in an active market or do not have fixed or determinable payments) comprising:
- Money market funds
 - Pooled equity and property funds
 - Certificates of deposit and covered bonds issued by banks and building societies
 - Bonds issued by multilateral development banks and large companies

Notes to the core financial statements

Financial Instruments – Balances

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

Financial Liabilities	Long Term		Short Term	
	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000
Loans at amortised cost:				
-Principal sum borrowed	(8,350)	(8,350)	0	0
-Accrued interest	0	0	(65)	(65)
Total borrowing	(8,350)	(8,350)	(65)	(65)
Liabilities at amortised cost:				
-Finance leases	(32)	0	(65)	(32)
-Trade creditors	0	0	(4,619)	(4,102)
Total other liabilities	(32)	0	(4,684)	(4,134)
Total	(8,382)	(8,350)	(4,749)	(4,199)

Short term borrowing

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

Long- term borrowing

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

Creditors

12.10 The short term creditors balance on the balance sheet includes non-exchange creditors that do not meet the definition of a financial instrument. Total creditors can be further analysed as amounts due to:

2015/16 £'000	2016/17 £'000
Financial instrument creditors	
0 Deposits	(150)
0 Central government bodies	(3)
(2,168) Other local authorities	(153)
(2,451) Other creditors	(3,796)
(4,619) Total Financial Instrument creditors	(4,102)
Non-financial instrument creditors	
(3,320) Central government bodies	(3,578)
0 Other local authorities	(1,864)
Finance leases - to be repaid within 1 year	(31)
(7,939) Total short term creditors	(9,575)

Notes to the core financial statements

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

Financial Assets

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

Financial Assets	Long Term		Short Term	
	31/03/2016	31/03/2017	31/03/2016	31/03/2017
	£'000	£'000	£'000	£'000
Loans and receivables:				
- Principal at amortised cost	0	0	11,000	9,000
- accrued interest	0	0	27	29
Available for sale investments:				
- principal at fair value	7,619	11,900	8,914	1,420
- accrued interest	0	0	5	1
Total investments	7,619	11,900	19,946	10,450
Loans and receivables:				
- cash (including bank accounts)	0	0	(221)	(524)
- cash equivalents at amortised costs	0	0	3,040	480
- accrued interest	0	0	11	3
Available for sale investments:				
- cash equivalents at fair value	0	0	7,000	4,250
- accrued interest	0	0	2	1
Total cash and cash equivalents	0	0	9,832	4,210
Loans and receivables:				
- trade debtors	0	0	3,643	1,677
- loans made for service purposes	47	11	0	0
Total financial assets	7,666	11,911	33,421	16,337

Long-term investments

- 12.13 Surplus cash balances are lent to borrowers on the Authority's approved list. Long term investments are not due to be repaid until after a year from the balance sheet date for periods of up to two years.
- 12.14 This balance also includes available for sale financial investments which are not planned to be redeemed in the next financial year.

Short term investments

- 12.15 Surplus cash balances are lent to borrowers on the Authority's approved list. Short term investments are due to be repaid within a year and so their amortised cost in the balance sheet date is a reasonable assessment of their fair value.
- 12.16 This balance also includes available for sale financial investments which are planned to be redeemed in the next financial year.

Notes to the core financial statements

Long term debtors

- 12.17 In the main these represent the loan made to 3SFire Ltd on a commercial basis and staff car loans. Staff car loans attract a market rate of interest for a period of less than five years and the value in the balance sheet is a reasonable assessment of fair value. All loans are expected to be repaid in full and so a reduction for impairment is not considered necessary.

Debtors

- 12.18 Receipts are due within one year without interest and as such the fair value of receivables equals the original invoice amount. The total amount has not been reduced to take account of debts that are unlikely to be collectable as it is believed all debts will be repaid in full. Consideration was given as to the need for a provision for bad debts but none was required for either 2015/16 or 2016/17.
- 12.19 The debtors balance incorporates payments in advance. These represent the proportion of leasing payments made that relate to 2017/18 as payments are made annually in advance. As the balance relates to less than a financial year the fair value is equivalent to the proportion of the original invoice that relates to 2016/17.
- 12.20 The short term debtors balance on the balance sheet includes non-exchange debtors that do not meet the definition of a financial instrument. Total debtors can be further analysed as amounts due from:

2015/16 £'000		2016/17 £'000
	Financial instrument debtors	
0	Central government bodies	44
2,954	Other local authorities	560
0	NHS bodies	139
689	Other debtors	934
3,643	Total Financial Instrument debtors	1,677
	Non-financial instrument debtors	
3,704	Central government bodies	5,483
0	Other local authorities	1,546
0	Payments in advance	1,733
0	Other debtors	1,045
7,347	Total debtors and prepayments	11,484

Cash and cash equivalents

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

Notes to the core financial statements

2015/16		2016/17
£'000		£'000
12	Cash in hand	10
3,051	Call Account (same day access fund)	483
7,002	Available for sale cash equivalents	4,251
(233)	Bank overdraft	(534)
9,832	Total	4,210

Financial Instruments – Fair Values

12.24 Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumption:

- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

12.25 Financial assets classified as loans and receivables and all non-derivative financial liabilities 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 31 March 2017, using the following methods and assumptions:

- Loans borrowed by the Fire & Rescue Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment of impairment is recognised for any financial instrument.
- The fair value of short-term investments, including trade payables and receivables is assumed to be approximate to the carrying amount.
- The fair values of investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

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

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

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

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

Notes to the core financial statements

	Fair Value level	Balance Sheet		Fair Value		Note
		31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000	
Financial Liabilities						
Long term loans from PWLB	2	(8,350)	(8,350)	(10,300)	(10,935)	
Accrued interest		(65)	(65)	0	0	
Total loans borrowed		(8,415)	(8,415)	(10,300)	(10,935)	
Liabilities for which fair value is not disclosed *		(4,716)	(4,134)			
Total financial liabilities		(13,131)	(12,549)	(10,300)	(10,935)	
Recorded on balance sheet as:						
Short term creditors		(4,619)	(4,134)			12.10
Short term borrowing		(130)	(65)			12.7
Long term creditors		(32)	0			12.7
Long term borrowing		(8,350)	(8,350)			12.9
Total financial liabilities		(13,131)	(12,549)			
Financial Assets						
Available for sale assets held at fair value:						
Money market funds	1	7,002	4,251	7,002	4,251	
Bond, equity & property funds	1	2,079	3,692	2,079	3,692	
Certificates of deposit	2	3,505	1,001	3,505	1,001	
Corporate & government bonds	2	10,954	8,628	10,954	8,628	
Assets held at amortised cost:						
Long term loans to other authorities		0	0	0	0	
Total		23,540	17,572	23,540	17,572	
Assets for which fair value is not disclosed *		17,547	10,676			
Total financial assets		41,087	28,248			
Recorded on balance sheet as:						
Long term investments		7,619	11,900			12.13
Long term debtors		47	11			12.17
Short term investments		19,946	10,450			12.15
Cash and cash equivalents		9,832	4,210			12.23
Short term debtors		3,643	1,677			12.20
Short term service loans			0			
Total financial assets		41,087	28,248			

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

12.26 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.

Financial Instruments - Gains and Losses

12.27 Interest payable and receivable on financial assets in 2016/17 is detailed in note 12. Details of gains and losses on financial assets held for sale are shown in note 18.11.

13 Financial Instruments – Risks

- 13.1 Hampshire Fire & Rescue Authority (subsequently HFRA) has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).
- 13.2 As part of the adoption of the Treasury Management Code, HFRA approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. HFRA also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.
- 13.3 The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government 'Guidance on Local Government Investments.' This guidance emphasises that priority is to be given to security and liquidity, rather than yield. HFRA's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.
- 13.4 The main risks covered are:
- Credit risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to HFRA.
 - Liquidity risk: The possibility that HFRA might not have the cash available to make contracted payments on time.
 - Market risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

- 13.5 HFRA manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of BBB+, the UK government, other local authorities, and organisations without credit ratings upon which HFRA has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, HFRA has regard to other measures including default credit swap and equity prices when selecting commercial entities for investment.
- 13.6 A limit of £5m 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. HFRA also sets limits on investments in certain sectors. No more than £15m in total can be invested for a period longer than one year.
- 13.7 HFRA's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of being irrecoverable applies to all of HFRA's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.
- 13.8 The credit quality of £8.4m of HFRA's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of HFRA suffering a loss on these investments. The table below summarises the credit risk exposures of HFRA's investment portfolio by credit rating:

Notes to the core financial statements

Credit rating	Long term		Short term	
	31/03/2016	31/03/2017	31/03/2016	31/03/2017
	£'000	£'000	£'000	£'000
AAA	5,540	8,208	3,570	420
AA+	0		1,344	0
AA	0		0	0
AA-	0		2,041	480
A+	0		1,003	0
A	0		5,010	4,005
A-	0		2,009	3
AAA Money Market Funds	0		7,002	4,251
Unrated local authorities	0		8,020	6,025
Unrated pooled funds	2,079	3,692	0	0
Total Investments	7,619	11,900	29,999	15,184

Liquidity Risk

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

Time to maturity (years)	31/03/2016	31/03/2017
	£'000	£'000
Not over 1	0	0
Over 1 but not over 2	0	0
Over 2 but not over 5	(1,250)	(1,700)
Over 5 but not over 10	(1,900)	(1,550)
Over 10 but not over 20	(4,350)	(4,600)
Over 20 but not over 30	(850)	(500)
Total	(8,350)	(8,350)

Notes to the core financial statements

Market Risks: Interest Rate Risk

13.10 HFRA is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority.

For instance, a rise in interest rates would have the following effects:

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

13.11 Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive & Expenditure. The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2017, the entire net principal borrowed (i.e. debt net of investments) was exposed to fixed rates. HFRA’s investments with less than one year to maturity (£15.15m at 31 March 2017), floating rate notes with more than one year to maturity (£6.00m at 31 March 2017) and pooled property funds (£3.5m at 31 March 2017) are classed as being held at variable rates and exposed to interest rate risk.

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

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(212)
Impact on (Surplus) or Deficit on the Provision of Services	(212)
Decrease in fair value of available for sale financial assets	18
Impact on Comprehensive Income and Expenditure	18

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

Market Risks: Price Risk

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

13.14 HFRA’s investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by HFRA’s investment strategy, which limits the amount invested in pooled investments, such as pool property investments. A fall in commercial property prices would result in a charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

Notes to the core financial statements

14 Inventories

2015/16	Opening balance	Purchases	Recognised as an expense in the year	Written off balances	Reversal of write offs in previous years	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Uniforms	437	522	(486)	0	0	473
Equipment & foam	167	734	(694)	0	0	207
Workshops	181	647	(630)	0	0	198
Fuel	62	359	(371)	0	0	50
Total	847	2,262	(2,181)	0	0	928

2016/17	Opening balance	Purchases	Recognised as an expense in the year	Written off balances	Reversal of write offs in previous years	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Uniforms	473	635	(563)	0	0	545
Equipment & foam	207	998	(1,023)	0	0	182
Workshops	198	732	(748)	0	0	182
Fuel	50	439	(436)	0	0	53
Total	928	2,804	(2,770)	0	0	962

15 Assets held for sale

2015/16 £'000	2016/17 £'000
1,200 Balance outstanding at start of year	1,200
Assets newly classified as held for sale:	
- Property, Plant and Equipment	0
0 Revaluation losses	0
0 Revaluation gains	0
0 Impairment losses	0
Assets declassified as held for sale:	
0 Property, Plant and Equipment	0
0 Assets sold	0
0 Transfers from non-current to current	0
1,200 Balance outstanding at year-end	1,200

Notes to the core financial statements

16 Investment properties

16.1 During 2016/17, two properties were identified as surplus and are now leased to a third party at a market rent. The following table summarises the movement in the fair value of the investment properties over the year:

2015/16 £'000	2016/17 £'000
0 Balance outstanding at start of year	640
1,585 Property assets newly classified as investment property	
(945) Revaluation losses	
0 Revaluation gains	30
0 Impairment losses	0
0 Property assets declassified as investment property	0
0 Assets sold	0
0 Transfers from non-current to current	0
640 Balance outstanding at year-end	670

16.2 Valuation of non financial assets carried at fair value:

Value as at 31 March 2017	Quoted	Using	With	Total
	market price	observable	significant	
	Level 1	inputs	unobservable	
	£'000	Level 2	Level 3	£'000
		£'000	£'000	
Investment property		670		670
Surplus assets				0
	0	670	0	670

Valuation techniques used to determine Level 2 and 3 fair values:

Significant observable inputs – level 2

16.3 The fair value for the properties within level 2 has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant unobservable inputs – level 3

16.4 The fair value for the properties within level 3 has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets, but with a level of valuer judgement as the recent sales prices and other relevant information are not as significant as with Level 2. This results in more significant unobservable inputs being used in order to determine the fair value.

Notes to the core financial statements

16.5 The assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

17 Provisions

17.1 The Authority holds four provisions.

- The first is for uninsurable and other claims. This covers costs which may arise as a result of the Authority being uninsured for a period (the Authority's insurers went into liquidation some years ago), possible employment tribunals (together with their associated costs) and other claims made against the Authority. These cases may take a number of years to settle.
- The second relates to estimated pension contributions that have been paid on certain allowances which were not originally treated as pensionable, but which now following the ruling in the Norman versus Cheshire legal case it is deemed they should be treated as pensionable.
- The third is for various potential tax liabilities the Authority is liable for in respect of current or former employees.
- The fourth provision relates to the outstanding amount of appeals on business rate valuations, which may impact on future business rates collected by the Authority.

17.2 The movement on these provisions can be summarised as follows:

	Uninsurable and other claims £'000	Pensionable allowances £'000	Tax liabilities £'000	Provision charged to net cost of services £'000	Business Rate appeals £'000	Total provision made £'000
Balance as at 1 April 2016	(141)	(51)	(141)	(333)	(901)	(1,234)
Payments made in the year	24			24	320	344
(Increase) /decrease	(90)	51		(39)	(249)	(288)
Balance as at 31 March 2017	(207)	0	(141)	(348)	(830)	(1,178)

Notes to the core financial statements

18 Unusable reserves

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

2015/16 £'000		2016/17 £'000	Note
(30,528)	Revaluation reserve	(42,121)	18.2
(71,191)	Capital adjustment account	(74,922)	18.5
573,020	Pensions reserve	703,530	18.9
(675)	Collection fund adjustment account	(776)	18.10
(77)	Available for sale financial instruments reserve	(220)	18.11
470,549	Total unusable reserves	585,491	

Revaluation reserve

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

- 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.

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

2015/16 £'000		2016/17 £'000
(30,614)	Balance as at 1 April	(30,528)
(2,694)	Upward revaluation of assets	(14,391)
1,283	Downward revaluation of assets and impairment losses not charged to the (surplus) / deficit on the cost of services	2,018
(32,025)	Surplus or deficit on revaluation of non-current assets not posted to the (surplus) / deficit on the cost of services	(42,901)
736	Difference between fair value depreciation and historic cost depreciation	780
761	Write down of revaluation reserve on assets sold	0
0	Accumulated gains on assets sold or scrapped	0
1,497	Sub total written off to the capital adjustment account	780
(30,528)	Balance at 31 March	(42,121)

Notes to the core financial statements

Capital adjustment account

- 18.4 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.
- 18.5 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.
- 18.6 The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
- 18.7 Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.
- 18.8 The movement in the reserve is analysed below:

<u>2015/16</u> <u>£'000</u>	<u>2016/17</u> <u>£'000</u>	<u>2016/17</u> <u>£'000</u>
(69,354) Balance as at 1st April		(71,191)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
6,062 Charges for depreciation and impairment of non-current assets	8,735	
945 Revaluation (gain)/loss on investment property	(30)	
74 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	10	
7,081		8,715
(1,497) Adjusting amounts written out of the revaluation reserve		(780)
5,584 Net written out amount of the cost of non-current assets consumed in the year		7,935
Capital financing applied in the year:		
(222) Use of the Capital receipts Reserve to finance new capital expenditure	(2,914)	
(5,313) Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,050)	
(624) Statutory provision for the financing of capital investment charged against the general fund	(570)	
(160) Capital expenditure charged against the general fund	(6,132)	
(6,319)		(11,666)
(1,102) Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement		0
(71,191) Balance as at 31 March		(74,922)

Notes to the core financial statements

Pensions reserve

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

<u>2015/16</u> <u>£'000</u>		<u>2016/17</u> <u>£'000</u>
657,170	Balance 1 April	573,020
(111,038)	Actuarial (gains) or losses on pensions assets and liabilities	107,350
33,560	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit in the Comprehensive I&E Statement	29,740
(6,672)	Employer's pension contributions and direct payments to pensioners in the year	(6,580)
573,020	Balance 31 March	703,530

Collection fund adjustment account

- 18.10 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.

<u>2015/16</u> <u>£'000</u>		<u>2016/17</u> <u>£'000</u>
(1,142)	Balance 1 April	(675)
(44,002)	Accrued income in the Comprehensive Income and Expenditure account	(45,390)
44,469	Amount calculated in accordance with statutory requirements	45,289
(675)	Balance 31 March	(776)

Available for sale financial instruments reserve

- 18.11 The available for sale financial instruments reserve contains the gains or losses made by the Authority arising from changes in the value of the Authority's investments that have a quoted market price or otherwise do not have fixed determinable payments.

Notes to the core financial statements

2015/16 £'000	2016/17 £'000
38 Balance 1 April	(77)
(122) Upward revaluation of investments	(176)
7 Downward revaluation of investments not charged to the surplus / deficit on the provision of services	33
(77) Balance 31 March	(220)

19 Expenditure and Funding Analysis – Supporting Statement

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

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The EFA includes a column which identifies the statutory adjustments required by the Code of Practice separately from the income and expenditure which has an impact upon the General Fund Reserve. These are called 'Adjustments between the accounting and funding basis'. These are shown in more detail in Note 7 and an extract of these is presented below:-

2015/16				2016/17			
Adjustments for capital purposes (Note 1) £'000	Net change for the pensions adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000	Adjustments for capital purposes (Note 1) £'000	Net change for the pensions adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Adjustments between accounting and funding basis analysis:-							
5,022	3,469		8,491	6,671	3,826		10,497
1,040	849		1,889	2,064	357		2,421
	(210)		(210)		(100)		(100)
	2,020		2,020		(113)		(113)
6,062	6,128	0	12,190	8,735	3,970	0	12,705
(5,699)	20,760	467	15,528	(7,013)	19,190	(101)	12,076
363	26,888	467	27,718	1,722	23,160	(101)	24,781

Notes

Other operating expenditure, financing and investment income and expenditure and taxation and non-specific grant income and expenditure are all included within other income and expenditure from the funding analysis.

Notes to the core financial statements

1. *Adjustments for Capital Purposes*

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and with other income and expenditure:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. *Net change for pensions' adjustments*

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs;
- For Financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.

3. *Other changes*

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts;
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Accounting Code of Practice. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Notes to the core financial statements

20 Nature of expenses

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

2015/16 Expenditure in the CIES £'000		Note	2016/17 Expenditure in the CIES £'000
55,123	Employee Benefit Expenses	1	53,957
15,041	Other Service Expenses	2	16,787
6,062	Depreciation and Impairment	3	8,735
76,226	Total Expenditure		79,479
(2,665)	Grants, contributions and reimbursements		(2,767)
(998)	Fees, charges and other service income		(1,404)
(3,663)	Total Income		(4,171)
72,563	Net Cost of Services		75,308

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

2. 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).

3. 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.

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

2015/16 £'000		2016/17 £'000
(357)	Service Delivery	(670)
(641)	Professional Services	(734)
(998)	Total income from external customers analysed on a segmental basis	(1,404)

Notes to the core financial statements

21 Members' allowances

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

2015/16 £'000		2016/17 £'000
129	Allowances	130
8	Expenses	2
137		132

22 Officers' remuneration

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

2015/16	Salary	Benefits in kind (e.g. car allowance)	Employers pension contributions	Total remuneration
	£	£	£	£
Chief Officer - Dave Curry	151,425	82	32,698	184,205
Director of Service Delivery	121,090	257	17,238	138,585
Director of Professional Services	115,669	53	14,570	130,292

2016/17	Salary	Benefits in kind (e.g. car allowance)	Employers pension contributions	Total remuneration
	£	£	£	£
Chief Officer - Dave Curry	154,450	0	33,352	187,802
Director of Service Delivery	123,560	0	17,583	141,143
Director of Professional Services	113,521	88	14,871	128,480

The Chief Officer leads on services provided to the Isle of Wight Fire Service for which the Hampshire Fire and Rescue Service receives income as part of the partnership agreement.

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

Notes to the core financial statements

- 22.2 The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Total remuneration	Number of Employees	
	2015/16	2016/17
£50,000 - £54,999	43	41
£55,000 - £59,999	19	16
£60,000 - £64,999	7	10
£65,000 - £69,999	5	5
£70,000 - £74,999	2	0
£75,000 - £79,999	0	2
£85,000 - £89,999	1	1
£110,000 - £114,999	2	0
£115,000 - £119,999	0	1
£120,000 - £124,999	0	1
£125,000 - £129,999	0	1
Total	79	78

23 Exit Packages

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

2015/16	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
Exit package cost band				
£0 to £20,000	0	23	23	£248,991
£20,001 - £50,000	0	10	10	£268,658
	0	33	33	£517,649

2016/17	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
Exit package cost band				
£0 to £20,000	0	10	10	£73,993
£20,001 - £50,000	0	3	3	£72,744
	0	13	13	£146,737

Notes to the core financial statements

24 External audit costs

24.1 The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

2015/16 £'000		2016/17 £'000
36	External audit services	36
0	Statutory inspection	0
0	Grant claims and returns	0
0	Other services	0
36	Total	36

25 Grant income

25.1 The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2015/16 £'000		2016/17 £'000
	Credited to taxation non specific grant income:	
(27,668)	General Government grants (RSG, locally retained business rates & top up grant)	(19,172)
(404)	CLG- Council Tax freeze grant	0
(453)	S31 Grant funding	(475)
	Specific capital grants:	
(3,864)	CLG – Capital priorities	(14)
(2,070)	Capital contributions	(277)
(34,459)	Total	(19,938)
	Credited to services:	
(895)	New Dimensions - USAR	(895)
(6)	New Dimensions – Vehicle Insurance	(6)
(73)	New Dimensions - Enhanced Command Support	(73)
(278)	Radio System	(531)
(19)	New Risks	(19)
(134)	SD Transformation	0
0	LAA - Reward Grant SCC	(31)
(1,405)	Total	(1,555)

Notes to the core financial statements

- 25.2 The Authority has received a number of grants that have yet to be recognised as income as they have conditions attached to them that could require the money to be returned:

2015/16 Revenue grants receipts in advance	2016/17
£'000	£'000
31 SCC LAA Reward Grant	0
0 Emergency Service Mobile Communicaton Programme (ESMCP)	53
0 Professional Standards Body for the Fire Sector - Set up Grant	152
40 Firesetters intervention - Police and Crime Commissioner	40
71 Total	245

- 25.3 The Authority had not received any contributions or donations which, as at 31 March 2017, had conditions which had not been met.

26 Related parties

- 26.1 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

- 26.2 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 significant proportion of its funding in the form of grants.

Members

- 26.3 Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances is shown in Note 21. During 2016/17 there were no potential conflicts of interest involving Members of the Authority.

Officers

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

3SFire Ltd

- 26.5 The Authority has sole control over a company – 3SFire Ltd. It is a company limited by shares held by the Authority and was formed on 20 February 2013.
- 26.6 There is one Non-Executive Director of the Company, Royston Smith (MP) and two Executive Directors, Councillor Chris Carter and Councillor Roger Price who are also Members of the Authority. Neil Odin, Deputy Chief Fire Officer is a director of the company.

Notes to the core financial statements

- 26.7 The Authority has agreed to loan up to £250,000 to the Company at a commercial rate of interest. The outstanding loan balance at 31 March 2016 of £25,200 was fully repaid during 2016/17, meaning that as at the 31 March 2017 the Company had no outstanding loan amounts to be repaid.

Joint Working

- 26.8 During 2014/15, the Authority entered into a number of joint working agreements with Hampshire County Council and Hampshire Constabulary for a range of corporate services including finance, HR, IT, facilities management and procurement across the three organisations. The services are hosted but not controlled by Hampshire County Council as they are delivered with joint direction, governance, control and senior management, with each organisation accounting for its share of cost. The total cost of these services in 2016/17 was £27.3 million (£27.0 million in 2015/16) of which the Fire Authority's share was £2.0 million (£1.9 million in 2015/16).

27 Capital expenditure and capital financing

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

2015/16 £'000	2016/17 £'000
13,256 Opening capital financing requirement	12,762
<i>Capital investment:</i>	
5,825 Property, plant and equipment	11,095
<i>Sources of finance:</i>	
(222) Capital receipts	(2,914)
(5,313) Government grants and contributions	(2,050)
<i>Sums set aside from revenue:</i>	
(160) Direct revenue contributions (budgeted)	(6,132)
(624) Minimum revenue provision	(570)
12,762 Closing capital financing requirement	12,191
Explanation of movements in year:	
130 Increase in finance leases	0
(624) Minimum revenue provision	(570)
(494) Increase/(decrease) in capital financing requirement	(570)

Notes to the core financial statements

28 Assets held under finance leases

28.1 No new finance lease arrangements were entered into in 2016/17 or 2015/16.

28.2 The following values of assets are held under finance leases by the Authority, accounted for as part of Property, Plant and Equipment:

31 March 2016 £'000		31 March 2017 £'000
97	Vehicles	32

28.3 The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments (net present value) are made up of the following amounts:

31 March 2016 £'000		31 March 2017 £'000
	Finance lease liabilities:	
65	· Short term	32
32	· Long term	0
22	Finance costs payable in future years	0
119	Minimum lease payments	32

28.4 The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	87	32	65	32
Later than one year and not later than five years	32	0	32	0
Later than five years	0	0	0	0
Total	119	32	97	32

28.5 At 31 March 2017 the Authority had one signed lease extension for vehicles where payments had not started.

Notes to the core financial statements

29 Assets used under operational lease

- 29.1 Some of the Authority's premises and operational vehicles, including leased cars for its employees, are leased.
- 29.2 The future minimum lease payments due under non-cancellable leases in future years for premises and operational vehicles are:

31 March 2016				31 March 2017		
Vehicles £'000	Property £'000	Total £'000		Vehicles £'000	Property £'000	Total £'000
0	13	13	Not later than one year	0	29	29
			Later than one year and not later than five years	0	108	108
0	48	48				
0	538	538	Later than five years	0	1,101	1,101
0	599	599	Total	0	1,238	1,238

- 29.3 The expenditure charged to the cost of services within the Comprehensive Income and Expenditure Statement in 2016/17 was £21,831.

The Authority as lessor

- 29.4 The Authority grants operating leases to third parties for example for parking and or storage by other emergency services. The future minimum lease payments receivable in future years are:

31 March 2016 £'000		31 March 2017 £'000
682	Not later than one year	877
1,863	Later than one year and not later than five years	2,564
8,278	Later than five years	9,424
10,823		12,865

30 Defined benefit pension schemes

Participation in pension schemes

- 30.1 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.
- 30.2 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

Notes to the core financial statements

assets. Benefits earned up to 31 March 2014 are linked to final salary and benefits after 31 March 2014 are based on a Career Average Revalued Earnings (CARE) scheme.. Discretionary arrangements for the award of post retirement benefits upon early retirement can be made. These are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

- the 1992 Firefighters' Pension Scheme (FPS);
- the 2006 New Firefighters' Pension Scheme (FPS). This scheme was opened to new members from 1 April 2006;
- the 2015 Firefighters' Pension Scheme (FPS); and
- the Modified 2015 Firefighters' Pension Scheme (FPS) for retained firefighters.

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

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

Transactions relating to post-employment benefits

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

Notes to the core financial statements

	Firefighters' Pension Schemes		Injury Pensions (firefighters)	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	8,640	7,980	600	560
- Past service costs	1,960	390	0	0
- (Gain)/loss from settlements	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	19,350	17,860	830	770
Total Charge to the Surplus or Deficit on the Provision of Services	29,950	26,230	1,430	1,330
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
- Actuarial (Gains)/Losses arising	(104,368)	99,620	(3,810)	4,610
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(74,418)	125,850	(2,380)	5,940
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(29,950)	(26,230)	(1,430)	(1,330)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	4,442	4,340	0	0
Benefits paid direct to beneficiaries	0	0	810	660
Charge on General Fund	4,442	4,340	810	660

	LGPS (Staff)		All schemes - Summary	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	1,540	1,530	10,780	10,070
- Past service cost	60	90	2,020	480
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	580	560	20,760	19,190
Total Charge to the Surplus or Deficit on the Provision of Services	2,180	2,180	33,560	29,740
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
- Return on plan assets	600	(3,980)	600	(3,980)
- Actuarial (Gains)/Losses arising:-	(3,460)	7,100	(111,638)	111,330
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(680)	5,300	(77,478)	137,090
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(2,180)	(2,180)	(33,560)	(29,740)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	1,420	1,580	5,862	5,920
Benefits paid direct to beneficiaries	0	0	810	660
Charge on General Fund	1,420	1,580	6,672	6,580

Notes to the core financial statements

Liabilities in relation to post-employment benefits

30.4 The following tables set out the reconciliation of the present value of the various schemes liabilities:

2015/16	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	51,400	612,030	26,190	689,620
Current service cost	1,540	8,640	600	10,780
Interest cost	1,630	19,350	830	21,810
Contributions by scheme participants	420	3,430	0	3,850
Actuarial (gains) and losses	(3,460)	(93,670)	(3,810)	(100,940)
Net benefits paid out	(1,150)	(18,570)	(810)	(20,530)
Past service costs	60	1,960	0	2,020
31 March	50,440	533,170	23,000	606,610

2016/17	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	50,440	533,170	23,000	606,610
Current service cost	1,530	7,980	560	10,070
Interest cost	1,750	17,860	770	20,380
Contributions by scheme participants	460	3,680	0	4,140
Actuarial (gains) and losses	7,100	111,700	4,610	123,410
Net benefits paid out	(1,350)	(20,100)	(660)	(22,110)
Past service costs	90	390	0	480
31 March	60,020	654,680	28,280	742,980

30.5 Under IAS 19, a prospective allowance for injury benefits is required. At the last valuation of the FPS scheme, the value of injury pensions was around 3.9% of the pensioner liabilities. The Actuaries advise that a reasonable estimate of the accrual of injury pensions is 3.9% of the cost of benefits accruing. A sum equal to 3.9% of the active liabilities in the 1992, 2006 and 2015 firefighters' pension schemes has been added to the injury pension liabilities.

Assets in relation to post-employment benefits

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

2015/16 £'000		2016/17 £'000
32,450	1 April	33,590
1,050	Expected return on assets	1,190
(600)	Actuarial gains and (losses)	3,980
1,420	Employer contributions	1,580
420	Contributions by scheme participants	460
(1,150)	Net benefits paid out	(1,350)
33,590	31 March	39,450

Notes to the core financial statements

- 30.7 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.
- 30.8 The actual return on assets in the year was a gain of £5.17m in 2016/17 (£450,000 gain in 2015/16).

Pension Scheme Assets

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

31 March 2016		31 March 2017	
56%	Equities	60%	
8%	Property	7%	
26%	Government bonds	25%	
10%	Other assets	8%	
100%	Total	100%	

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

Impact on the Authority's cash flows

- 30.10 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.
- 30.11 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.
- 30.12 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 2019.
- 30.13 The employer's regular contributions to the LGPS fund for the accounting period 31 March 2018 are estimated to be £1.64m. In addition pension strain contributions may be required.

Basis for estimating Assets and Liabilities

- 30.14 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 assumptions about mortality rates, salary levels etc.
- 30.15 All schemes have been assessed by an independent actuary, AON Hewitt Limited, against a formal actuarial valuation as at the following dates:

Notes to the core financial statements

Scheme	Date
Local Government Pension Scheme – funded	31 March 2016
Local Government Pension Scheme – unfunded	31 March 2016
1992 Firefighters' Pension Scheme	31 March 2015
2006 Firefighters' Pension Scheme	31 March 2015
2015 Firefighters' Pension Scheme	31 March 2015
Firefighters' Injury and Ill-Health Pensions	31 March 2015

30.16 The main financial assumptions in their calculations have been:

2015/16	2016/17
2.9% RPI Inflation - Firefighter schemes	3.1%
2.9% RPI Inflation – LGPS schemes	3.1%
1.8% CPI Inflation - Firefighter schemes	2.0%
1.8% CPI Inflation – LGPS schemes	2.0%
3.3% Rate of general increase in salaries - Firefighters	3.5%
3.3% Rate of general increase in salaries - LGPS	3.5%
1.8% Pension increases - Firefighters	2.0%
1.8% Pension increases - LGPS	2.0%
3.4% Discount rate - Firefighters	2.6%
3.5% Discount rate - LGPS	2.6%

30.17 The commutation assumptions made are:

	31 March 2016	31 March 2017
LGPS	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.
Firefighter schemes	Assumed that 90% of members of the 1992 Scheme commute 25% of their pension. Assumed that 75% of members of the 2006 and 2015 schemes commute 25% of their pension.	Assumed that 90% of members of the 1992 Scheme commute 25% of their pension. Assumed that 75% of members of the 2006 and 2015 schemes commute 25% of their pension.

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements. The principal demographic assumptions concerning post retirement mortality are:

Notes to the core financial statements

LGPS schemes	Males		Females	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
Year of birth base Table	Standard SAPS Normal Health Light Amounts (S1NMA_L)	Standard SAPS Normal Health Light Amounts (S2P)	Standard SAPS Normal Health Light Amounts (S1NFA_L)	Standard SAPS Normal Health Light Amounts (S2P)
Scaling to above base Table rates	100%	100%	95%	80%
Improvements to base Table	CMI_2012 with a long term rate of improvement of 1.5% p.a.	CMI_2014 with a long term rate of improvement of 1.5% p.a.	CMI_2012 with a long term rate of improvement of 1.5% p.a.	CMI_2014 with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65	24.6	24.0	26.4	27.0
Future lifetime from age 65 (now aged 45)	26.7	26.0	28.7	29.3

Firefighter schemes	Males		Females	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
Base Table	Standard SAPS normal health all amounts (S1NMA)	Standard SAPS normal health all amounts (S1NMA)	Standard SAPS normal health all amounts (S1NFA)	Standard SAPS normal health all amounts (S1NFA)
Scaling to above base Table rates	110%	110%	110%	110%
Improvements to base Table	Allowance for improvements in line with the CMI 2014 improvements, with a long term rate of improvement of 1.5% p.a.	Allowance for improvements in line with the CMI 2014 improvements, with a long term rate of improvement of 1.5% p.a.	Allowance for improvements in line with the CMI 2014 improvements, with a long term rate of improvement of 1.5% p.a.	Allowance for improvements in line with the CMI 2014 improvements, with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65	22.0	22.1	24.5	24.6
Future lifetime from age 65 (now aged 45)	24.1	24.2	26.8	26.9

Sensitivity analysis of financial assumptions

30.18 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

Notes to the core financial statements

projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous method. A sensitivity analysis has not been undertaken on unfunded benefits as it is immaterial.

Baseline:-

Fire Schemes

Present Value of total obligation (excluding injury benefits) @ 31.3.17 = £654.68m

Projected Service cost 2017/18 = £12.12m

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31.3.17 = £59.98m

Projected Service cost 2017/18 = £2.13m

	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)	58.76	61.23	642.14	667.47
* % change in present value of total obligations	-2.0%	2.1%	-1.9%	2.0%
* Projected service cost (£M)	2.07	2.20	11.65	12.61
* % change in projected service cost	-3.0%	3.1%	-3.9%	4.0%
Rate of general increase in salaries				
* Present value of total obligations (£M)	60.27	59.89	658.07	651.33
* % change in present value of total obligations	0.5%	-0.5%	0.5%	-0.5%
* Projected service cost (£M)	2.13	2.13	12.38	11.88
* % change in projected service cost	0.0%	0.0%	2.1%	-2.0%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	60.93	59.04	664.04	645.46
* % change in present value of total obligations	1.6%	-1.6%	1.4%	-1.4%
* Projected service cost (£M)	2.20	2.07	12.37	11.89
* % change in projected service cost	3.1%	-3.0%	2.1%	-1.9%
Adjustment to mortality age rating assumption				
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	61.72	58.24	672.35	637.01
* % change in present value of total obligations	2.9%	-2.9%	2.7%	-2.7%
* Projected service cost (£M)	2.21	2.05	12.58	11.66
* % change in projected service cost	3.6%	-3.6%	3.8%	-3.8%

Notes to the core financial statements

31 Cash Flow Statement

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

2015/16		2016/17
£'000		£'000
(4,447)	Depreciation	(4,355)
(1,615)	Impairments & downward revaluations	(4,380)
0	Amortisations	0
0	(Increase)/Decrease in impairment for bad debts	0
1,023	(Increase)/Decrease in creditors	(733)
2,136	Increase/(Decrease) in debtors	4,121
81	Increase/(Decrease) in inventories	34
(341)	(Increase)/Decrease in provisions	(288)
38	Actual cash payments made from provisions	344
(26,888)	Movement in pension liability	(23,160)
(945)	Movement in the value of investment properties	30
(74)	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	(10)
(184)	Other non-cash items charged to the net surplus or deficit on the provision of services	0
(31,216)	Adjustment for non-cash items	(28,397)

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

2015/16		2016/17
£'000		£'000
0	Proceeds from the sale of fixed assets	0
3,864	Capital grants and contributions received	14
3,864	Adjustment for activities that are investing or financing cash flows	14

31.3 The cash flow from operating activities includes the following items:

2015/16		2016/17
£'000		£'000
(366)	Interest received	(257)
0	Dividends received*	(121)
469	Interest paid	426
103	Net cash outflow from investing activities	48

*Dividends received were included within interest received in the 2015/16 statements of accounts.

Notes to the core financial statements

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

2015/16		2016/17
£'000		£'000
	Cash outflows	
5,825	Purchase of property, plant and equipment	10,374
39,814	Purchase of short-term and long-term investments	26,531
	Cash inflows	
0	Proceeds from the sale of property, plant and equipment	(150)
(37,761)	Proceeds of sale of short-term and long-term investments	(31,909)
(3,864)	Capital grants received	(14)
0	Other income	0
4,014	Net cash outflow from investing activities	4,832

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

2015/16		2016/17
£'000		£'000
	Cash outflows	
31	Cash payments for the reduction of the outstanding liabilities relating to finance leases	65
61	Repayments of long and short term borrowing	0
0	Other payments for financing activities	0
	Cash inflows	
0	Cash receipts of long and short term borrowing	0
0	Other receipts from financing activities	0
92	Net cash outflow from financing activities	65

32 Contingent liabilities and assets

32.1 The Authority is not aware of any contingent liabilities and assets.

33 Other notes that require disclosure but which this Authority has nothing to report

33.1 The Authority has no undischarged obligations from long-term projects.

33.2 The Authority does not have any intangible assets.

33.3 The Authority has no material interests that would require the production of Group Accounts.

33.4 The Authority does not administer any Trust Funds.

33.5 The Authority does not have any PFI schemes.

33.6 The Authority is not undertaking any construction contracts on behalf of a third party

33.7 The Authority does not provide any agency services.

33.8 The Authority does not have any pooled budget arrangements.

33.9 The Authority does not receive any dedicated schools grant.

33.10 The Authority does not capitalise borrowing costs.

33.11 The Authority does not operate a road charging scheme under the Transport Act 2000.

33.12 The Authority did not acquire or discontinue any operations in the year.

Notes to the core financial statements

33.13 The Authority does not have sufficient accumulated absences to require an accumulated absences account to be maintained.

Pension fund accounting statement

Pension Fund Account

2015/16 £'000	2016/17		see note
	£'000	£'000	
Contributions receivable:			
(4,449)	Normal contributions from employer	(4,293)	
0	Early retirement contributions from employer	(61)	
(3,425)	Contributions from members	(3,686)	(8,040)
(7,874)			
(53)	Transfers in		(97)
Benefits payable:			
14,071	Pensions	15,530	
4,413	Commutations and lump sum retirement benefits	4,468	
0	Lump sum death benefits	0	19,998
18,484			
Payments to and on account of leavers:			
0	Refunds of contributions	0	
140	Individual transfers out to other schemes	351	351
140			
	Net amount payable for the year before top-up grant		
10,697	receivable from the Government		12,212
(10,697)	Top up grant receivable from the Government		(12,212)
0	Net amount receivable/payable for the year		0

Net Assets statement

2015/16 £'000	Net current assets and liabilities	2016/17 £'000	
1,662	Pension top-up grant receivable from Government	5,481	
	Pensions paid to pensioners in advance	1,258	
	Liabilities to be paid in relation to employee contribution holidays	(509)	
(1,662)	Temporary (borrowing) / lending	(6,230)	4
0		0	

Notes to the pension fund accounting statement

1 Accounting policies

- 1.1 The accounting policies for the Pension Fund Account are the same as those of the main Authority and can be found in section 1 of the main Authority's notes to the core financial statements.

2 Funding arrangements

- 2.1 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 out going 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.
- 2.2 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.

3 Accounting for future liabilities

- 3.1 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 note 30 to the main Authority accounts.

4 Temporary borrowing or lending

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

1 The Authority's responsibilities

1.1 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
- to manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets
- to approve the Statement of Accounts.

2 The Chairman's Statement

- 2.1 I certify that the Statement of Accounts for 2016/17 were considered and approved at the Standards and Governance Committee Meeting on 15 September 2017.

Chairman
Standards and Governance Committee

1 The Chief Financial Officer’s responsibilities

- 1.1 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 / Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in Great Britain (‘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 Great Britain.

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.

2 The Chief Financial Officer’s statement

- 2.1 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 2017 and its income and expenditure for the year ended 31 March 2017.

Rob Carr CPFA
Chief Financial Officer / Section 151 Officer

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

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Independent Auditor's Report

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Independent Auditor's Report

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1 Scope of Responsibility

Hampshire Fire and Rescue 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
- there is a sound system of internal control which facilitates the effective exercise of the Fire Authority's functions and which include arrangements for the management of risk.

This Annual Governance Statement explains how the Authority meets with the requirements of the Accounts and Audit (England) Regulations 2015 and complies with the principles contained in the Delivering Good Governance in Local Government Framework in 2016-2017.

2 The purpose of Corporate Governance

The governance framework comprises the systems and processes, and cultures and values, by which the Hampshire Fire and Rescue Service is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Fire 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.

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, in order to manage them efficiently, effectively and economically.

The governance framework was in place at Hampshire Fire and Rescue Authority for the year ending 31 March 2017 and up to the date of approval of the Statement of Accounts.

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 Fire Authority took a proactive approach in reviewing its governance arrangements during 2015/16. The aim was to ensure the Authority was in the best position to continue to lead Hampshire Fire and Rescue Service in delivering excellent quality services to the residents of Hampshire whilst remaining resilient and responsive to challenges in the future. The new shaped Authority will comprise 10 members. The Police and Crime Commissioner attends Authority meetings and has the ability to speak on items on the agenda. The aim of the new arrangements is to have a strategic and business focus with Member engagement and scrutiny across the business of the Authority.

3.1.2 The key policies that set out the scope of authority for Members and that delegated to staff is detailed in the Scheme of Delegation, Contract Standing Orders and Financial Regulations. Both Members and staff are aware of their responsibilities within these policies. In particular, the Scheme of Delegation and Financial Regulations have been reviewed and will be presented to the Fire Authority at their meeting in June 2017.

3.1.3 There are a well-established set of core values which Members and staff are expected to observe and promote. These values are underpinned by a range of policies and procedures including Codes of Conduct for Members and for staff, registers of interests and gifts and hospitality.

3.1.4 The Fire Authority is committed to the highest ethical standards. A Code of Corporate Governance has been included in the refreshed Fire Authority Constitution to be considered in June 2017. The Code of Corporate Governance demonstrates a comprehensive commitment on the part of the Fire Authority to accountability, integrity, ethical values and the rule of law.

3.1.5 Members of Service Management Team have the relevant professional external networks and expertise to identify the impacts of new legislation. Legal advice is also provided to ensure the Authority continues to comply with legislation and regulation.

3.1.6 The Service has reviewed its internal governance structures and set up several internal boards to oversee key areas such as performance, risk management and assurance, culture, inclusion and diversity (people) and physical assets (vehicles and estates). These boards provide extra scrutiny on behalf of the Service Management Team, to which they report on a regular basis.

3.1.7 A Policy Framework has been developed and approved and a newly formed Policy Group is overseeing a review and embedding of all Service policies which will be completed by December 2017.

3.2 Ensuring openness and comprehensive stakeholder engagement.

3.2.1 The Authority's Service Plan 2015-2020 sets out our aim to be the best fire and rescue service in the country and vision to work smarter, be more efficient, and to make life safer for everyone in Hampshire. It contains clear strategic Priorities. The Plan is on the Authority's website and available to stakeholders in electronic and paper formats.

3.2.2 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 our website (save for individual items of a sensitive nature properly considered in confidential session). In addition, Fire Authority meetings are live-streamed to enable staff and the public better access to view decision making.

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

3.2.4 The Authority enjoys a constructive relationship with the Trade Unions and

Annual Governance Statement

Associations representing staff groups within the Service, through which meaningful consultation and negotiation on service issues takes place.

3.2.5 Public consultation to listen to stakeholders and inform decision making is undertaken. Extensive consultation was undertaken during the Authority's recent Risk Review which was the most comprehensive integrated risk review the Service has carried out in recent years. The consultation process for the proposals enabled our staff, the public and other stakeholders to have their say on how their fire and rescue service should operate in the future. The process was quality assessed by the Consultation Institute and found to have conformed to best practice.

3.2.6 Hampshire Fire and Rescue Authority has a long history of collaborative working with partner agencies. In particular, Blue Light Collaboration is governed by an Executive Board consisting of the chief officers of Hampshire Constabulary, South Central Ambulance Service and Hampshire Fire and Rescue Service. The Board sets the strategic direction and oversees collaboration projects. The Chief Officer reports progress to the Fire Authority on a periodic basis.

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

3.3.1 Delivery of fire and rescue services and the associated community safety activity remains the Authority's core activity.

3.3.2 Our aim, vision and priorities are set out in the Hampshire Fire and Rescue Service Plan 2015-2020. The Plan sets out – for the benefit of our stakeholders – how the Authority:

- Assesses the risks
- Responds to changes and challenges, and
- Sets priorities and targets for improvement.

3.3.3 Our priorities and aims are clear and arranged under the themes of 'Making life safer' and 'Making our Service stronger' – our 'Safer, Stronger' aims. These focus our resources to the relevant community risks, and our organisational improvements to support our service delivery to ensure that we are efficient and effective. This Plan is underpinned by detailed departmental plans and our corporate Portfolio of projects. Progress against these plans is monitored through regular performance updates to the Service Management Team, Safer Stronger Board and the Fire Authority.

3.3.4 People Impact Assessments (PIAs) are used to assess the impact of projects to inform decision making. These include assessments of equality, health and safety, environmental and financial impacts.

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

3.4.1 Clear guidance and protocols for decision making and the involvement of legal and finance officers in all significant decisions of the Authority ensures that they are only made after relevant options have been weighed and associated risks assessed.

3.4.2 The budget setting process is well established and prioritises budgets and spending to achieve intended outcomes. In recent years, the budget setting process has focussed on the achievement of savings to meet reductions in Government grant funding. However it is

Annual Governance Statement

clear that it is focussed to deliver the Authority's aims and priorities which is underpinned by improvement.

3.4.3 Risks associated with the achievement of intended outcomes are detailed in Risk Registers held at strategic, departmental and project level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation.

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

3.5.1 The relationship between Members and Officers is established on a professional culture of mutual respect, trust and co-operation. Both uphold the principles set out in the Leadership Framework.

3.5.2 Members receive good induction training and attend regular 'awareness' sessions on current topics which are delivered during the year. The topics are decided by Members and officers to ensure that decision-making is based on knowledge and understanding of the issues involved. Regular bulletins (Members' Updates) are issued and Members receive copies of key internal staff communications. The Fire Authority has a Member Development champion who supports and oversees the development of Members in a number of ways, such as internal and external briefings and courses. The Fire Authority has achieved the South East Employers Charter for Member Development.

3.5.3 The Authority, its committees and the Chief 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, ICT and democratic services are provided through contracts for services (service level agreements) with Hampshire County Council. The Shared Service partnership with Hampshire County Council and Hampshire Constabulary provides a wide pool of professional advice for areas such as HR, finance and procurement.

3.5.4 The Service has a People Strategy which describes what is required of our people and provides clarity about what we will achieve in order to meet the changing needs and expectations of society and future opportunities for the Service.

3.5.5 Hampshire Fire and Rescue Service regularly reviews the shape of its workforce against the needs of the Service in the context of its capacity and capability requirements. This then informs a range of strategies, for example recruitment, retention and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of the Service.

3.5.6 A refreshed Performance Development Review Process provides a framework for staff and managers to meet to discuss and set goals. The system now focuses on individual contribution within a team approach with effective performance conversations at all levels. This is supported by the development of a culture of on-going coaching style conversations which focus upon high performance in all aspects of our work. Staff are held accountable 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 Service.

3.5.7 Leadership and change management development programmes have been delivered to all levels of management.

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

3.6.1 The Authority operates a Risk Management Strategy, with oversight of the arrangements provided by the Risk and Assurance Board, which reports to Service Management Team and the Fire Authority.

3.6.2 Effective performance management is in place to measure progress against aims and priorities to prompt remedial action where appropriate. Our newly formed Service Performance Board adds improved scrutiny of the performance management process. The Authority has a framework for regularly monitoring its performance with timely and relevant information. Both the Service Management Team and the Fire Authority review our key performance indicators on a regular basis.

3.6.3 We compare our performance to that of other fire and rescue services; for example, we make use of national benchmark information. This continues to show that we are performing well when compared with other fire and rescue services.

3.6.4 The Internal Audit Plan 2016 – 17 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 objectives. This includes a regular review of the Service's risk management processes.

3.6.5 The internal audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an Anti-Fraud and Corruption Strategy and Policy.

3.6.6 The delivery of the 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 Service Management Team and the Fire Authority.

3.6.7 The Standards and Governance Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment.

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

3.6.9 Financial management in key risk areas across the Service focusses on activity and performance management alongside the budget management processes and the financial management framework throughout the Service is appropriately advised and supported by the Finance team.

3.6.10 The Authority has a medium term financial plan to inform its corporate planning. This identifies the likely levels of funding available to the Authority, the cost of its current spending plans and the shortfall we are anticipating in future years. It also provides information on the level and use of reserves in transforming and improving the Service. It

Annual Governance Statement

has established a clear Financial Plan to 2021 with the specific purpose of closing our predicted and estimated funding gap of £1.75m. The medium term financial plan is overseen and monitored by our Safer Stronger Board and regularly reported to the Fire Authority.

3.6.11 The Authority has submitted an Efficiency Plan to the Home Office setting out its performance and plans for sustainable financial stewardship.

3.6.12 Financial planning and management is fully integrated with, and driven by, the corporate planning and monitoring processes set out above. This includes processes for the forward planning of expenditure, consultation on budget proposals, setting and monitoring income and budgets, and the completion of final accounts.

3.6.13 The Treasury Management Strategy is reviewed regularly and approved by the Fire Authority annually with the budget.

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

3.7.1 The 'Internal Audit Charter' is presented annually for approval by the Standards and Governance Committee. 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 Standards and Governance Committee.

3.7.2 The on-going work of internal audit is presented through a quarterly progress report to the Standards and Governance Committee providing an overview of Service performance; delivery against the plan; and progress made by the Service in the implementation of management actions agreed to mitigate risks identified through internal audit work.

3.7.3 Where appropriate, internal audit will gain assurances from third parties to contribute to their overall assurance opinion.

3.7.4 Representatives of External Audit routinely attend Standards and Governance Committee meetings and present External Audit reports. Any recommendations for corrective action detailed within Internal or External Audit reports are highlighted to Members.

3.7.5 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.

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 and recorded on an annual return (assurance statement). Risks are included in risk registers at corporate and departmental level. Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy

Annual Governance Statement

and also 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.

4.2 Hampshire Fire and Rescue Authority prides itself on being a professional learning organisation that actively seeks challenge and review.

4.3 In November 2015, the Authority underwent the Local Government Association's (LGA) Fire Peer Challenge, as part of sector led improvement. In January 2017, the Peer Challenge team was invited back to the Service to review our progress in implementing the improvements to which it had committed.

4.4 Other external reviews include the following:

- the ISO 270001 accreditation we hold for information security.
- a Home Office review of arrangements for our Public Sector Network.
- the LGA was used to help with the HFRA Governance Review.
- Hampshire Safeguarding Board's review of our safeguarding arrangements.

5 Evaluate assurances and identify gaps in control/assurance

5.1 One of the key elements of the Corporate Governance regime and the production of the Annual Governance Statement is the methodology applied to obtain the necessary assurance. This has included:

- a self-assessment assurance statement being sent every year to members of Service Management Team.
- consultation with other relevant officers throughout the Service.

5.2 The assurance statements cover a range of corporate governance and performance issues and they refer to the existence, knowledge and application within departments of governance policies generally.

6 Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance

6.1 The Service's Policy Group will ensure that all Service policies are up to date reviewed, and then embedded where appropriate by the end of the calendar year.

6.2 The Service Risk and Assurance Board is currently overseeing the review of Risk Registers and framework.

6.3 The Service will review its consultation strategy.

6.4 Preparation will be made to prepare the Service for the requirements under the new General Data Protection Regulations which come into force in May 2018.

6.5 The Service is currently reviewing its partnership policy and framework.

6.6 We will review the framework and arrangements that govern our People Impact Assessments.

6.7 The Service is reviewing its procurement practices and Contracts Register to ensure they are effective and ensure value for money.

7 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored.

In response to the Action Plan identified in the 2015-2016 Annual Governance Statement:-

7.1 The Authority has concluded a review of its governance arrangements, including a review of the terms of reference of all committees of the Authority. The revisions have been included in a refreshed Constitution for the Fire Authority to be considered by Members at its meeting in June 2017.

7.2 The Authority has reviewed the Scheme of Delegation to officers to ensure that it remains effective. This is included in the Fire Authority's refreshed Constitution to be considered by Members in June 2017.

7.3 We have used external expertise to review the maturity of our Project Management Office function and benchmarked with our partners, particularly Hampshire Constabulary. We continue to improve the function to ensure that the form and structure of programme and project management is effective and efficient.

7.4 Having reviewed our internal governance arrangements, we have established several internal boards that report to Service Management Team. These provide added scrutiny to further improve how we make decisions and plan within the Service.

7.5 We continue to ensure our people are equipped with the appropriate knowledge, skills and equipment to have a culture that is focussed on high performance. This will be further enabled through the Performance Management and Assurance project taking place from 2016 – 2018.

7.6 We remain committed to embedding our engagement principles (time, space, conditions to think, talk, listen, include, and do) into the work that we do to include, involve, and consult with our stakeholders. The Service Plan and the Pathway to our cultural vision continue to focus our efforts. Responsibility to meaningfully engage with key groups of people is integrated into our programme and project management process. This is now overseen by our newly formed People Committee.

7.7 As part of the planned approach to ensuring that in the medium term, Hampshire Fire and Rescue Authority has a sustainable and balanced budget, a phase 3 savings programme is already in development which is expected to close the remaining forecast budget gap of £1.75m by 2020/21.

7.8 We have made some improvements to the technical relationship between our availability and payroll systems and continue to optimise these.

7.9 We have implemented most the recommendations from the 2015 Peer Review (some are longer term). In January 2017, we invited the LGA Peer Review team visited to follow up on our progress. This team reached a positive conclusion.

7.10 We have developed the new Service Performance Board to improve the oversight of performance of Service activity. This Board focusses on performance on behalf of the Service Management Team to ensure that appropriate measures are in place to enable effective performance monitoring and that reports are relevant and timely.

Annual Governance Statement

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 address the above matters 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:

Chairman

Date:

Signed:

Chief Officer

Date:

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Appendix 2

Maria Grindley
Executive Director
Ernst & Young
Apex Plaza
Forbury Road
Reading
RG1 1YE

Corporate Resources
The Castle
Winchester
Hampshire
SO23 8UB

Tel: 01962 841841
Fax: 01962 847644
Email: rob.carr@hants.gov.uk

Date: 4 September 2017

Enquiries To: Rob Carr

My Reference: RC/cw

Direct dial: 01962 847508

Your Reference:

Dear Maria,

Hampshire Fire and Rescue Authority - Audit for the year ended 31 March 2017

This letter of representations is provided in connection with your audit of the financial statements of Hampshire Fire and Rescue Authority ("the Authority") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority's financial position of Hampshire Fire and Rescue Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit



Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.¹

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

¹ ISA (UK and Ireland) 250A.16

- Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.²
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 3. We have made available to you all minutes of the meetings of the Authority including Finance and General Purposes Committee and Standards and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the financial year to the most recent meeting on the following date: 23/03/2017.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.³

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

² ISA (UK and Ireland) 580.11(a), ISA (UK and Ireland) 210.6(b)(iii)

³ ISA (UK and Ireland) 501.12

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Use of the Work of a Specialist

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

J. Pensions Liability and PPE Valuations Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

K. Retirement benefits

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

Yours faithfully,

Rob Carr
Chief Financial Officer

Councillor Luke Stubbs

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Purpose: Noted

Date **15 SEPTEMBER 2017**

Title **FIRE PENSION BOARD ANNUAL REPORT**

Report of the Chief Financial Officer

SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards & Governance Committee, and summarises the work of the Board for 2016/17 financial year in the exercise of its functions.
2. This report provides an update on the progress of key issues during the reporting period.

PENSION BOARD MEETINGS

3. The Pension Board met quarterly during the 2016/17 financial year. Four meetings were held during the year:
 - 14 April 2016
 - 18 August 2016
 - 21 November 2016
 - 27 February 2017
4. The primary focus of the Pension Board during the year was the material issues extracted from the Pensions Issues Log.

5. The Pensions Issues Log was reported in full as a standard item on Board agendas during 2016 but from February 2017 the decision was taken to no longer provide the actual Pensions Issues Log which included a large number of minor items and was not in the right format for regularly updating Board Members. As an alternative, major updates on key items are now provided in the body of the report.
6. The key items covered at these meetings are as follows, more detailed information about each of these items can be found later in the report.
 - Protected Pension Age for members of the 1992 Scheme
 - Treatment of Temporary Promotions
 - Modified Fire Pension Scheme
 - Annual Benefit Statements
 - Briefing Sessions to members
 - Contribution holidays for 30 years service in 1992 Scheme
 - Training Allowances
 - The Pension Regulator Self Assessment Tool
 - Training for Board members
7. The pension board reports can be found in APPENDIX A, B, C and D

PROTECTED PENSION AGE FOR MEMBERS OF 1992 SCHEME

8. In 2010, there were changes to the Finance Act 2004 which changed the minimum pension age from 50 to 55. For members of the 1992 scheme, they retained a Protected Pension Age of 50.
9. To retain the Protected Pension Age, the member must meet two criteria
 - Leave all employments at the same time when retiring
 - Have a break of at least one month before being re-engaged
10. If the above conditions are not met, then any payments received up to age 55 are deemed as unauthorised payments and tax charges therefore apply.
11. All members of the 1992 scheme who could retire between ages 50 and 55 were written to on 31 January 2017 to advise them of their Protected Pension Age and what they would need to do to retain this.
12. In 2010/11, HMRC advised HFRA that there were four such unauthorised payment cases and in March 2017, HMRC provided a ruling to enable these cases to be settled. Provision for this cost was allowed for in the accounts.

TREATMENT OF TEMPORARY PROMOTIONS

13. There was a change to the Regulations on 1 July 2013, which altered the pensionable status of earnings when firefighters were on a Temporary Promotion (TP).
14. This change was not picked up until 2015 and as a result there was a failure to comply with legislation and this breach was reported to The Pension Regulator.
15. A decision was made by F&GP Committee in February 2016 to retrospectively confirm that TPs would remain pensionable, but the benefits would be accrued as an Additional Pension Benefit (APB) in line with the Regulations, rather than counting towards final salary pension benefits.
16. Identifying who was actually on a TP proved to be more challenging than first anticipated and obtaining the information necessary so that the relevant pension and Annual Allowance calculations all had to be done manually.
17. Due to the fact that obtaining the correct information was very labour intensive and that the timing coincided with the essential 2016 End of Year activities for Pensions. This work was put on hold until after this essential work was complete.
18. On 5 August 2016, the affected firefighters were written to, in order to explain the change in the pension regulations and the potential impact on them and to explain that detailed calculations around their pension benefit and Annual Allowance tax position needed to be carried out for the preceding three years.
19. The groups of staff identified as being on a TP were separated into different cohorts as the impact for these staff differed. The cohorts were defined as: -
 - Cohort 1: Retired firefighters who have incorrectly benefitted from a higher final salary pension since July 2013 (6 staff affected)
 - Cohort 2: Active firefighters who could retire within 3 years of the date they were notified of the change in regulations which is 5 August 2016 (30 staff affected)
 - Cohort 3: Active firefighters whose retirement date is later than three years of the date they were notified of the change in regulations which is 5 August 2016 (147 staff affected)

20. In addition, the 2015 CARE Regulations state that a period of TP is not pensionable at all. This meant that for any firefighter who had or was due to transition to the 2015 pension scheme, their TP for the purposes of earning pension benefits would have already ended on 31 March 2015 or their taper date.
21. The Pension Board were asked to note the recommendations in a report that went to the HR committee about how to treat the three cohorts of staff. This report can be found in APPENDIX C
22. The recommendations were accepted and all staff affected were written to advising them of the affect on their individual pension benefits.

MODIFIED FIRE PENSION SCHEME

23. On 1 April 2014, the 2006 Fire Scheme Regulations were amended to enable retained firefighters who were employed between 1 July 2000 and 5 April 2006 to gain entry to the new Modified Fire Pension Scheme.
24. It was reported to the Pension Board that there were 168 members that took up the option to backdate their membership and pay the contributions to join the Modified Fire Pension Scheme.
25. During the 2016/17 year, payments were made by those paying by lump sum and all the members that had elected to pay by monthly Direct Debit were written to and payments were set up. All members that were pensioner members were paid all the arrears of pension that they were due. Tax certificates, where applicable, were sent to members to enable them to claim the tax relief on contributions.
26. Nationally, concerns have been raised that the process and information provided for offering the backdating to Firefighters was not handled well in all Authority's and this is something that is being pursued by the Scheme Advisory Board. Locally, there is no discretion to re-visit this issue as the statutory deadlines have passed, but it has been recognised that there were some limitations and failures associated with the approach applied in Hampshire.

ANNUAL BENEFIT STATEMENTS

27. The statutory deadline for the issue of Annual Benefit Statements (ABS) is 31 August each year.

28. The statements that were due in August 2016 would include the first year of CARE benefits for those that moved to the 2015 scheme on 1 April or tapered during the year.
29. The 31 August 2016 deadline was not met and as this was a breach in the regulations the Pension Board agreed that this should be reported to The Pension Regulator (TPR).
30. The failure to produce ABS' by the deadline was due to two issues
 - The 2015/16 year was the first year of the new CARE scheme, which increased the complexity and
 - Civica, the software supplier for the Pensions Services administration system, were unable to provide the software updates to enable accurate and complete statements to be prepared by the deadline.
31. ABS' were successfully issued to members by 31 December 2016 and the TPR was updated accordingly.
32. The TPR took a pragmatic approach and notified us in January 2017 that they would not be taking any action against the trustees (HFRA) for the late production of ABS'.
33. Members will be pleased to hear that Annual Benefit Statements for 2016/17 have been issued in line with the statutory deadline.

BRIEFING SESSIONS TO SCHEME MEMBERS

34. To assist staff in understanding their new CARE Annual Benefit Statements, briefing sessions were arranged. The Pension Board were informed that there would be three briefing sessions for staff to discuss the most recent changes in their pension arrangements.
35. The briefing sessions were held in stations across the County and were well attended, they also enabled staff to ask questions about TP and other issues that had arisen.
36. The Pension Board were also informed about briefing sessions for senior managers across Fire, Police and Hampshire County Council that were held in late March in order to inform them about tax issues as they relate to pensions and ways of mitigating the potential impact these can have on individuals.

CONTRIBUTION HOLIDAYS FOR 30 YEARS SERVICE IN 1992 SCHEME

37. On 30 September 2016, new legislation came into force for the 1992 scheme. This enabled any firefighter who would attain 30 years service before the age of 50 to be entitled to a contribution holiday up to their 50th birthday when contributions would commence again. This change was retrospective to 1 December 2006.
38. It was reported to the Pension Board that there were 87 retired members who were entitled to a refund under this legislation and an additional 21 members who were still in active employment.
39. The Government Actuary Department issued a repayment calculator to calculate the net payment due plus interest payable to the member. The gross amount of tax is to be paid to HMRC and the total costs will be refunded to HFRA by the Home Office.

TRAINING ALLOWANCES

40. The Pension Board was asked to note the position and the reasons behind the recommendations to Standards & Governance Committee on 23 March 2017 to make the training allowance a pensionable emolument from 1 April 2017 and for Additional Responsibility Allowances to remain non pensionable allowances.

THE PENSION REGULATOR SELF ASSESSMENT TOOL

41. The TPR self assessment tool is a way of evaluating how the Fire Pension Scheme is being managed and where things can be improved.
42. The tool is split into three categories
 - Governing your scheme
 - Managing risks and issues
 - Administration
43. The scoring is done on a RAG (Red, Amber and Green) status to help identify areas for development.
44. The first self assessment gave a result of 1 red area and 7 amber areas and 13 green areas. A plan has been put in place to address the areas that require improvement.

TRAINING FOR BOARD MEMBERS

45. Pension Board members were invited to complete a Training Needs Analysis (TNA) in order to obtain an assessment of individual and collective training needs.
46. During the course of the year, training was provided and all Pension Board members were invited to update their TNA. The most current TNA assessment shows a substantial increase in knowledge and awareness following the LGA sponsored workshop that Pension Board members attended.
47. A short training session on specific topics also highlighted within the TNA will be given at the end of each Board meeting and annual updates on the TNA will be assessed for progress.

FUTURE ISSUES

48. Due to the significant amount of work that is still required to deal with retrospective and complex issues in respect of the Fire Pension Schemes, additional resources from within Pensions Services have been secured for a period of two years.
49. In addition it was reported to the Board that Pension Employer Groups have been set up for Fire, Police and HCC which includes representatives from Finance, HR and the IBC. These groups consider a range of issues that need to be resolved and look at improvements in process and information that can be introduced. Separately, a group that includes Pension Admin (within the payroll team in the IBC) and Pension Services (who administer pensions for all three organisations) has also been set to consider administrative issues across all schemes and how the two teams interact with one another.
50. The report has identified considerable progress across a number of areas as a result of the additional resources and the new arrangements identified above. The focus for the 2017/18 year includes:
 - Addressing the outstanding red and amber issues from the TPR self assessment tool.
 - Improved employer pension web site for members
 - Improved communication and available pension information, including pension presentations to new recruits and pre retirement courses.
 - A complete review of firefighter allowances, including control, governance and the process.

CONCLUSION

51. Since the establishment of the Fire Pension Board there has been significant improvement in governance and control. Pension Board members have also developed their understanding and knowledge of the Fire Pension Schemes.
52. Whilst some historic administrative issues remain, we are now moving more into a period of continuous improvement and it is anticipated that with the additional resources now in place that substantial progress will be made in the 2017/18 year.

RECOMMENDATION

53. That the contents of this report are received and acknowledged by the Committee
54. That the Committee provides any feedback to the Board on previous work or on future areas of priority

APPENDICES ATTACHED

- Appendix A – Fire Pension Board report 14 April 2016
- Appendix B – Fire Pension Board report 18 August 2016
- Appendix C – Fire Pension Board report 21 November 2016
- Appendix D – Fire Pension Board report 27 February 2017

Contact:

Claire Neale, Employer Pension Manager, claire.neale@hants.gov.uk, 01962 845481

Hampshire Fire and Rescue Authority**Fire Pension Board****Item 6****14 April 2016****Pensions Issues Log****Report by Head of Finance**

Contact: Sandy Gregory - Telephone: 01962 845475 - email:

sandy.gregory@hants.gov.uk

1 Summary

- 1.1 This report summarises the range of current issues related to the administration and management of Firefighters pensions which largely arise from recent changes to schemes and employment tribunal matters. Progress toward resolution of these issues is summarised below and in the pensions issues log attached to this report.

2 Recommendations

- 2.1 That the contents of this report which summarises progress toward resolution of the pensions issues for Hampshire Fire and Rescue Service be noted.

3 Introduction and background

- 3.1 The purpose of this report is to summarise, for awareness of the Board, the full range of current pension related issues which require resolution, to confirm progress on these issues and to report on those aspects which have been completed.

4 Pensions Issues Log

- 4.1 Attached to this report at Appendix 1 is the pensions issues log which has been created to assist in the effective management and monitoring of these matters. The log includes the following key updates since the last Pension Board meeting in January 201:
- Progress on a number of on-going issues has been noted on the log.
 - No issues have been closed during the last quarter
 - Three new issues have been added to the log since the last meeting these are outlined in the following sections of the report.

5. Treatment of Temporary Promotions – 2015 Scheme

- 5.1 In February 2016 it was identified that temporary promotions were erroneously treated by payroll as pensionable under the 2015 scheme. This means that pensions contributions have been deducted where they should not have been and work is required to refund these and ensure the correct application of the rules of the 2015 scheme. Corrections for whole time staff were undertaken in the March 2016 payroll and a communication has been published providing a help line for employees with queries about this matter. The calculations and system issues for RDS staff are more complex, but the numbers involved are far fewer and will be adjusted in the new financial year.

6. FPS Briefing Session to Members

- 6.1 It has been confirmed that the first year of the care benefit statements for FPS members are due to be published by 31 August 2016. Accordingly, briefing sessions for FPS Members have been arranged as follows:

- 14 September 2016 – Eastleigh
- 22 September 2016 – Southsea
- 6 October 2016 – Rushmoor

Arrangements will be made to publish these dates in the Summer.

- 6.2 It is also worth informing pension board members that briefing sessions for senior managers across Fire, Police and Hampshire County Council were held in late March in order to inform them about tax issues as they relate to pensions and ways of mitigating the potential impact these can have on individuals.
- 6.3 The sessions were arranged, mainly as a result of changes to the Annual Allowance position, the reduction in the Life Time Allowance from £1.25m to £1m that comes into force in April 2016 and also to potentially pick up on any changes announced in the Budget on March 16th, although there was nothing significant beyond what had already been announced.
- 6.4 The sessions were well attended, but highlighted again (across the sector) the lack of professional advice that is available, both in respect of public sector pension schemes themselves and how tax affects them.

7. Communication to Members – Re-employment Policy

- 7.1 All Fire and Rescue Authorities should have a re-employment policy in place and ensure that the policy conditions are met on re-employment of an officer who has retired under the age of 55, including those who have a concurrent retained employment. The effect of the determination is that Pension Boards and Scheme Managers should ensure that information on important tax changes is provided to employees who are or may be affected by them. This is not just in relation to protected pension ages, but with regards possible tax charges that may be applied on exceeding annual allowance or lifetime allowances. Work is in-hand to identify how best to ensure communication of this information, potential linked to HFRS leaver actions and information.

7.2 In line with the wider responsibilities outlined in the determination, HFRS has provided information to all staff on tax and NI changes that are due to come into force in April 2016 and as mentioned in Section 6 have undertaken briefings to senior managers in respect of annual and life time allowance tax issues.

8. Update on Actions arising from January 2015 Board Meeting

8.1 Following the previous Board meeting, the Head of Finance wrote to Clair Alcock at the LGA about a number of issues. A further conversation was held with Clair about the email and a summary of the answers to each of the queries is contained in Appendix 2.

8.2 A briefing session for Pension Board Members regarding the 2015 FPS and on-line training materials will take place on the same day as the next Board meeting.

8.3 Following discussion at the January meeting a report has been made to the pension regulator regarding the failure to implement the change in regulations which required pensionable temporary promotions to be treated as an Additional Pension Benefit rather than normal pensionable service.

8.4 Finance and General Purposes Committee has now made the decision that Temporary promotions since 2013 should be pensionable and as such will be subject to an Additional Pension Benefit (APB) rather than contributing to defined benefits under the final salary scheme.

8.5 Initial data has been extracted that shows a total of 207 individuals are affected by this issue, which will require separate validation and a formal project plan has been submitted to The Pension Regulator following a request from them. The Head of Finance was also asked to investigate the position of a firefighter who was previously on a temporary promotion that should have been subject to an APB, but has subsequently retired on the basis that the temporary promotion has contributed to his final salary based pension benefits. The initial data indicates there may be 6 individuals in this position.

8.6 The response received was that we would need to look at the individual impact for each firefighter in undoing this position and consider whether or not the amount was material. Where it was considered material, the time and cost involved in undoing the position would need to be weighed against the potential for a challenge that is likely either to be found in their favour or go through to the Pension Ombudsman who may find in favour of the firefighter, bearing in mind that the ultimate financial impact will be a cost to the national scheme.

9 Conclusion

9.1 The management and administration of Firefighters pensions continues to be complex and drawing significant capacity from corporate shared services. With the addition of further national developments and to ensure necessary progress is maintained additional resource has been put into place to support the management of Fire Pension matters. This resource is currently located within the Finance and Human Resources Shared Services Teams.

Pensions Issues Log

Issue Number	Pension Group	Pension issue	Description / Impact	Progress	Project Manager (use drop down)	Target Completion Date	Status
5	HFRS	Impact on pension tax liability of temporary promotions	Assessment of alternatives methods (Additional Pension Benefits (APB)) to limit or remove tax liability when moving into temporary promotions. Regulations changed in July 2015 – policy development required.	Initial work with Kent and wider on Additional Pension Benefits and ways of mitigating the impact. New 2015 scheme has made temporary promotion pay non pensionable, so has reduced the potential number of cases going forward. January 2016 HFRS failed to make a decision about the pension status of temporary promotions back in July 2013. Major piece of work now required to unwind temporary promotions since that point. Impact of temporary promotions on tax liability will be reduced as a result of this work, so some positive outcome. Develop discretionary powers policy Report to F&GP Committee in January 2016 including decision making on temporary promotions and pension position. April 2016 - On 3 February 2016 HFRA Finance and General Purposes Committee agreed that any temporary promotions that existed on or had been granted from 1 July 2013 will be treated as pensionable Additional Pension Benefits (APBs) up until 1 April 2015 when the new scheme provisions apply and temporary promotions are non-pensionable. Implementation of this is a detailed piece of work and is expected to take at least 6 months to complete. A communication has sent to inform staff of this decision and the implications. Initial data suggests 207 individuals are affected, a project plan has been prepared and sent to TPR.	Rob Carr	30 November 2016	AMBER
1	HFRS	RDS Less Favourable Treatment – purchase of retrospective membership	RDS members given option to purchase retrospective membership of a modified pension scheme. The past service employer costs will be reflected in increases in future employer contribution rates.	937 members identified and written to. 276 individuals requested individual cost information which was provide in June 2015 with an options form to return by 1 Sept 2015 if they want to proceed. Calculating final backdated lump sum costs for individuals who returned their forms and writing to individuals to confirm details and explain the process. Making arrangements to collect monthly pension contributions from current staff from the date that they returned their Option form. January 2016 Process has stalled to a certain extent as project manager was required to undertake testing for new system, have asked Claire Neale to step in and provide support to get this finished. April 2016 Claire has been progressing this work further and has identified some issues with the initial calculations that are now being corrected. Once final figures have been received the necessary financial changes will be put in place.	Gemma Tapley	31 July 2016	AMBER
7	HFRS	Re-engagement Policy	Review of re-engagement policy	Report to be provided to Finance and General Purposes Committee – recommendation to end process of review of re-engagement policy. January 2016 Will be included in report to F&GP in May 2016 about a range of policy and process issues.	Sandy Gregory	31 May 2016	AMBER
8	HFRS	HFRS Discretionary Powers Policy	Review and revision of HFRS discretionary powers required in light of the following issues: Regulation [18(1d)] provides for CPD payments to be pensionable on the determination of the employer. NJC collective agreement as per NJC circular 03/07 appendix A http://www.local.gov.uk/c/document_library/get_file?uuid=3cbb554c-6964-49b3-a254-6116ff09cb03&groupId=10180 The need to establish process for independent review of individual member’s medical circumstances following IHR to ensure that the level of ill health pension awarded is still appropriate. The need to establish injury allowance policy for HFRS confirming whether or not the Authority provides an injury allowance for employees in accordance with the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011.	Work underway to identify appropriate recommendations for amendment to HFRS Discretionary Powers Policy. January 2016 Report and recommendations to go to Finance and General Purposes Committee in May 2016	Sandy Gregory	31 May 2016	AMBER

Pensions Issues Log

Issue Number	Pension Group	Pension issue	Description / Impact	Progress	Project Manager (use drop down)	Target Completion Date	Status
17	HFRS	Communication to members	All FRAs should have a re-employment policy in place and ensure that the re-employment conditions are met on re-employment of an officer who has retired under the age of 55, including those who have a concurrent retained employment.	<p>New - April 2016</p> <p>The effect of the determination is that Pension Boards and Scheme Managers should ensure that information on important tax changes is provided to employees who are or may be affected by them. This is not just in relation to protected pension ages, but with regards possible tax charges that may be applied on exceeding annual allowance or lifetime allowances. Work is in-hand to identify how best to communicate this to members, potentially linked to HFRS Leaver actions and notifications.</p>	Jonathan Hurford-Potter		AMBER
3	HFRS	Employment tribunal claims regarding transitional protections	Fire Brigades Union have started the process of a legal challenge on the transitional protections in the 2015 pension scheme regulations, in respect of potential discrimination.	<p>Received letter from Walker Solicitors 13 July. Response provided confirming the LGA will act on behalf of HFRA.</p> <p>Information regarding membership returned to Bevan Brittan.</p> <p>2 ET cases received for HFRS and logged with Bevan Brittan for collective response with other FRAs.</p> <p>January 2016</p> <p>Some national issues about the way in which the ET cases are going to be dealt with, which seems to have now settled down. Data return provided to Bevan Brittan for HFRS.</p> <p>April 2016</p> <p>We have been asked to answer a number of questions in response to the ET but these are mostly factual responses in respect of the implementation of the relevant legislation at the time.</p>	Rob Carr		GREEN
4	HFRS	Change to pensionable status of training allowance and Additional Responsibility Allowances (ARAs).	<p>Assessment and implementation of allowances becoming pensionable (Related to Norman case).</p> <p>Provision allowed for in accounts.</p>	<p>Identified 27 staff receiving 10% training allowance.</p> <p>Significant numbers receiving ARA's e.g. instructors, co-responders.</p> <p>Advice sought from national pension lead on the eligibility and legal requirements of these prior to taking further action.</p> <p>January 2016</p> <p>Awaiting further national guidance.</p> <p>(Geoff Howsego and Claire Allcock supporting)</p>	Sandy Gregory		GREEN
6	HFRS	GMP Reconciliation exercise	<p>April 2016 – State pension provision moving from two tiers to single tier. All schemes will need to do a GMP reconciliation – not a legal requirement (no secondary legislation issued yet) but an 'expectation' from Pensions Regulator and HMRC.</p>	<p>Initial returns made to DCLG</p> <p>Essentially an employer responsibility, but Pension Services will be taking the lead.</p> <p>January 2016</p> <p>HMRC data has been received by Pension Services and initial queries raised with them in terms of variances in the data. Most of these have been resolved, but some secondary queries are being followed up.</p> <p>April 2016</p> <p>GMP reconciliation forms two parts. The first part is to do a population match to ensure that the right period of Contracted Out employment are held with both Hampshire Fire Pensions (under the correct SCON) and with HMRC. The second part is based on the matching records, to check that the amount of GMP liability held matches or is within tolerance.</p> <p>The population matching has been completed for Fire Pension Schemes.</p> <ul style="list-style-type: none"> 424 records were individually checked as no match was found to or from the HMRC data 198 queries were raised with HMRC 35 of these are still outstanding with HMRC and we are waiting for replies to these. <p>The GMP amount reconciliation is in progress</p> <ul style="list-style-type: none"> 141 records were individually checked where the amounts did not match Overall there are potentially 53 cases that may need to have a recalculation of benefits in payment due to GMP not being applied, or applied incorrectly. Some of these cannot be completed as correct GMP data is needed from HMRC, others have been flagged as possible recalculations, but may in fact not be so when looked at in more detail. It is not possible to give any estimates of the amounts involved regarding under or over payments at this time. 	Nick Weaver		GREEN
9	HFRS	Contributions for those who joined aged 18-20 with over 30 years service	<p>Government decision announced details concerning contributions for firefighters who joined the Service between the ages 18 - 20 and who reach 30 years' service before they reach the age of 50</p> <p>Some Firefighters who joined the Service before the age of 20 and have served for over 30 years may be entitled to a 'contributions holiday' in respect of their pensions</p>	<p>New - January 2016</p> <p>The DCLG are currently working on these changes and how they can be effectively implemented.</p> <p>Staff communication sent December 2015, but once more is known this will require a further significant project to understand the financial implications due to the backdating to 1 December 2006.</p> <p>Regulations will now need to be drafted, consulted upon and laid, all of which will take some time to do. Philip Perry from DCLG, confirmed that the timescale is likely to be months rather than weeks</p> <p>Email from Clair Alcock dtd 1 March 2016. refers.</p>	Rob Carr		GREEN

Pensions Issues Log

Issue Number	Pension Group	Pension issue	Description / Impact	Progress	Project Manager (use drop down)	Target Completion Date	Status
10	HFRS	Communications to non-members	Target communications to non-members of the pension scheme as part of a wider communication strategy including	<p>New - January 2016 Request sent to LGA for national co-ordination of communications promoting membership and general communication issues. Legal advice sought regarding writing to those who have opted out to understand their reasons for doing so. Initial advice is that the Pension Board does not have the powers to do this although they could recommend that F&GP as scheme manager could do it. An alternative approach would be to consider more general communications that requests members who have or are thinking of opting out to provide information as to why, but this is not targeted and is likely to be less effective.</p> <p>April 2016 Consider as part of a wider communications strategy at next meeting, which Clair Alcock may attend</p>	Rob Carr		GREEN
18	HFRS	FPS Briefing Sessions to Members	Requirement to arrange 3 FPS Briefing sessions in September/October 2016.	Briefing session arranged on 14th Sept. 2016 at Eastleigh. Proposal to hold separate sessions at Southsea (22nd Sept. 16) and Rushmoor (6th Oct. 2016) fire stations.	Jonathan Hurford-Potter	30 March 2016	GREEN
16	HFRS	Treatment of Temporary Promotions	Temporary promotions were erroneously treated as pensionable under the 2015 scheme. Work is required to "unpick" the incorrect application of the rules, in particular relating to members who have since left employment.	Work has been undertaken to identify and verify all of the temporary promotions affected by this error and plans are in place to correct this in March payroll. April 2016 Errors were corrected for Whole Time staff only, further work required to sort out the reimbursement of RDS staff	Sandy Gregory	31 May 2016	GREEN
2	HFRS	Ombudsman Decision – Milne v GAD	Part-Time Workers (Prevention of Less Favourable Treatment) ET cases - final phase HMT now confirmed that they will reimburse FRA's for compensation payments Government expectation that this will be completed by 31 December 2015	Information returned to LGA 28 July 2015 to enable estimate of potential costs Calculation data received from DCLG, Claire Neale in Pension Services appointed as project manager. Payments made in December 2015, only remaining work is liaison with DCLG on figures and recovery of costs.	Claire Neale		COMPLETE
11	HFRS	Re-engagement	Commitment made to small group of officers to provide recompense in event they received additional tax demands related to being re-engaged by HFRS.	Letters sent. Provision for this removed from accounts following repeated no response from HMRC			COMPLETE
12	HFRS	USAR 20% allowance - change to pensionable status.	Implement change to pensionable status backdated to 1/7/13. Cost of £12,500	Letters sent and retrospective changes implemented.			COMPLETE
13	HFRS	New 2015 Pension Scheme.	Provision of information and roadshows to inform members of the new scheme requirements.	Information available through intranet and roadshows delivered at HQ, Basingstoke and Isle of Wight.			COMPLETE
14	HFRS	Registration of FPS for HFRA	New governance and administration requirements came into force in April and managers of new public service pension schemes must provide information to the pensions regulator to secure registration of the scheme with HM Revenue and Customs	Registration now overdue. Reminder received from pensions regulator 10 August 2015 requesting registration be completed. Form submitted on 14 September 2015			COMPLETE
15	HFRS	Change in pension contributions in April 15.	Implement revised deductions through payroll effective from 1.4.15.	Delayed due to late notification and technical issues. Subsequently implemented in June 2015 payroll. Some staff in the wrong scheme and with a pay impact as they will not have been tapered from June 2015. 10 staff required adjustment. Remedied in September payroll. Letters sent to all members confirming the arrangements for tapering/protection September 2015.			COMPLETE
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Issues Raised with Clair Alcock at the LGA

National and Regional Boards

It would be useful to get an update from you on where we are on the various national and regional Boards / networks that were mentioned at the training that many of us attended. We heeded your wise words that we don't want to be replicating work across the Country and that we should aim for using national resources for things such as communication (see below). My Board were asking about this last time as we are keen to get going on some things but don't want to be duplicating work that could be better done at a national or regional level.

Answer : The Scheme Advisory Board (SAB) has taken longer than expected to create and the membership is now in place. The work of the SAB is still developing and is obviously focussed on national issues and seeking some technical issues to some of the bigger problems, but no doubt we will be able to get a comprehensive update at the next meeting.

There is no facility to have regional boards but the aim was to use existing networks which often centre around technical issues to ensure that there is a more co-ordinated approach to some of the work of pension boards across the region. A review of some of the regional groups may be beneficial as there is often confusion as to whether these are administrator or employer based (or both).

Communications Strategy

The Board has noted that we do tend to be slightly further ahead of the game than some Pension Boards and are keen to start communicating with Members, but as mentioned above we did not want to do this alone and want to put together a communications strategy that dovetails with national and regional activity.

On a related note, Board members made reference to a video that had been put together in Scotland, which I think succinctly put forward the virtues of being in the FF pension scheme and its features and wondered if the LGA might be able to do something similar for England. I assume you will be aware of what was done (I haven't seen it myself) but if you need any more information, please come back to me.

Answer : Communication at a national level is clearly one of the issues that is near the top of the list for the SAB and it may be useful to invite Clair to the next meeting of the Board to discuss communication as a topic and how the SAB and local Pension Boards can better work together.

The LGA are aware of the video that was produced in Scotland, but at the end of the day do not have the capacity and resources to produce something similar at this stage. This might be something that needs to be explored in terms of the resources that are available nationally at the LGA to support the SAB, Fire Authorities and Pension Boards.

Pensions Advice to Firefighters

At the session I attended, you may recall that I asked a question about personal pensions advice for Firefighters and the fact that there seems to be a big gap in this area for individuals seeking specific advice. Is anything happening on this nationally or alternatively are you aware of any local providers (or any at all) that specialise in the Firefighters pension scheme?

This is an issue that keeps coming up and one that needs to be addressed and whilst I have said in the past that the FBU should perhaps be looking at something, the Board made the point to me that not everyone is in the Union.

Answer : This is a problem, but with no easy solution. Neither the LGA or FBU want to be seen to be publicly endorsing any advice service and in reality, there are very few financial advisors (if any) that specialise in the Fire Fighter's Pension Scheme and all of those people that do have a good understanding of the scheme work in the public sector and are not allowed to provide advice.

Would suggest that this is a high priority for the SAB to address, but at this moment in time there is no solution. Clearly increased communication and fact giving to Fire Fighter's (along the lines of our planned sessions following the issue of Annual Benefit Statements) will help matters but not where an individual Fire Fighter needs advice on their particular circumstances.

Hampshire Fire and Rescue Authority**Fire Pension Board****Item 10****22 July 2016****Pension Issues Log****Report by Head of Finance****Contact: Jonathan Hurford-Potter Telephone:01962 667991 – email:****jonathan.hurford.potter@hants.gov.uk****1 Summary**

- 1.1 The updated Pension Issues Log is attached to this report at Appendix 1. There are 10 open issues and no new issues have been added since the last meeting.
- 1.2 Two issues have been closed. The closed issues are:
 - Issue 8: HFRS Discretionary Powers Policy – covered elsewhere on this agenda.
 - Issue 16: Treatment of Temporary Promotions (TPs) – TPs were erroneously treated as pensionable under the 2015 scheme. The records of affected personnel have now been corrected. Note this is a different issue to Temporary Promotions relating to the change in regulations in July 2013.

2 Recommendations

- 2.1 That the contents of this report are noted.

3 Pension Issues Log

- 3.1 The open issues have been updated in the “progress” box to reflect the latest position only, historic updates have been removed, but are of course available on previous agendas. There are 1 red and 2 amber issues:
- 3.2 Issue 5 (Red): Impact on pension tax liability of temporary promotions – Following a change in regulations in July 2013 work has been taking place to identify those officers affected and amend their pension records so that their pension benefits and tax positions are correct.

- 3.3 The update report provided to The Pension Regulator assumed that the project to correct these records would take around 6 months and be completed by September 2016. Due to the impact of completing year end pension returns, it was not possible to begin extracting all of the required data until mid-June.
- 3.4 At this point, it was discovered that it is not possible to automatically extract the data from the SAP system and therefore all of this work must be carried out manually. Initial estimates are that this would take approximately 18 weeks of full time work for one individual.
- 3.5 Pensions is one of the high priority areas covered by new governance and control arrangements for shared services and a project board for pensions is chaired by the Head of Finance. Based on an assessment of other priorities that are required to stabilise pensions administration within the IBC the manual data extraction has now been planned for end of July. This makes the timetable for completion very challenging, but a call with The Pension Regulator is planned for the end of July to take them through the current position.
- 3.6 Issue 1 (Amber): RDS Less Favourable Treatment – purchase of retrospective membership: Final calculations and administrative details have been completed and payroll and finance staff are catching up with the backlog of processing payments to those that are due them and collecting Direct Debit forms from those who wish to pay their backdated contributions in that way. There are, however, 3 potential complaint cases that are being dealt with and there are some potential national issues arising from this as a result of the way in which the process was handled and the level of information provided to Fire Fighters in making their decisions.
- 3.7 Issue 17 (Amber): All FRAs should have a re-employment policy in place and ensure that the re-employment conditions are met on re-employment of an officer who has retired under the age of 55, including those who have a concurrent retained employment - A new re-engagement policy is being developed and work is in-hand to identify how best to communicate this to members, potentially linked to HFRS Leaver actions and notifications. This remains Amber as we should already have a formal policy in place and have communicated with the individuals affected.

HFRS - Pensions Issues Log

Issue No.	Pension issue	Description / Impact	Progress	Project Manager	Target Completion Date	Status
1	RDS Less Favourable Treatment – purchase of retrospective membership	RDS members given option to purchase retrospective membership of a modified pension scheme. The past service employer costs will be reflected in increases in future employer contribution rates.	Retirement cases are now being processed and Pensions are on track to make payments at the end of July, as stated in letters we sent to pensioners at the end of March. A process is now in place to deal with active RDS members that leave before completion of their 10 years of monthly DDs. There are 32 that could leave before completion. There are 3 potential complaint cases arising from this work and individual affected have been written to with details of their calculations.	Claire Neale	Sept 2016	AMBER
3	Employment tribunal claims regarding transitional protections	Fire Brigades Union have started the process of a legal challenge on the transitional protections in the 2015 pension scheme regulations, in respect of potential discrimination.	Some national issues about the way in which the ET cases are going to be dealt with, which seems to have now settled down. Data return provided to Bevan Brittan for HFRS. Initial hearings have now been held and Bevan Brittan may need to seek further submissions from HFRS'.	Rob Carr	TBC	GREEN
4	Change to pensionable status of training allowance and Additional Responsibility Allowances (ARAs).	Assessment and implementation of allowances becoming pensionable (Related to Norman case). Provision allowed for in accounts.	Work has been undertaken to identify current practice and the position taken in other Authorities. An LGA workshop in July will focus upon this issue and HFRS will be represented. After the workshop recommendations will be formed, tested internally and then taken to the December 2016 Standards and Governance Committee for approval before implementation	Sandy Gregory	Sept 2016	GREEN

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Issue No.	Pension issue	Description / Impact	Progress	Project Manager	Target Completion Date	Status
5	Impact on pension tax liability of temporary promotions	<p>Assessment of alternatives methods (Additional Pension Benefits (APB)) to limit or remove tax liability when moving into temporary promotions.</p> <p>Regulations changed in July 2015 – policy development required.</p>	<p>In February 2016 the HFRA Finance and General Purposes Committee agreed that any temporary promotions that existed on (or had been granted from 1 July 2013) will be treated as pensionable Additional Pension Benefits (APBs) up until 1 April 2015 when the new scheme provisions apply and temporary promotions are non-pensionable. Implementation of this is a detailed piece of work and work is ongoing. A letter has been drafted to inform affected staff of the process and its potential implications. Data extraction to inform the calculations was delayed by year end activity and it now transpires can only be produced manually which will make completion by the TPR deadline very tight, hence the Red status.</p>	Rob Carr	Oct 2016	RED
6	GMP Reconciliation exercise	<p>April 2016 – State pension provision moving from two tiers to single tier. All schemes will need to do a GMP reconciliation – not a legal requirement (no secondary legislation issued yet) but an ‘expectation’ from Pensions Regulator and HMRC.</p>	<p>HMRC data has been received by Pension Services and initial queries raised with them in terms of variances in the data. Most of these have been resolved, but some secondary queries are being followed up.</p>	Nick Weaver	In line with Govt timescales	GREEN
7	Re-engagement Policy	<p>Review of re-engagement policy</p>	<p>A new re-engagement policy to be developed, which maintains the current position that staff, will not be re-engaged following retirement, except in exceptional circumstances driven by business need. The policy is to comply with the set draft policy parameters as outlined in Appendix B (report), and should include any tax implications as a result of Protected Pension Age (PPA). The draft policy will be brought back to a future meeting of the S&G Committee for approval</p>	Sandy Gregory	Sept 2016	GREEN

Issue No.	Pension issue	Description / Impact	Progress	Project Manager	Target Completion Date	Status
9	Contributions for those who joined aged 18-20 with over 30 years service	<p>Government decision announced details concerning contributions for firefighters who joined the Service between the ages 18 - 20 and who reach 30 years' service before they reach the age of 50</p> <p>Some Firefighters who joined the Service before the age of 20 and have served for over 30 years may be entitled to a 'contributions holiday' in respect of their pensions</p>	Fire Pensions are maintaining a list of Fire Personnel who believe that they are affected by the change of policy. DCLG are currently working on how the policy change will be implemented.	Rob Carr	TBC	GREEN
10	Communications to non-members	Target communications to non-members of the pension scheme as part of a wider communication strategy.	All members and non-members have the opportunity to attend a Pensions workshop in September/October 2016. Consideration will be given to separately targetting non-FPS members to attend.	Rob Carr	TBC	GREEN
17	Communication to members	All FRAs should have a re-employment policy in place and ensure that the re-employment conditions are met on re-employment of an officer who has retired under the age of 55, including those who have a concurrent retained employment.	A new re-engagement policy is being developed and work is in-hand to identify how best to communicate this to members, potentially linked to HFRS Leaver actions and notifications.	Sandy Gregory	Sept 2016	AMBER
18	FPS Briefing Sessions to Members	Requirement to arrange 3 FPS Briefing sessions in September/October 2016.	Briefing session arranged on 14th Sept. 2016 at Eastleigh. Proposal to hold separate sessions at Southsea (22nd Sept. 16) and Rushmoor (6th Oct. 2016) fire stations. This will major on the issue of Annual Benefit Statements and the intention is to produce a video to go alongside these briefings.	Jonathan Hurford-Potter	Oct 2016	GREEN

Hampshire Fire and Rescue Authority**Finance and General Purposes Committee****10 May 2016****Discretionary Policies****Report by the Chief Officer**

Contact: Sandy Gregory - Telephone: 01962 845475 sandy.gregory@hants.gov.uk

1 Summary

1.1 This report deals with several discretionary policy related areas:

- The HFRA Discretionary Powers policy in relation to the Firefighters' Pension Scheme (FPS) and what discretions the scheme manager may exercise;
- Continual Professional Development (CPD) payments and whether they should be pensionable;
- The intervals at which ill health retirement reviews should take place and potential for an ill health retirement policy;
- Whether an injury allowance policy for employees should be established in accordance with the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011, it is for the authority to determine if one should be provided; and
- Whether a re-engagement policy needs to be re-established, giving consideration to a recent ombudsman case where individuals who have Protected Pension Age (PPA) and the potential tax implications on re-engagement.

1.2 This report lays out the decisions that the Finance and General Purposes (F&GP) Committee needs to make. As the Scheme Manager on behalf of the Hampshire Fire and Rescue Authority (HFRA) the F&GP Committee needs to consider its position in respect of the pension position relating to each of the points mentioned above.

2 Recommendations

The Committee approve, the following proposals:

- 2.1 A draft FPS Discretionary Policy be produced with reference to the Scheme Managers Discretions document as published by the Local Government Association (LGA) and be brought back to a future meeting of the Committee for approval.
- 2.2 CPD payments to continue as pensionable payments.
- 2.3 A HFRA FPS ill health retirement policy to be developed and brought back to a future meeting of the Committee for approval.
- 2.4 A new re-engagement policy to be developed, which maintains the current

position that staff, will not be re-engaged following retirement, except in exceptional circumstances driven by business need. The policy is to comply with the set draft policy parameters as outlined in Appendix B, and should include any tax implications as a result of Protected Pension Age (PPA). The draft policy will be brought back to a future meeting of the Committee for approval.

- 2.5 That pension payments are abated in the exceptional situation that an individual is re-employed where they are a member of the 1992/2006 FPS.
- 2.6 Not to have a discretionary injury benefit scheme under the Local Government (Discretionary Payment) (Injury Allowances) Regulations 2011 at this time and to publish a written statement to this effect. This policy is to be reviewed periodically.
- 2.7 To conduct injury award reviews for the Firefighters Pension Scheme Compensation (England) Order 2006, in conjunction with ill health retirement reviews, at the appropriate interval determined by the policy once established.

3 Introduction and background

Discretionary Powers Policy

- 3.1 The current HFRA discretionary powers policy is currently only applicable to Local Government Pension Scheme (LGPS) members. There is no discretionary powers policy in place for members of the FPS. The FPS sets out a number of discretionary powers, which the Authority may seek to exercise.
- 3.2 The LGA has identified in its [Scheme Manager Discretions](#) (Firefighters Pension) document that sets out 52 instances where there is a scheme manager obligation and where a scheme manager 'may' exercise a discretionary power, of which the LGA identifies 3 that require immediate consideration.
 1. Delegation (Regulation 5)
 2. Pensionable Pay (Regulations 17) (this relates to CPD payments)
 3. Contributions during absence from work (Regulation 111)

Point 2 is has been considered within this report. Point 1 &3 are to be considered as part of the ongoing development of a FPS discretionary powers policy.

- 3.3 The new FPS discretionary policy should be combined with the HFRA LGPS discretionary policy to make it one policy document. First deliberation would be given to the 3 discretionary powers identified by the LGA that require immediate consideration. Once the FPS discretionary powers policy is developed it will be submitted at a later date to the F&GP Committee meeting for further consideration and recommendation.

4 Continued Professional Development Payments

- 4.1 The Firefighters Pension Scheme (England) Regulations 2014 (regulation 17 (1) (d)), Pensionable Pay, states for the purpose of calculating a members pension the members pensionable pay includes, '*the amount paid to the member for continued professional development which the scheme manager determines is pensionable*'.

It is for the scheme manager to determine whether CPD payments are to be pensionable.

- 4.2 The CPD scheme is designed to recognise and reward experienced employees who are able to demonstrate continual professional development over and above that required at 'competent' level under each of the national standards. Payments date back to 1 July 2007, and are deemed pensionable subject to acceptance by the respective pension scheme regulators.
- 4.3 The Firefighters Pension Scheme 1992 and the Firefighters Pension Scheme 2006 have always treated CPD payments as pensionable. The firefighters pension scheme regulations (2014) regulation 17 now gives the authority a specific discretion as to whether the payments should be pensionable. It has been established that CPD payments have always been paid as a pensionable payment to employees in all of the FPSs within HFRA.
- 4.4 There are currently 560 members who are in receipt of CPD payments, totalling £238,430.03, with 953 members who could benefit from the payment. The CPD payments are paid at £618 or pro-rata for part-time and retained duty system employees. The employer pension contribution rate is 14.3%. Based on assumed 100% pay out of the CPD payments the expected employer pension cost would be £58,023.23 on top of the £238, 430.03 paid to members.
- 4.5 The number of employees in the scheme is expected to increase, potentially rising to 1120 by 2020. Increasing the potential employer contributions to £68,190.98, based on all 1120 being paid £618. This does not allow for any increase in CPD payments or for adjustments for those payments that are pro-rata. The majority of these costs will not be new costs, as most of the members would have transitioned from the 1992 or 2006 schemes where CPD payments are already pensionable.
- 4.6 On the basis that employees are already receiving CPD payments as a pensionable benefit having either transitioned from the 1992 or 2006 pension schemes or as result of being a new member to the 2014 pension scheme, and the potential impact on employee engagement, it is recommended CPD payments continue to be pensionable, aligning with existing practice for the 1992 and 2006 pension schemes and as has applied for the 2015 scheme.

5 Ill-health retirement reviews

- 5.1 The Firefighters' Pension Scheme (England) Regulations 2014 (regulation 65), provides an ill-health pension in the event a member is incapable of undertaking regular employment. The ill-health pension is a payment made up of either a lower tier ill-health pension or the lower tier ill-health and the higher tier ill-health pension.
- 5.2 Regulation 68, review of ill-health award or early payment of retirement pension states, where a member has been in receipt of an ill-health award, and is for less than 10 years, and the member is under deferred pension age, the scheme manager must consider, at such intervals as it is considers appropriate whether the individual has become capable.
- 5.3 The consequences of the review will be to determine if the individual (regulation 69) who is receipt of a higher tier ill-health pension has become capable of undertaking regular employment. If, on such review they have become capable the higher tier

ill-health pension payment will cease and they will continue to receive the lower tier ill-health pension. Where an individual who is in receipt of the lower tier ill-health pension has become capable of performing the duties appropriate to the role from which they retired on the grounds of ill-health the payment will cease. Appendix A sets out the detail of regulation 68 and 69.

- 5.4 For those individuals who are no longer entitled to the lower tier of ill-health pension, the employer will need to make an offer of employment to a role from which the member retired from on the grounds of ill-health. Should no offer be made, the lower tier ill-health pension will continue in payment. At present there is no formal HFRA ill-health policy in place, although ill-health pensions are currently granted. There is however no ill-health reviews being undertaken.
- 5.5 It is proposed the further work is undertaken with Occupational Health to determine the appropriate review interval and to scope the full financial implication of implementing a review interval. Although research has shown that some fire authorities are conducting ill-health reviews within the first 5 years of ill-health retirement.
- 5.6 It is recommended that a HFRA ill-health retirement policy is put in place and that such policy includes:
- a review interval that will be determined following further investigation;
 - an offer of employment is made subject to a suitable role (in the same role from which they retired) being available, should no role exist the member will continue to receive the lower tier ill-health pension;
 - where the role is declined, a deferred member's account is established under regulation 48 (account established after ill-health award ceases to be payable); and
 - where a deferred members pensions being paid early ceases to be entitled to ill-health pension, the members accounts will be adjusted under regulation 47 (adjustment of account after early payment of deferred pension ceases).
 - where a member has currently been in receipt of an ill-health award for more than 10 years and the member is under deferred pension age they will not be subject to review, in line with regulation 68.
- 5.7 A draft policy will be produced and brought back to a future meeting of the Committee for approval.

6 Re-engagement Policy

- 6.1 There is no published re-engagement policy apart from a few lines within the [Exit Policy](#), stating the re-employment option is currently under review and unavailable at present. Generally the current position is not to re-engage staff. Only in exceptional circumstances driven by business need would a request be considered.
- 6.2 It should be noted, where a pensioner who was previously a member of either the 1992 or 2006 Firefighters Pension Scheme, obtained re-employment, they may be subject to abatement of pension with an authority in any capacity. Pensions accrued under the 2015 scheme will not be subject to abatement, in line with Lord Hutton's recommendation, the greater use of flexible retirement and removal of abatement rule is in the context of employees having later retirement ages and a career average pension scheme.

6.2.1 The purpose of abatement is:

- to safeguard public expenditure by restricting the total remuneration made from public funds for those who have not genuinely retired from a public service career.
- on propriety grounds: to avoid accusations of favouritism or even corruption if public servants were allowed to receive both pay and pension from public funds whilst remaining in public service, particularly if they remain in the same job
- to ensure value for money is achieved and that public funding targeted through expenditure and tax relief at long-term retirement provision is focussed on retirement or preparation for retirement, rather than being used during part of an employees working life.

6.3 It is proposed that pension payments are to be abated on the principle that the annual rate of pay and rate of pension payable does not exceed the annual rate of pay received prior to retirement where a pensioner who was previously a member of either the 1992 or 2006 Firefighters Pension Scheme.

6.5 It is for authorities to have procedures in place to identify pension members that are re-employed. Authorities should be aware of whether the individual has previously been employed by a fire and rescue authority. As such (Appendix B) it is recommended that a new re-engagement policy is put in place that maintains the current position, where staff will not normally be re-engaged, however the policy will set out the parameters for exceptional re-employment, including any tax implications as a result of PPA.

6.6 **Protected Pension Age**

A recent Ombudsman determination [PO-7096](#), where the Pension Ombudsman decided that an employer of a member with PPA for the purpose of the pensions tax regime should have provided information to that member about the possible adverse tax consequences of becoming re-employed after starting to receive their pension. The complaint was brought against the Police & Crime Commissioner in relation to the Police Pension Scheme, although it is significant for all employers participating in schemes where members can take benefits earlier than the current normal minimum pension age of 55.

6.7 Under the Finance Act 2004, the minimum pension age rose from 50 to 55, it resulted in the concept of PPA, which was introduced in order to avoid detriment to a member whose scheme rules already gave the right to take benefits earlier than 55 (provided they have 25 or more years of pensionable service). Benefits paid in such circumstances will be treated as authorised payment for the purpose of pension tax rules. A key condition in relation to PPA is re-employment after taking benefits. A member cannot become re-employed with the same or connected employer unless one of two conditions is met:

- 1 There has been at least a six month break in employment.
- 2 There has been at least one month break in employment and either the new employment is materially different from the previous employment or the scheme rules provide for abatement, that is, reduction of the members pension to reflect his earnings.

6.8 Where an individual who has retired with a PPA is subsequently re-employed by an FRA before they have reached age 55 and neither condition is met, the member will

lose their PPA, and all pension benefits paid to them from the date of retirement until age 55 will be treated as unauthorised payments and as a result they will become liable for substantial tax charges (at least 40% of the value of payments made).

- 6.9 It is for all FRAs to have a policy in place to ensure re-employment conditions are met where an officer has retired under the age of 55. Scheme managers need to ensure information on important tax changes are provided to employees who may or are affected, not just in relation to PPA, also with regards to possible tax charges relating to lifetime allowances and annual allowances. It is proposed that in the exceptional situation that an individual is re-employed from HFRA or another fire and rescue authority a procedure is in place to determine if any abatement of pension is necessary and whether the individual is likely to be impacted by any tax implications as result of PPA (Appendix B).

7 Injury Allowance Policy

- 7.1 There are two injury allowance regulations that applies to HRFA employees, the Local Government (Discretionary Payment) (Injury Allowances) Regulations 2011 and The Firefighters Pension Scheme Compensation (England) Order 2006. There is currently no local policy in place for either regulation; the report seeks to address this gap.
- 7.2 The Local Government (Discretionary Payment) (Injury Allowances) Regulations 2011, requires local government employers to publish a written statement (and to keep that statement under review) as to whether they intend to adopt a discretionary injury benefit scheme. The provision is to remove any confusion as to whether an employer participates in an injury benefit allowance arrangement. The regulations apply only to employers listed in Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008.
- 7.3 In formulating and reviewing a discretionary injury benefit policy the employer must:
- (a) have regard to the extent to which the exercise of its discretionary powers (in accordance with the policy), unless properly limited, could lead to a serious loss of confidence in the public service; and
 - (b) be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.
- 7.4 By implementing a discretionary injury benefit scheme, the cost of any payment is not to be met out of any pension fund; the employer (authority) will be responsible for all costs associated with it. Initial research into what other HFRA have in place has indicated they do not have a discretionary injury benefit scheme in place. In addition regular and retained firefighters are covered by compensation under the Firefighters Pension Scheme Compensation (England) Order 2006.
- 7.5 It is proposed that a written statement is published confirming that HFRA does not have an Injury Allowance Policy set up at this time and that this position will be reviewed periodically.
- 7.6 The Firefighters Pension Scheme Compensation (England) Order 2006 applies only to regular and retained firefighters and is a separate form of injury award from the Local Government (Discretionary Payment) (Injury Allowances) Regulations. The regulations may, subject to certain conditions, provide compensation in the

event of an injury in the exercise of his/her duties as a regular firefighter. The regulations set out the compensation scheme in relation to injury award and a duty related compensation payment.

- 7.7 A fire and rescue authority will review injury awards paid to firefighters to consider whether the degree of disablement has substantially altered or the disablement occasioned by the qualifying injury has ceased. The reviews will take place at intervals decided by the authority; they have a discretion to decide that a particular case need not be reviewed if 5 years have passed since the injury award first became payable.
- 7.8 It is proposed HFRA conduct injury award reviews for the Firefighters Pension Scheme Compensation (England) Order 2006, in conjunction with ill health retirement reviews, at the appropriate interval determined by the policy once established, as the two reviews will be linked.

8 Risk analysis

- 8.1 Not complying with the obligations to have specific measures or policies in place to address each of the areas set out above would effect a situation of non compliance with the relevant regulations. Furthermore by having no or little guidance for members on areas such as ill-health retirement reviews or, injury allowance false expectations and/or ambiguity over what HFRA practices are in place could arise. By not having a policy and process in place for re-engagement with particular reference to the potential tax implications for members with PPA, HFRA could be exposed to claims by members to the Pension Ombudsman in some circumstances.

9 People Impact Assessment

- 9.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation. An equality impact assessment is to be completed alongside further policy development work that is to be completed.
- 9.2 In relation to the CPD payment recommendation the equality impact assessment remains the same as it is current practice, although if the recommendation was not supported an equality impact assessment would need to be undertaken.

10 Conclusion

- 10.1 This report sets out information relating to the current regulations as appertaining to the duties of the F&GP Committee in its role as Pension Scheme Manager. The recommendations provide the Committee with a number of key issues upon which it needs to establish policy in respect of pensions. These areas of policy relate to discretionary powers, ill-health retirement reviews and, re-engagement policy. It notes the need to provide an injury allowance written statement to document the fact that HFRA has polices and practices in place to help ensure compliance and procedural adherence where required. Furthermore, the paper identifies that where polices need to be developed and implemented, the timeframe for these is at least 6 months to allow time for suitable engagement, analysis and research of the subject areas concerned. As part of the development of the recommended policies, the trade unions will be engaged with as appropriate.

11 Background papers

11.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

- [The Firefighters' Pension Scheme \(England\) Regulations 2014](#)
- [The Firefighters' Pension Scheme \(England\) Order 2006](#)
- The Local Government Association [Scheme Manager Discretions](#) (The Firefighters' Pension Scheme (England) Regulations 2014)
- [The Local Government \(Discretionary Payments\) \(Injury Allowances\) Regulations 2011](#)
- [The Firefighters Pension Scheme Compensation \(England\) Order 2006](#)
- Pension Ombudsman [PO-7096](#)
- [Amendments to the Firefighters' Pension Scheme \(1992\) and New Firefighters' Pension Scheme \(2006\)](#) – Summary of Responses to the consultation. June 2013. (Abatement s74)
- LGPC [Bulletin 88S](#) – December 2011 Injury Allowances
- [Explanatory Memorandum](#) to the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011
- [Exit Policy](#)

Ill-health retirement reviews

The firefighters pension scheme regulations (2014) (regulation 68) review of ill-health award or early payment of retirement pension sets out:

(1) Where a member (P) has been in receipt of an ill-health award under regulation 65 (entitlement to lower tier ill-health pension and higher tier ill-health pension) for less than 10 years, and is under deferred pension age, the scheme manager must consider, at such intervals as it considers appropriate, whether P has become capable

- (a) of performing any duty appropriate to the role from which P retired on grounds of ill-health; and
- (b) of undertaking regular employment

(2) The scheme manager must consider, at such intervals as it considers appropriate before the member reaches deferred pension age, in relation to a pensioner member who was a deferred member and whose pension is being paid early by virtue of regulation 67 (early payment of retirement pension to a deferred member), whether the member has become capable of undertaking regular employment.

The consequences of the review (regulation 69)

(1) If, on such consideration as is mentioned in regulation 68(1), the scheme manager determines (a) that a member (H) who is in receipt of a higher tier ill-health pension has become capable of undertaking regular employment, H's entitlement to that pension must cease with immediate effect.

(2) Subject to paragraph (3), a lower tier ill-health pension must continue to be paid to a member who ceases to be entitled to a higher tier ill-health pension.

(3) If –

- (a) on such consideration as is mentioned in regulation 68(1), the scheme manager determines that a member (L) who is in receipt of a lower tier ill-health pension has become capable of performing the duties appropriate to the role from which L retired on grounds of ill-health; and
- (b) the employer makes L an offer of employment in that role L's entitlement to a lower tier ill-health pension must cease whether L accepts or declines the offer.

(4) The employer must by written notice when making a paragraph (3)(b) offer specify a date by which, if the member has not accepted the offer, the member will be taken to have declined it.

(5) A lower tier ill-health pension cease to be payable on the earlier of the following dates –

- (a) the date on which a member re-enters scheme employment pursuant to the a paragraph (3)(b) offer; or

(6) Where a member declines a paragraph (3)(b) offer, a deferred member's account must be established under regulation 48 (account established after ill-health award ceases to be payable) from the date on which that member's ill-health award cease to be payable in accordance with paragraph (5)

(7) If, on such consideration as is mentioned in regulation 68(2), the scheme manager has obtained the Independent Qualified Medical Practitioner's (IQMP) opinion which states that a deferred member (P) whose deferred pension is being paid early has become capable of undertaking regular employment, P's entitlement to early payment of the pension must cease with immediate effect and P's deferred member's account must be adjusted under regulation 47 (adjustment of account after early payment of deferred pension ceases).

Draft Re-Engagement Policy Parameters

The current position is that staff will not to be re-engaged following retirement. Only in exceptional circumstances driven by business need would a request be considered. In those exceptional situations certain policy parameters must be met.

The Chief Fire Officer shall have the delegated authority to approve requests for retirement and re-engagement, following the approval of a business case by the Workforce Directors. The following will be taken into account:

- Financial benefit to the authority
- Impact on Terms and Conditions of service including any potential redundancy costs due to continuous service
- Skill shortages within the authority and staffing requirements
- Skills of the firefighter, suitability for the post
- Health & Fitness of the firefighter
- Absence record of the firefighter
- Ability of firefighter to maintain competency
- Rates of pay (to be the same as other firefighters in the authority employed at the role re-engaged)

Where Firefighters are re-engaged following retirement, the following will apply:

1. Pension payments to be abated on the principle that the annual rate of pay and rate of pension payable does not exceed the annual rate of pay received prior to retirement where a pensioner who was previously a member of either the 1992 or 2006 Firefighters Pension Scheme.
 - 1.1 Under Part 9, rule 3 of the New Firefighters Pension Scheme 2006, a FRA responsible for paying a pension can reduce it, or withdraw it altogether, during any time where a retired member is re-employed in any capacity by any FRA
 - 1.2 Under Rule K4 of the Firefighters Pension Scheme 1992 where a FRA responsible for paying a pension can reduce it, or withdraw it altogether, during any time where a retired member is re-employed.
2. Procedures are in place to identify pension members that have been re-employed, and whether the individual has previously been employed by a fire and rescue authority.

Protected Pension Age (PPA)

3. From the 6 April 2010, an individual who retires with a PPA and who subsequently takes up employment will lose that protection if they are re-employed with the same or connected employer unless one of two conditions are met:
 - 1 There has been at least a six month break in employment.
 - 2 There has been at least one month break in employment and either the new employment is materially different from the previous employment or the scheme rules provide for abatement, that is, reduction of the members pension to reflect his earnings.

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Hampshire Fire and Rescue Authority**Firefighters' Pension Board****Item 8****21 November 2016****Pension Issues Log****Report by Chief Finance Officer**

Contact: Jonathan Hurford-Potter Telephone:01962 667991 – email:
jonathan.hurford.potter@hants.gov.uk

1 Summary

- 1.1 The updated Pension Issues Log is attached to this report at Appendix 1. There are 11 open issues and 1 new issue has been added since the last meeting.
- 1.2 Two issues have been closed. The closed issues are:
 - Issue 19: HFRS Cyclical Re-enrolment-arrangement has been put in place.
 - Issue 20: Communication the impact of the change in Temporary Promotion (TP) rules with affected firefighters through briefing sessions and email.

2 Recommendations

- 2.1 That the contents of this report are noted and a decision is made whether the delay in issuing the Annual Benefit Statements to regular firefighters is reported to the Pensions Regulator as a technical breach.

3 Pension Issues Log

- 3.1 The open issues have been updated in the “progress” box to reflect the latest position only, historic updates have been removed, but are of course available on previous agendas. There are 1 red and 2 amber issues:
- 3.2 Issue 5 (Red): This relates to the change in rules regarding the treatment of Temporary Promotion (TP) that became effective on 1 July 2013, but which was not identified as an Issue within the HFRA until February 2016.
- 3.3 A separate agenda item deals with this issue in more detail.
- 3.4 Issue 17 (Amber): This relates to firefighters who have more than one contract of employment with the HFRS and wish to retire from their main employment

based on a Protected Pension Age (PPA), whilst continuing with their other employment. In such circumstances and to avoid a significant tax penalty specific conditions need to be met including a "break in service" from all employments of at least 1 calendar month (or may be 6 months depending on the circumstances). All affected firefighters are to be written to advising them of the process to be followed. This will be completed by end December 2016.

- 3.5 Issue 22 (Amber): The Annual Benefit Statements (ABS) should have been issued to employees by 31 October 2016 latest. The delay means that the HFRA are technically in breach of the Pension Regulator requirements.
- 3.6 Whilst this is a technical breach the HFRA will need to consider whether the internal breach is sufficiently serious to report to the Pension Regulator given that there is accepted latitude for a delay given that this is the first year that the new rules apply.

Pensions Issues Log - HFRS - 15th November 2016

Issue Number	Pension Group	Pension issue	Description / Impact	Progress	Project Manager (use drop down)	Target Completion Date	Status
5	HFRS	Impact on pension tax liability of temporary promotions	Assessment of alternatives methods (Additional Pension Benefits (APB)) to limit or remove tax liability when moving into temporary promotions. Regulations changed in July 2013 – policy development required.	In February 2016 the HFRA Finance and General Purposes Committee agreed that any temporary promotions that existed on (or had been granted from 1 July 2013) will be treated as pensionable Additional Pension Benefits (APBs) up until 1 April 2015 when the new scheme provisions apply and temporary promotions are non-pensionable. A letter has been sent to inform affected staff of the process and its potential implications. A paper is being considered by the HR Committee in Nov 2016.	Rob Carr	Dec 2016	RED
22	HFRS	Annual Benefit Statements	The Annual Benefit Statements (ABS) should have been issued to employees by 31st October 16 latest. The delay means that the HFRA are technically in breach of the Pension Regulator requirements.	A Pension Breach has been reported to TPR on Monday 14th November for the two schemes, 1992 and 2015 registered on the Exchange Portal. TPR has also been notified that this applies to the 2006 Scheme albeit TPR has still to set this up on the portal. We still do not have a confirmed date for the issue of the ABS, although 31st Dec 16 has been recorded as a long-stop.	Rob Carr	31 December 2016	RED
17	HFRS	Communication to members	All FRAs should have a re-employment policy in place and ensure that the re-employment conditions are met on re-employment of an officer who has retired under the age of 55, including those who have a concurrent retained employment.	This relates to firefighters who have more than one contract of employment with the HFRS and wish to retire from their main employment based on a Protected Pension Age (PPA), whilst continuing with their other employment. In such circumstances and to avoid a significant tax penalty specific conditions need to be met including a "break in service" from all employments of at least 1 calendar month (or may be 6 months depending on the circumstances). All affected firefighters are to be written to advising them of the process to be followed.	Jonathan Hurford-Potter	Dec 2016	AMBER
24	HFRS	Protected Pension Age (PPA) and Unauthorised Payments	In 2010/2011 HMRC advised HFRS that 4 firefighters who retired and did not have a break of one calendar month before reemployment had received "unauthorised payments" which would need to be repaid by both employer and employee.	The case with HMRC has been ongoing since 2012, but we now have a ruling. HMRC have requested payment and offered a compromise arrangement. HFRS have agreed to settle the employees liability as well as employer. We have written to the 4 firefighters seeking approval from them to allow us to engage with HMRC on their behalf to resolve this. If they refuse then HMRC will seek recovery from the individuals themselves.	Jonathan Hurford-Potter	01 January 2017	AMBER
3	HFRS	Employment tribunal claims regarding transitional protections	Fire Brigades Union have started the process of a legal challenge on the transitional protections in the 2015 pension scheme regulations, in respect of potential discrimination.	Some national issues about the way in which the ET cases are going to be dealt with, which seems to have now settled down. Data return provided to Bevan Brittan for HFRS. Initial hearings have now been held and Bevan Brittan may need to seek further submissions from HFRS'.	Rob Carr	Continuing	GREEN
4	HFRS	Change to pensionable status of training allowance and Additional Responsibility Allowances (ARAs).	Assessment and implementation of allowances becoming pensionable (Related to Norman case). Provision allowed for in accounts.	Pensionable or non-pensionable Allowances: Following the Norman v Cheshire High Court Case (2011) and the introduction of the 2015 Firefighters pension scheme, all Fire and Rescue Services are required to decide whether or not Training Allowances and Additional Responsibility Allowances are pensionable or not. No central guidance is being provided and it is for each local service to determine, looking at 6 specific factors. A working group has now been formed to look at the detail of this for Hampshire Fire and Rescue and agree a plan of action to address. A contingent liability in the region of £59,000 has been identified, if any of the Allowances are considered to be pensionable.	Sandy Gregory	Mar 2017	GREEN
7	HFRS	Re-engagement Policy	Review of re-engagement policy	Whilst the general position is not to re-engage staff, it was agreed that a policy would be drafted which sets out parameters that must be met in the exceptional situations where there is a business need to re-engage and to set out the potential tax implications for those with Protected Pension Age (PPA). This will be included in the formal policy paper going to the F&GC in March 17.	Sandy Gregory	Mar 2017	GREEN

Pensions Issues Log - HFRS - 15th November 2016

Issue Number	Pension Group	Pension issue	Description / Impact	Progress	Project Manager (use drop down)	Target Completion Date	Status
8	HFRS	HFRS Discretionary Powers Policy	<p>Review and revision of HFRS discretionary powers required in light of the following issues:</p> <p>Regulation [18(1d)] provides for CPD payments to be pensionable on the determination of the employer.</p> <p>NJC collective agreement as per NJC circular 03/07 appendix A http://www.local.gov.uk/c/document_library/get_file?uuid=3cbb554c-6964-49b3-a254-6116ff09cb03&groupId=10180</p> <p>The need to establish process for independent review of individual member's medical circumstances following IHR to ensure that the level of ill health pension awarded is still appropriate.</p> <p>The need to establish injury allowance policy for HFRS confirming whether or not the Authority provides an injury allowance for employees in accordance with the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011.</p>	The HFRA Finance & General Purposes Committee (F&GP) accepted a number of recommendations contained in a paper dated 10th May 16. These are attached as an annex to the Pension Board papers. A full Discretionary Policy will be tabled for the March 2017 S&G Committee for approval following consultation with unions and other relevant parties. An Ill-Health Retirement and Review Policy will be tabled for the March 2017 S&G Committee for approval following consultation with unions and other relevant parties.	Sandy Gregory	31 March 2017	GREEN
21	HFRS	Record Keeping Requirements	TPR are looking for a commitment by Fire Pensions to create a record keeping plan	Nick Weaver, Head of Pensions Administration is preparing a Record Keeping plan that may be adopted by each of the 3 Services.	Nick Weaver	31 March 2017	GREEN
23	HFRS	Temporary Promotion (TP) treated as pensionable under 2015 (CARE) scheme	At the Pension Board Members workshop held on Friday 11th November 16 Clair Alcock indicated that there was a view that TP within the 2015 (CARE) scheme should be treated as pensionable.	The view of the Scheme Administrator is that HFRA applied the change in TP rules in accordance with the regulations. If there is a now a question mark over how the change in rules has been interpreted then this should be determined nationally, rather than each FRA having to seek it own legal advice and come up with a view. This should be passed to the Scheme Advisory Board for guidance.	Jonathan Hurford-Potter	TBC	GREEN
25	HFRS	Process for managing RDS buy-back on retirement	RDS firefighters who elected to "buy back" service using either payroll deductions or direct debit will need to pay any outstanding balance due at the point of retirement.	Payroll in conjunction with Pensions Administration to ensure that suitable controls are in place to ensure that any balance of money due is recovered at the point of termination.	Gemma McNamara	01 January 2017	GREEN

Pensions Issues Log - HFRS - 15th November 2016

Issue Number	Pension Group	Pension issue	Description / Impact	Progress	Project Manager (use drop down)	Target Completion Date	Status
9a	HFRS	Refund of Pension Contributions where more than 30 years paid PRIOR to 50th Birthday.	The Government has agreed to introduce an employee contributions holiday for members of the 1992 Firefighters' Pension Scheme who accrue the maximum 30 years' pensionable service prior to age 50. This will apply from the point of accruing maximum service in the Scheme until the member's 50th birthday. This change will be applied retrospectively to 1 December 2006. Any affected scheme members who continue in employment beyond their 50 th birthday will need to either resume paying contributions until retirement, or choose to opt out of the pension scheme, at which point their pension will be deferred.	Pension Holiday for firefighters still in service. So far 3 firefighters are affected and a manual process has been established to flag and un-flag their pay records to stop and re-start pension contributions pre and post 50 years in accordance with the rules. A check of firefighters who have transferred-in service is now being undertaken to ensure that nobody has been omitted.	Rob Carr	Dec 16	GREEN
9b	HFRS	Refund of Pension Contributions where more than 30 years paid PRIOR to 50th Birthday.	The Government has agreed to introduce an employee contributions holiday for members of the 1992 Firefighters' Pension Scheme who accrue the maximum 30 years' pensionable service prior to age 50. This will apply from the point of accruing maximum service in the Scheme until the member's 50th birthday. This change will be applied retrospectively to 1 December 2006. Any affected scheme members who continue in employment beyond their 50 th birthday will need to either resume paying contributions until retirement, or choose to opt out of the pension scheme, at which point their pension will be deferred.	Repayment of excess pension contributions to retired firefighters: Fire Pensions are maintaining a list of Fire Personnel who believe that they are affected by the change of policy. Will only be applicable to personnel who joined BEFORE their 20th birthday and who were continuously employed to aged 50. Routine Notice issued to firefighters and list of retired names being compiled. Payroll are currently checking the records of all retired personnel to come up with a master list. It is intended to write to all retired personnel at the end of Nov. 16 to confirm whether or not they have a valid claim. Rob Carr has agreed Finance will assist in calculating the refunds due using the Home Office calculator.	Jonathan Hurford-Potter	01 March 2017	GREEN
1	HFRS	RDS Less Favourable Treatment – purchase of retrospective membership	RDS members given option to purchase retrospective membership of a modified pension scheme. The past service employer costs will be reflected in increases in future employer contribution rates.	Work has been completed. Personnel who elected to pay by lump sum need to do so by 7th November 16. There were 168 that initially elected to join the MNFPS that we received details for. 10 of which declined the offer and 1 (xxxxx xxxxxx) that is due to pay by LS (but hasn't yet) – who I've given an extension to. As at today we have:- Pensioners – 56; Deceased – 2 (2 beneficiaries); Deferred – 41; Actives – 59 (15 now in 2015 scheme)	Claire Neale	Nov 16	COMPLETE
6	HFRS	GMP Reconciliation exercise	April 2016 – State pension provision moving from two tiers to single tier. All schemes will need to do a GMP reconciliation – not a legal requirement (no secondary legislation issued yet) but an 'expectation' from Pensions Regulator and HMRC.	HMRC data has been received by Pension Services and initial queries raised with them in terms of variances in the data. All queries have now been resolved.	Nick Weaver	In line with Govt timescales	COMPLETE

Hampshire Fire and Rescue Authority

Firefighters' Pension Board

Item 7

21 November 2016

Training Needs Analysis (TNA)

Report by Chief Finance Officer

Contact: Jonathan Hurford-Potter Telephone:01962 667991 – email:
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1 Summary

- 1.1 The creation of a Fire Pensions Board is an integral part of the required Governance regime. With the recent changes to Board membership it is important to ensure that all members are adequately trained to fulfil their responsibilities as a Board Member.
- 1.2 Accordingly current Board Members were invited to complete a Training Needs Analysis (TNA)

2 Recommendations

- 2.1 That the Board notes the self-assessment summary of knowledge and experience appended to this Report as Appendix 1.
- 2.2 Endorses the intention of the HFRA to identify suitable training opportunities over the next 6 months so that Board members have the requisite skills required to play a full and effective part as a Board Member.

3 Introduction and background

- 3.1 Following the recent appointment of 3 new Pension Board Members we now have a fully established Board.
- 3.2 The 6 Board Members were invited to complete a Training Needs Analysis (TNA) in order to obtain an assessment of individual and collective training needs. The following table summarises the TNA returns and identifies that apart from the Chair of the Scheme Advisory Board, Malcolm Eastwood there is a significant training need.
- 3.3 This TNA was, however, completed before the Pension Board Member training day which is taking place on the 11 November 2016 and Board Members will be invited to “refresh their data” after this event in order to inform the required training.

Ref	Familiar (✓)	Almost (?)	Unsure (X)	Topic
A	Background and Understanding of the Legislative Framework of the Fire pension scheme			
A1	1	1	4	Differences between public service pension schemes like the Fire Pension Scheme (FPS) and private sector trust- based schemes
A2	1	0	5	Role of the Independent Public Service Pensions Commission (IPSPC) and its recommendations
A3	1	0	5	Key provisions of the 2013 Pension Act
A4	1	1	4	The structure of the scheme and the main bodies involved including the Responsible Authority, the Scheme Manager, the Scheme Advisory Board, the Local Pension Board and the Scheme employers
A5	1	0	5	An overview of local authority law and how Administering Authorities are constituted and operate
A6	1	2	3	Scheme and connected scheme rules overview (including the Regulations)
A7	1	4	1	The Firefighter Pension Scheme 1992
A8	1	2	3	The Firefighter Pension Scheme 2006 and main changes from the 1992 scheme
A9	1	0	5	The Firefighters Pension Fund
A10	1	0	5	The Firefighters Compensation Scheme
A11	1	1	4	Firefighters (Modified) Pension Scheme
A12	1	3	2	The Firefighters Pension Scheme 2015
B	General pensions legislation applicable to the FPS - An overview of wider legislation relevant to the FPS including:			
B1	1	1	4	Automatic Enrolment (Pensions Act 2008)
B2	1	1	4	Contracting out (Pension Schemes Act 1993)
B3	2	3	1	Data protection (Data Protection Act 1998)
B4	1	5	0	Employment legislation including anti- discrimination, equal treatment, family related leave and redundancy rights
B5	2	4	0	Freedom of Information (Freedom of Information Act 2000)
B6	1	1	4	Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)
B7	1	2	3	Tax (Finance Act 2004)
C	Role and responsibilities of the Local Pension Board			
C1	2	1	3	Role of the Local Pension Board
C2	2	1	3	Conduct and conflicts
C3	1	1	3	Reporting of breaches
C4	1	1	3	Knowledge and understanding

D	Role and responsibilities of the Scheme Manager			
D1	1	2	3	Membership and eligibility
D2	1	3	2	Benefits and the payment of benefits
D3	1	3	2	Decisions and discretions
D4	1	2	3	Disclosure of information
D5	1	3	2	Record keeping
D6	1	2	3	Internal controls
D7	1	3	2	Internal dispute resolution
D8	1	2	3	Reporting of breaches
D9	1	2	3	Statements, reports and accounts
E	Funding and Investment			
E1		2	4	Requirement for triennial and other valuations
F	Role and responsibilities of Scheme Employers			
F1	1	2	3	Automatic Enrolment & Opting Out
F2	1	3	2	Deduction and payment of contributions
F3		2	4	Special contributions
F4		2	4	Employer decisions and discretions
F5	1	1	4	TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Directions 2007)
G	Tax and Contracting Out			
G1		1	5	Finance Act 2004
G2	1	3	2	Role of HMRC
G3	1		5	Registration
G4	1		5	Role of 'scheme administrator'
G5	1	3	2	Tax relief on contributions
G6	1	2	3	Taxation of benefits
G7	1	3	2	Annual and lifetime allowances
G8		1	5	Member protections (primary, enhanced, IP etc)
G9	1	3	2	National Insurance
G10	1	1	4	Contracting out (Pensions Scheme Act 1993)
G11	1	1	4	Impact of abolition of contracting out in 2016
H	Role of advisors and key persons			
H1	1	1	4	Officers of the Fire and Rescue Authority
H2	1	2	3	Auditor
H3	1	2	3	Lawyers
H4	1		5	Administrators – in house v. third party
H5	1		5	Procurement of services
H6	1		5	Contracts with third parties
J	Key Bodies connected to the Scheme - an understanding of the roles and powers of:			
J1	1	1	4	Courts
J2	1	3	2	HMRC

J3	2	1	3	Information Commissioner
J4	1	1	4	Pensions Advisory Service
J5	2	2	2	Pensions Ombudsman
J6	2	1	3	The Pensions Regulator (including powers in relation to Local Pension Boards)

Hampshire Fire and Rescue Authority

Firefighters' Pension Board

Item 9

21 November 2016

Temporary Promotions

Report by Chief Finance Officer

**Contact: Jonathan Hurford-Potter Telephone:01962 667991 – email:
jonathan.hurford.potter@hants.gov.uk**

1 Summary

1.1 The Human Resources (HR) Committee will be meeting on the 22 November 2016 to consider a paper and recommendations regarding the retrospective treatment of Temporary Promotions (TP) for serving and retired firefighters. The HR report is attached to this report as Appendix A.

2 Recommendation

2.1 That the Board notes the recommendations contained within the HR committee report which, subject to approval or modification, will be presented to the Full Authority for consideration on the 8 December 2016.

3 Introduction and background

3.1 Last year it was identified that there was a change in the pension regulations that altered the pensionable status of earnings when firefighters were on TP. A decision was therefore made by F&GP Committee in February 2016 to retrospectively confirm that TPs would remain pensionable, but the benefits would be accrued as an Additional Pension Benefit (APB) in line with the regulations, rather than counting towards final salary pension benefits.

3.2 Following investigations initiated by the Hampshire Firefighter's Pension Board it came to light that the regulations around the pension treatment of temporary promotions were changed in July 2013 after the Government recognised the tax problems being caused for some Firefighters and because of the financial strain on the national pension scheme. At this time all Fire Authorities were required to make a decision about whether or not temporary promotions would be treated as pensionable.

3.3 If the Authority decided they were pensionable then ALL future pension contributions made by Firefighters when on temporary promotion have to be treated as an Additional Pension Benefit (APB). APB's are treated separately for tax purposes in that they count against annual allowances as an absolute sum

rather than through a calculation relating to final salary and defined benefits. This helps to significantly reduce any tax liability and some pension benefit is earned irrespective of whether or not the temporary promotion ends. However, since the extra salary whilst on TP does not count within the final salary pension benefits, the overall benefits are not as great if the firefighter is within 3 years of retirement.

3.4 If the Authority decided that temporary promotions were not pensionable then no additional contributions were due from the individual on the additional salary they earned but no pension benefit or tax liability was created.

3.5 F&GP Committee, in its role as Scheme Manager at the time, agreed that TPs would be pensionable as this was in line with the previous regulations and it was felt that firefighters should gain some pension benefit whilst working at the higher levels.

3.6 Since that decision was made, significant work has been undertaken to identify those firefighters that are affected by this and then extract the necessary information to enable the revised tax and pension benefit calculations to be undertaken.

3.7 The paper identifies the number of firefighters affected and allocates each to one of 3 Cohorts:

- Retired firefighters who have incorrectly benefitted from a higher final salary based pension since July 2013 (defined as Cohort 1).
- Active firefighters who could retire within three years of the date they were notified of the change in the regulations which is 5 August 2016 (defined as Cohort 2).
- Active firefighters whose retirement date is later than three years of the date they were notified of the change in the regulations which is 5 August 2016 (defined as Cohort 3).

3.8 The recommendations relate to the treatment of each Cohort and the associated financial consequences.

Hampshire Fire and Rescue Authority**Human Resources Committee****Item 6****22 November 2016****Temporary Promotions****Report by Chief Finance Officer**

Contact: Rob Carr - Telephone: 01962 847508 - email: rob.carr@hants.gov.uk

1 Summary

- 1.1 Temporary Promotions (TPs) have been used extensively within the Service over the last few years as a means of actively managing the workforce reductions arising out of the savings programmes that have been implemented.
- 1.2 Last year it was identified that there was a change in the pension regulations that altered the pensionable status of earnings when firefighters were on TP. A decision was therefore made by F&GP Committee in February 2016 to retrospectively confirm that TPs would remain pensionable, but the benefits would be accrued as an Additional Pension Benefit (APB) in line with the regulations, rather than counting towards final salary pension benefits.
- 1.3 Since that time, significant work has been undertaken to identify all those affected by this change, to extract the detailed pay information from SAP and to start working through the complex tax and pension benefit calculations for each individual.
- 1.4 Those firefighters affected by the change were written to over the summer and following a number of queries, separate briefing sessions have been arranged to answer their concerns. Understandably many of the Firefighters are concerned about the potential impact of this change on their future pension benefits, particularly those that may have already started their retirement planning.
- 1.5 Furthermore, those firefighters who have retired since July 2013 will already be receiving pension benefits based on a final salary position, which is technically incorrect, and understandably there is significant concern that this change will impact on their current benefits.
- 1.6 Separately to this issue, the Service had already instigated a review of the TPs that currently exist since some of them have been in place for some time and the original reasons for the temporary nature of the arrangement are not necessarily valid. Changes to the status of these individuals will also have a knock on impact on their pension benefits, but the two issues are being treated totally independently.
- 1.7 The purpose of this report is to seek decisions in respect of the pension treatment of Temporary Promotions in light of the legal, financial and moral considerations

that surround them.

2 Recommendations

- 2.1 That, subject to approval by the Full Authority of the maximum financial costs at (d) below, the Human Resources Committee:
- a) Agrees that for all firefighters in Cohort 1 (as defined in paragraph 4.1 below), all service post July 2013 during which they were temporarily promoted will be treated as substantive service for the purposes of the calculation of their pension benefits only.
 - b) Agrees that for all firefighters in Cohort 2 (as defined in paragraph 4.1 below), all service post July 2013 during which they were temporarily promoted will be treated as substantive service for the purposes of the calculation of their pension benefits only.
 - c) Agrees that all firefighters in Cohort 3 (as defined in paragraph 4.1) will be treated under the new pension regulations and will earn benefits as an Additional Pension Benefit only for any qualifying periods of temporary promotion after July 2013.
 - d) Agrees to recommend to the Full Authority that the maximum financial cost of £256,000 one-off and £35,600 recurring, that could arise as a result of the decisions made at a) and b) be approved and included in HFRA's budget.
 - e) Agrees to delegate to the Chief Officer in consultation with the Chairman of the Authority and the Chief Financial Officer any future decisions in respect of Firefighters who are identified as meeting the principles for protection as set out in this report as long as they remain within the overall financial approvals set out in recommendation d).

3 Background

- 3.1 Following investigations initiated by the Hampshire Firefighter's Pension Board it came to light that the regulations around the pension treatment of temporary promotions were changed in July 2013 after the Government recognised the tax problems being caused for some Firefighters and because of the financial strain on the national pension scheme. At this time all Fire Authorities were required to make a decision about whether or not temporary promotions would be treated as pensionable.
- 3.2 If the Authority decided they were pensionable then ALL future pension contributions made by Firefighters when on temporary promotion have to be treated as an Additional Pension Benefit (APB). APB's are treated separately for tax purposes in that they count against annual allowances as an absolute sum rather than through a calculation relating to final salary and defined benefits. This helps to significantly reduce any tax liability and some pension benefit is earned irrespective of whether or not the temporary promotion ends. However, since the extra salary whilst on TP does not count within the final salary pension benefits, the overall benefits are not as great if the firefighter is within 3 years of retirement.
- 3.3 If the Authority decided that temporary promotions were not pensionable then no

additional contributions were due from the individual on the additional salary they earned but no pension benefit or tax liability was created.

- 3.4 F&GP Committee, in its role as Scheme Manager at the time, agreed that TPs would be pensionable as this was in line with the previous regulations and it was felt that firefighters should gain some pension benefit whilst working at the higher levels.
- 3.5 Since that decision was made, significant work has been undertaken to identify those firefighters that are affected by this and then extract the necessary information to enable the revised tax and pension benefit calculations to be undertaken. It was not possible for this information to be extracted through a single report, and therefore each record had to be identified manually and the data extracted manually, which involved weeks of manual effort, for the pensions administration team in the IBC.
- 3.6 Unfortunately, this coincided with essential and very labour intensive year end activity around pensions, which for 2016 was particularly complicated since it is a valuation year for the LGPS and the first year of the new CARE scheme for Police and Fire. As a result, the extraction work was deliberately delayed until after the essential year end activity was completed.
- 3.7 In early August, affected firefighters were written to, in order to explain the change in the pension regulations and the potential impact on them and to explain that detailed calculations around their tax and pension benefit position needed to be carried out for the preceding three years.
- 3.8 This included a total of 6 firefighters who had retired since the change in regulations came into force. These Firefighters are already being paid benefits, including periods of post July 2013 temporary promotion on the basis of the final salary scheme, which is incorrect.
- 3.9 Following receipt of the letters, many Firefighters have understandably raised concerns about the potential impact on their eventual pension benefits and further information and briefings have been carried out. The impact on individual Firefighters can be significant and decisions therefore need to be made in respect of the different groups of staff and this is explored in more detail in the next section.

4. Impact on Staff Groups

- 4.1 The impact on the various staff groups is very different, some of which are positive and others which are negative. The different groups for the purposes of this report can be defined as :
 - Retired firefighters who have incorrectly benefitted from a higher final salary based pension since July 2013 (defined as Cohort 1).
 - Active firefighters who could retire within three years of the date they were notified of the change in the regulations which is 5 August 2016 (defined as Cohort 2).
 - Active firefighters whose retirement date is later than three years of the date they were notified of the change in the regulations which is 5 August 2016

(defined as Cohort 3).

- 4.2 Temporary Promotions within the 2015 scheme are not pensionable at all, therefore, for Firefighters who have or are due to transition to the 2015 pension scheme, their temporary promotion for the purposes of earning pension benefits will have already ended on 31 March 2015 or their taper date. Whilst this is an added complication, it still means that they fit within one of the groups defined above and do not need to be treated differently for these purposes.
- 4.3 Furthermore, when the regulations were changed in July 2013, any Firefighter who was already on a TP before 1 July 2013, had their pension rights protected as long as there was no break in the period of their TP. There are a number of Firefighters originally identified in each of the Cohorts above that fall in to this category and in essence their pension benefits are already protected by the new regulations and they do not therefore need to be considered in this report. **This significant level of protection afforded to Firefighters at the time is a key determinant in considering the options and recommendations in this report.**
- 4.4 There are now 183 Firefighters who fall into one of the 3 Cohorts outlined in paragraph 4.1, for which decisions now need to be made. The impact on each of the groups of **strictly following the regulations** without any further decisions is described below :
- 4.5 **Retired Firefighters (Cohort 1 - 6 Firefighters in total)**
- Would probably receive a tax rebate if they had previously paid a tax charge for exceeding their annual allowance or if they paid a tax charge on their commuted lump sum.
 - Would lose the extra annual pension benefit derived from their higher final salary position
 - Would gain an Additional Pension Benefit (but at a much lower rate than what they had lost)
 - Would have been overpaid on their lump sum which would need to be recovered.
- 4.6 Of the 6 firefighters affected, 2 actually gain small increases (less than £10 a year) in their annual pension due to the timings of their TPs in relation to their final retirement dates. Of the remaining 4, the average pension loss per year is around £2,200 with a lump sum loss of around £18,000. However, the highest loss is nearly £3,700 a year and a lump sum loss of £24,500.
- 4.7 Clearly this will have a significant personal impact on the firefighters affected and therefore potential solutions for this group and the implications are discussed in Section 6.
- 4.8 **Firefighters within 3 years of retirement (Cohort 2 – 30 Firefighters in total)**
- 4.9 Virtually all of the Firefighters within Cohort's 1 and 2 were originally within (or are fully protected within) the 1992 Pension Scheme, this means they have a Normal Retirement Date of 55, can retire at 30 years service or can retire at age 50 if they have 25 years service. Cohort 2 therefore includes all Firefighters that fit this description together with any other Firefighter who could technically retire within the

next three years.

4.10 For these firefighters, they :

- Would probably receive a tax rebate if they had previously paid a tax charge for exceeding their annual allowance.
- Be paid in line with the new regulations which would mean a lower annual pension and lump sum compared to what would have been reported to them on previous Annual Benefit Statements.

4.11 This assumes that these firefighters do not secure a substantive position at a similar pay level prior to their retirement (as part of a separate process), discussed further in Section 5.

4.12 **Firefighters greater than three years away from retirement (Cohort 3 – 147 Firefighters in total)**

4.13 This obviously represents the greater proportion of those affected and of these Firefighters 121 had already moved into the 2015 Scheme by 5 August 2016, or will taper into the 2015 Scheme over the next few years and will no longer earn any pension benefits for their TPs. For these staff it would mean they :

- Would probably receive a tax rebate if they had previously paid a tax charge for exceeding their annual allowance.
- Will retain the benefit of the Annual Pension Benefit they have earned before entering the 2015 scheme once they do retire.
- Will not be in any disadvantaged position in respect of their normal annual pension or lump sum

4.14 For this group of staff, the old regulations disadvantage them if they returned to their substantive role greater than three years away from retirement as they effectively paid additional pension contributions but received no benefit at all. Under the new regulations they at least retain the APB they have earned which forms part of their final pension benefits.

5 Review of Temporary Promotions

5.1 This report highlights the extensive use that HFRS has made of Temporary Promotions over the last 4 to 5 years as an effective way of helping to manage changes in the levels of staffing as a result of the reductions in Government funding.

5.2 Whilst this is a sound basis for continuing with Temporary Promotions it has been highlighted recently that there are TPs that have been in place for many many years. Indeed one of the 6 retired firefighters had been on a TP for nearly 6 years. In some areas it is felt that the original reasons for appointing on a temporary basis may no longer be valid.

5.3 The Service recognised this as an issue and therefore instigated a top down review of all TPs with a view to assessing whether or not there was a case for them to

remain a TP or perhaps should be converted to a substantive position. This review was commissioned entirely separately from the pension issues that were uncovered in respect of TPs and the decision making for both items is and will remain completely separate going forward.

- 5.4 However, from a pension perspective, if any of the firefighters currently on a Temporary Promotion were to gain a substantive role at the higher pay grade (either through this review or future promotion) then they would benefit from the higher salary feeding into their final salary pension benefits in line with the normal regulations and would no longer feature in one of the Cohorts outlined in the section above.
- 5.5 Since this exercise and the decisions arising from it are focussed on a Firefighter's employment position rather than their pension position, this would be deemed as normal employment practice and there is therefore no adverse impact created by these actions on the national firefighters pension scheme. (NB – it is not legitimate for HFRA to decide to convert temporary promotions to permanent ones, just to protect individual firefighters' pensions).

6. Options for Affected Firefighters

- 6.1 Section 4 outlined the impact of rigidly applying the new regulations to the different Cohorts that have been identified. For Cohort 1 they would be in the position of having their actual pension benefits (which they are currently receiving) reduced and part of their lump sum would need to be repaid. For Cohort 2 future pension benefits would not be paid at the level indicated to those Firefighters in their Annual Pension Benefit Statements. Both of these Cohorts could therefore claim an actual or perceived loss of income as a result of the failure of HFRA to properly implement this change in regulations.
- 6.2 For Cohort 3 they would not have been in a position to benefit from their higher salary position in their pension benefits and in fact will be better off under the new regulations as they will retain their APB earned whilst on TP (up until the point they enter the 2015 scheme).
- 6.3 It is therefore only the position of Cohorts 1 and 2 that need to be considered in terms of decision making around how their periods of TP will be treated for pension purposes.
- 6.4 By law, HFRA can only pay pension and other benefits in line with the regulations that are in force at the time. In this instance, the Authority has failed to recognise and implement a change in regulations, that at the point they are enforced would have a major impact on the financial standing of 35 retired and active Firefighters.
- 6.5 At the present time, the benefits being paid to the 6 retired firefighters are outside of the pension scheme rules and this needs to be regularised, together with making decisions in respect of those Firefighters in Cohort 2 and their future benefits. The Authority therefore has 2 choices :

Option 1 - Reduce the pension benefits of the retired firefighters in line with the regulations and seek reimbursement of the overpaid amounts and pay any future benefits in line with the regulations.

Option 2 - Make the decision to treat Temporary Promotions after July 2013

as substantive, solely for the purposes of calculating pension benefits, leaving existing and future pension benefits in the position they are currently in or were expected to be in at the point of retirement (to be clear no appointments to substantive roles would be made under this option it would purely feed through for pension benefit purposes).

- 6.6 The key determinant in considering how to treat the Firefighters in Cohorts 1 and 2 is outlined in Paragraph 4.3. This explains that at the point the regulations changed, the regulations themselves contained a provision that protected the pension position of any Firefighter who was already on a Temporary promotion prior to the 1 July 2013. It would therefore seem only right that this same protection is afforded to Firefighters in Cohorts 1 and 2 at the point that they were notified of the change in regulations which is 5 August 2016 and as a result, HFRA should honour that position for those Firefighters, which is fully in line with the spirit of the legislation itself.
- 6.7 On top of this position, there are strong moral arguments that would support Option 2 in favour of Option 1, not to mention the potential unrest in the workforce, together with the reputational damage of pursuing option 1.
- 6.8 A further important consideration is to work through the potential outcome of pursuing Option 1. Clearly in each of the cases where the Firefighters will have suffered a significant actual or perceived financial loss through no fault of their own, it is almost certain that they will pursue this as a complaint against HFRA.
- 6.9 Complaints in respect of pension issues, follow a prescribed process as follows :
1. The complaint is initially investigated by the employer and a response given.
 2. If the claimant is not satisfied with this response they have the option of entering stage 1 of the local Internal Dispute Resolution Process (IDRP), which will independently review the facts of the case and come to a conclusion. (The stage 1 reviewer for HFRA is the Head of Finance).
 3. Again, if the claimant is not satisfied with the outcome they can move to stage 2 of the IDRP where the overall case together with the stage 1 decision is further independently reviewed. (The stage 2 reviewer for HFRA is the Director of Professional Services).
 4. Following this, the final place of appeal would be with the Pension Ombudsman and their decision is final and legally binding on HFRA. (NB firefighters would also be able to bring civil claims in the civil courts, regardless of the IDRP/Ombudsman processes).
- 6.10 In considering complaints of this nature, there are three key questions that would normally be asked by the Pensions Ombudsman (and are therefore always relevant in considering the complaint as part of the IDRP process) :
- What information was provided to the employee about their future benefits
 - What expectation did this give to the employee about the level of their future benefits

- What opportunity did the employee have to question whether or not the information that had been provided to them was incorrect in the context of their complaint.
- 6.11 In this particular case, the answers to those key questions for both Cohorts 1 and 2 are :
- Previous Annual Benefit Statements (or specific retirement estimates) since the firefighter was on Temporary Promotion would have consistently shown pension benefit projections at the higher level.
 - The expectation was therefore set for the firefighter that these benefits would be payable to them on retirement
 - Given that the error has occurred following a change in regulations that was missed by the employer, it is not reasonable to assume that the employee was in a position to question whether or not their benefits were incorrect.
- 6.12 Whilst in this report we are clearly not able to prejudge or fetter the discretion of the decision maker within a formal process, it is possible that the IDR process itself or the Pension Ombudsman would find in the favour of the employee, depending on the facts of each case.
- 6.13 The likely redress is that the firefighter would be returned to the pension position that they were previously in (or would have been in) so that they suffered no loss, in effect bringing us to the same conclusion as Option 2 but with significant additional upset and stress for the Firefighters concerned. There would also be a significant administrative burden and cost on the Authority and potentially the Pension Ombudsman, together with the repercussions for industrial relations within the Service.
- 6.14 There are also several other factors that would support the pursuit of Option 2, some of which were raised by affected Firefighters at a briefing meeting and a subsequent engagement session that were both held during October :
- Firefighters in Cohorts 1 and 2 have either already made decisions about their retirements or will have started planning for their retirement within the next three years. Therefore to make such a change now will affect those plans, which is contrary to the normal protections given when any changes are made to pension regulations.
 - Firefighters were not aware of the change in regulations which could have influenced their decision as to whether to apply for a Temporary Promotion in the first place.
 - Changes to regulations are usually implemented over a long period of time, but the current situation means that there is no lead in time for this change, which has taken some decision making options away from Firefighters.
 - There is a strong moral argument to suggest that HFRA should honour the pension position for these Firefighters since the events that led to this position are completely outside of their control.
- 6.15 Given all of these factors, but in particular the argument set out in paragraph 6.6, the conclusion therefore is that Option 2 should be pursued for Cohorts 1 and 2 and

the recommendations in this report seek approval to agree this course of action, which does have financial implications for the Authority which are outlined in Section 7.

7. Financial Consequences

- 7.1 The Firefighters Pension Scheme is an unfunded national scheme administered and governed by the Home Office (although local administration in terms of pension processing is carried out by Hampshire Pension Services).
- 7.2 The unfunded nature of the scheme means that each year pension contributions are collected from employees and employers and are paid into the national scheme and local payments in respect of pensions are reimbursed from the same scheme. There is no pension fund as such in the same way as LGPS, payments into and out of the scheme are accounted for on an annual basis.
- 7.3 A key principle of the scheme is that payments made in line with the regulations can be charged to the national scheme, but the financial consequences of local decisions or the use of discretionary powers contained within the scheme must be paid for locally. Members may recall a significant issue with the payment of injury pensions some years ago, where Authorities were making local decisions about injury pension awards, but charging the costs to the national scheme, which was not in line with the regulations and had a significant financial impact on a number of authorities including HFRA.
- 7.4 In the case of the retired Firefighters, the Authority is currently paying pension benefits in excess of those allowed by the regulations and are charging those to the national scheme, which is not allowed.
- 7.5 Under the two options outlined in paragraph 6.5, if we were to pursue Option 1 and then through a Pension Ombudsman decision we were instructed to continue to pay the higher amounts, these could still not be charged to the national scheme since they are payments outside of what is allowed by the regulations.
- 7.6 Under Option 2, the same principle would apply and this would be treated as a local decision for which the Authority must bear the financial consequences. Given that both options may lead to the same outcome for Cohorts 1 and 2 (i.e. that they retain their existing or potential future benefits) then there is arguably no way that the Authority can avoid the financial consequences of this error.
- 7.7 The cost to the Authority will effectively fall into two parts as shown in the table below :

	Lump Sum £	Annual Pension £
Cohort 1 (actual costs)	71,000	10,700
Cohort 2 (estimated maximum cost)*	185,000	25,000
Total	256,000	35,700

- 7.8 The lump sum amount for Cohort 2 is between £115,000 and up to a maximum of

£185,000. This reflects the fact that those staff who could retire at 25 years service and 50 years of age may decide to leave their retirement until they reach 55 years of age or 30 years service which attracts a higher lump sum commutation factor (but does not significantly impact on the annual pension amount).

- 7.9 In addition to the differing options for retirement timing, which will impact on the final figures, there are also a number of ways in which the costs for Cohort 2 could be reduced, mainly through the Firefighter gaining a promotion to a substantive position prior to them retiring or them leaving the service and deferring their pension. The figures above should therefore be viewed very much as maximum cost figures at this stage.
- 7.10 The repayment of the one off lump sum amount would need to be drawn from reserves in the current year or funded from savings in the current budget and the ongoing cost of the annual pension amount will need to be added to the budget for 2017/18 onwards. This report recommends the approval of the financial costs in the above table to the Full Authority on 8 December 2016.
- 7.11 Given the significant complexities of this issue, it is possible that new cases or new information may be uncovered that would impact on the make up of the Cohorts or on the individual financial calculations. This report therefore seeks delegated authority to the Chief Officer in consultation with the Chairman and Chief Financial Officer to deal with these new cases or new information in line with the principles set out in this report as long as they can be contained within the overall cost envelopes outlined in paragraph 7.7.

8. Risk Assessment

8.1 Rationale for the Decisions

These are set out in detail in Section 6 and conclude that the selection of either option in paragraph 6.5 may lead to the same outcome, which is that the Firefighters pension position will be protected and the Authority will have to pick up the costs over and above what is allowed to be charged to the national scheme.

8.2 Legal Risks

All of the proposals and options in this report are consistent and comply with the regulations in respect of the firefighters pension scheme. The ability to make local decisions in respect of employment and pension benefits is embedded in the regulations and informal discussions with the Home Office have confirmed this, along with the financial implications outlined in this report. Whilst there is the potential for age related rules relating to pension entitlements to cause age discrimination, this is likely to be justifiable and therefore lawful where proposals mirror the age related impacts of the scheme rules.

The justification for the proposed decision is in line with the spirit of the regulations that were introduced in July 2013 albeit that these are being applied later in the case of HFRA due to the fact that the original regulation change was not identified at the time.

There is the potential for legal challenge from firefighters who feel that they have lost benefits that they had previously had a legitimate expectation of receiving but there is a prescribed route for dealing with such a complaint. However, a decision from the Pension Ombudsman does still not prevent an employee from pursuing a

separate Employment Tribunal or civil case through the civil courts.

8.3 Financial Risk

The recommendations in this report create financial consequences for the Authority but at the same time de-risk the potential for any future unexpected costs arising, including the costs and officer time associated with dealing with IDRPs claims, industrial relation issues or legal cases if we were to opt to not apply a local discretion for Cohorts 1 and 2.

8.4 Reputational Risk

Clearly the circumstances that led to this position do not reflect well on the Authority and the financial impact of the error is also a significant issue. However, the recommendation in this report to protect the Firefighter's pension position reflects well on the Authority as an employer and removes a potentially difficult position with a large number of staff and the Representative Bodies.

9. **Conclusion**

- 9.1 This matter is extremely complex and very emotive for those Firefighters that it affects but the overwhelming evidence within the report supports the recommended course of action which is to protect the pension rights of those employees who were not notified of the change in the Regulations in July 2013 and who would have benefited from higher pension benefits had the change in regulations not taken place.

10 **Supporting our corporate aims and objectives**

- 10.1 Whilst the decision does not directly support our corporate aims and objectives it is consistent with our cultural vision and the way we would expect to treat our employees.

11 **Risk analysis**

- 11.1 A risk analysis is provided at Section 8 of this report.

12 **People impact assessment**

- 12.1 The proposals within this report are considered compatible with the provisions of the equality and human rights legislation and support as far as possible given the context, the organisation's values in looking after our workforce.

13 **Consultation**

- 13.1 In addition to the informal advice received from the Home Office, informal views were sought from the Chairman of HR Committee, the Chief Fire Officer, the Director of Professional Services and the Pension Board, all of which were supportive of the course of action proposed in this report, recognising that the formal decision is purely a matter for HR Committee in its capacity of overseeing employment decisions within the Authority.

13.2 In terms of the affected staff themselves, each Firefighter was written to on 5 August 2016 setting out the issues and the potential impact on their position. This was followed up by a briefing meeting held on 10 October 2016 at which Firefighters were also able to ask questions and during the briefing they asked how their views would be taken into account.

13.3 As a result of this briefing, a further engagement session was arranged for 26 October 2016 and views from affected staff were requested. A summary of the comments and points made are detailed below, together with any relevant comments as they relate to the report content and decisions :

- What protections were afforded to personnel when previous rule changes were made, these should be given to people affected now **(Comment - this is the basis of the argument that is being used in the report)**
- Firefighters have made 'life choices' based on an expectation that TP would remain pensionable and so 'no notice' of a change is unfair. **(Comment – this point is reflected in the decision to protect Firefighters)**
- Previously as there was no differentiation between substantive and TP, firefighters had no concern over their role status – they do now but cannot retrospectively influence this.
- Firefighters have been on TP for long periods based on no fault of their own and would have sought either cessation of their TP, or confirmation in post had they been aware of the rule change in 2013.
- Why 3 Cohorts? – what is the difference between Cohorts 2 and 3 as some firefighters currently allocated to Cohort 3 could benefit from the 25 year rule and retire before age 55? Thus the artificial distinction between Cohort 2 and Cohort 3 is wrong **(Comment - the cohorts were changed as a result of this point).**
- Had we been informed of the 'change in rules' coming into force in July 2013 we could have retired slightly earlier and benefitted from the existing (previous) pension rules.
- As all firefighters made pension contributions based on their TP salary it is unfair that they should have to accept the burden of the change and not the Fire Authority.
- Firefighters manage financial planning over a number of year and not months. You have waited 3 years to inform us of this change and are now 'rushing' implementation over 3 months. **(Comment – the proposed solution protects the position of Firefighters who would lose out irrespective of when the decision was made).**

13.4 Following the engagement session the FBU were approached by some of the Firefighters and the FBU agreed to speak to management about the recommended solution that was being put forward to this Committee to determine the extent to which they may wish to make further representations. Once they had met with management, they were satisfied that the approach being adopted was fair and reasonable.

**Hampshire Fire and Rescue Authority
Fire Pension Board Report**

27 February 2017

Item: 6

Fire Pension Board Status Report – as at 15 February 2017

Report by Chief Financial Officer

Contact: Jonathan Hurford-Potter - Telephone: 01962 667991- email:
jonathan.hurford.potter@hants.gov.uk

1 Summary

- 1.1 Following the establishment of a stable Pension Board it is proposed that rather than present a detailed Issues Log each meeting it would be better to provide a quarterly employers management report that focusses on the key issues and workstrands.
- 1.2 The intent being to provide the Board with an updated work programme, drawing attention to matters of interest and concern. The Board will have an opportunity to direct and develop subjects that they would like covered going forward, which it is proposed would include the creation of a risk log.
- 1.3 This report, together with attachments, provides the framework for this meeting Agenda.

2 Recommendations

- 2.1 That the Board is invited to note the content of this report, in particular the intention to develop an appropriate work programme for the Board and to highlight any immediate training needs and how best to meet these.

3 The Pension Regulator – Breaches of Law

- 3.1 As agreed at the last Pension Board we self-reported a disclosure breach for the following two schemes:
 - Firefighters' Pension Scheme (FPS 1992) - Hampshire Fire and Rescue Service:
 - Firefighters' Pension Scheme 2015 - Hampshire Fire and Rescue Service (HFRS)
- 3.2 This was because we had failed to meet the 31st August deadline for issuing the Annual Benefit Statements (ABS). The reason for this was due to Civica's inability to provide the software updates to enable accurate and complete statements to be prepared.

3.3 This problem was subsequently rectified and ABS were issued before the end of December 16.

3.4 The number of personnel affected are summarised as follows:

Scheme	Actives	Deferred	Pensioners	comments
1992	220	74	783	
2006	154	376	25	Not yet on TPR system
2006 (Modified)	45	41	56	Not yet on TPR system
2015	961	94	0	

Note: The 2006 Modified Scheme has not been created on The Pension Regulator (TPR) portal and we have a outstanding request for this to be achieved – raised in September 2016. Thus we were unable to report a breach for this scheme.

3.5 The Pension Regulator responded on 3rd January 2017 as follows:

As you are aware, The Pensions Regulator cannot waive the requirements of the Pensions Acts. However, we are a risk-based regulator and, in certain circumstances, we can take a pragmatic approach.

Based on the information you have supplied, the regulator will not take any action against the trustees at the current time for the late production of Annual Benefit Statements being sent out.

Please be aware that, should additional information be reported, we do reserve the right to reconsider this decision.

4 30 Year Pension Contributions – Refund Holiday

4.1 Status report

Retired personnel in scope:			87
Of which:	Repayments processed	25	
	To be submitted to GAD	4	
	Checked and calculation in hand	30	
	Outstanding date or other queries	28	
In-Service personnel in scope:			21
Of which:	Current employees in scope	10	
	Future employees in scope	11	

- 4.2 Payments are calculated using a “repayment calculator” issued by the Government Actuary Department (GAD) which calculates the net payment due (including loss of interest) and the gross amount. The net payment (including interest) is paid to the beneficiary using BACS, subject to them completing an HMRC declaration, which avoids them having to report the payment via the self-assessment tax process. The “grossed-up” element will be paid to HMRC on completion of the exercise and the gross amount will be refunded to the HFRA by the Home Office.
- 4.3 The 28 cases with outstanding queries relate to discrepancy with a date (or dates) on their personnel record. In some cases this relates to transferred in service and individuals have been written to in order to secure “Proof of Entitlement”.
- 4.4 The agreed target completion date is 31st March 2017 and this date should be met, subject to GAD completing a bespoke calculation for any personnel whose eligibility period exceeds 2 years as this is outside the scope of the standard GAD calculator.

5 Unauthorised payment cases

- 5.1 The rules regarding a “Protected Pension Age” for firefighters who elect to retire between 50 and 55 are quite specific regarding continuing employment with a linked employment. Individuals need to retire from their whole-time position and resign from any RDS position (this does not need to be a role within Hampshire). They may seek re-employment in their previous RDS position after a break of one full calendar month.
- 5.2 The brief extract of the change in re-employment conditions is copied below:

In 2010, changes to the Finance Act 2004 changed the normal minimum pension age from 55 to 50. Firefighters (and Police Officers) were given a protected pension age, meaning they could still retire early under the rules BUT that if they were re-employed unless they satisfied the employment conditions the benefits paid to them could become unauthorised payments and they would face a tax bill.

The re-employment conditions are

- 1. the member not re-employed until at least 6 months after they became entitled to their benefits under the scheme*
- 2. the member is re-employed within 6 months but after a break of at least 1 month but the pension scheme is a public service pension scheme and the member’s benefits under the scheme include a scheme pension which is liable, until at least attaining age 55, to abatement whilst the member is so employed*

3. *the member is employed within 6 months but after a break of at least 1 month in an employment(s) which is(are) materially different in nature from the employment in which the member was employed immediately before becoming entitled to their benefits.*

5.3 All current firefighters who are in the 1992 scheme and thus may be affected by this ruling have been written to. This is already benefitting two personnel who would have been affected by punitive tax charges had they not been aware of this ruling.

5.4 Feedback received so far has been extremely positive and affected staff have asked whether such advice may be included within the Pre-retirement course agenda. **It is recommended that this proposal is supported.**

5.5 Once an individual reaches the normal minimum pension age of 55, the above restrictions cease to apply.

5.6 There are 4 outstanding “unauthorised payment” cases relating to retirement/re-employment cases dating back to 2010 to 2011. We have now submitted all documentation to enable HMRC to calculate a composite Contract settlement figure. HFRA will be making the settlement on the members’ behalf as at the time of their retirement and re-employment they were not fully informed of the rules by their employer.

5.7 We have a provision within the HFRA accounts to hopefully satisfy this outstanding liability. We expect this to be able to settle this before 31st March 2017.

6 The Pension Regulators’ (TPR) - Self Assessment Tool – Action Plan

6.1 The opportunity to complete TPR self assessment tool was taken and a copy of the report is attached (Appendix A). Overall it is believed we are in a good position and the considerable progress made over the past 12 months underpins this assessment. There are, however, a few areas that require additional work, or are ongoing, and these have been extracted.

Governing your scheme – 2 AMBER	
Question	HFRS position / proposal
Do you have policies and arrangements in place to help pension board members acquire and retain requisite knowledge and understanding.	We have run one Pension Training workshop and the outcome is reflected in the updated TNA (see later report heading). We have commenced running regular “teach-in” sessions after each quarterly board meeting and specific skills gaps will be separately addressed and suitable training arranged.
Do you have a register of interests of equivalent	Proposal is to establish and maintain a register of interests. This is to ensure that a pension board member does not have a conflict of interest that will impact on their ability to fulfil their role.

Managing Risks & Issues – 1 AMBER	
Question	HFRS position / proposal
Do you have a service level agreement, or equivalent, in place with your scheme administrator, whether in house or outsourced?	There is a Service Area Accession Agreement and it is proposed that this is circulated for the Board to confirm that it meets their expectations.

Administration – 1 RED; 4 AMBER	
Question	HFRS position / proposal
RED- Do you have processes in place to monitor scheme records for all membership types on an ongoing basis to ensure they are accurate and complete?	We have examples of errors in individual records that were identified by Internal Audit and has come to light as part of the “Pension Holiday” work. A more robust and enduring process needs to be established. [see Recordkeeping item]
AMBER - Do you have controls in place to ensure that your employer(s) provide timely, accurate and complete data?	Omission of new starters from the Pension Scheme and an absence of a robust process for new starters has influenced this assessment. Work is underway to establish new processes and link to the on-line web pages and searches. . [see Recordkeeping item]
AMBER – When did you last carry out a data review exercise?	This should be carried out at least annually and this should include the accuracy of the member data held, including retired members. And proof of life. . [see Recordkeeping item]
AMBER – Where you have identified poor quality or missing data, do you have an improvement plan to address.	This is linked to the previous three points and will be addressed as the data review and validation is conducted.
AMBER – Have you taken steps to ensure that member communications are clear, accurate and accessible?	We are currently reviewing the Intranet and access to pension information. We have recently held briefings on current subject – TP for example. We have a dedicated fire.pension@hants.gov.uk email and communication to fire personnel has improved considerably over the past 12 months. It might be worthwhile to seek customer feedback on what is working (or not) for them. It is also proposed that regular meetings with the Representative Bodies are introduced to further aid communication and information exchange.

7 Board Member TNA – update following LGA workshop training day in November 2016

7.1 All Board Members have provided an updated TNA which has been consolidated and is attached (Appendix B). Their current assessment (previous ratings shown in brackets) shows a substantial increase in knowledge and awareness following the LGA sponsored workshop.

7.2 In addition to the briefing sessions that are planned to take place after the end of each future Board meeting, it may be that additional external training would be beneficial. Two areas stand-out in the attached TNA summary:

- Tax and contracting out (parts)
- Role of advisors and key persons.

7.3 The Board may wish to take a view on what addition training would be of benefit.

8 RDS Buy-back scheme

8.1 The scheme is now closed and the number of personnel who elected to take up the opportunity is as follows:

- 937 members identified and written to.
- 276 individuals requested individual cost information which was provide in June 2015 with an options form to return by 1 Sept 2015 if they want to proceed.
- 168 accepted.

8.2 Since the last Board meeting and as previously discussed, all RDS members who made a lump sum payment of pension contributions to buy back years have been issued with a Tax Certificate to send to HMRC. This will enable them to obtain tax relief at their highest marginal rate on their pension contributions.

8.3 A similar letter has been issued to the direct debit Cohort but this covers contributions made within the Tax Year 2016/17. Further annual certificates will be required to be issued in future years, or at the point an employee leaves HFRS and has to settle the balance outstanding from any lump sum due.

8.4 The Issue over how this whole process was handled Nationally has been raised with the SAB and at a recent meeting with the Rep. bodies concern was expressed over the communication process that commenced in 2014.

9 2015 CARE Scheme – Temporary Promotion is not pensionable

9.1 At the last Board meeting reference was made to a potential for confusion over the exclusion of TP as a pensionable emolument within the 2015 CARE scheme. It was agreed that the Employer would write to the LGA (copy SAB) seeking clarification of the rules.

9.2 An email was sent on 19th December 2016 and the response received from the LGA was:

Thank you for your email. As you correctly state there are a number of interpretations as to whether temporary promotion should be interpreted as an emolument paid to a member on a temporary basis.

Following the pensionable pay workshop in July, the Scheme Advisory Board recognise that there is an inconsistency of interpretations, and agreed to do some work on this to improve understanding.

This work is continuing, but unfortunately will take some time to resolve. I will continue to provide an update.

9.3 It is not believed any further action is necessary or required until the LGA or SAB provide further direction and clarification and the Board is invited to confirm this.

10 Training Allowance (TA) and Additional Responsibility Allowances (ARAs)

10.1 A paper is being presented to the Standards & Governance Committee on 17th March 17 to consider and approved the recommendations for the treatment of TA and ARA.

10.2 A copy of the latest draft is attached at Appendix C. This paper is still subject to final review regarding the recommendation for two of the ARAs – Dog Handlers and Hazmat. In essence, the following is recommended:

- That the TA becomes a pensionable emolument with effect from 1st April 2017; and
- ARAs in totality remain non-pensionable allowances.

10.3 Board members are invited to note this position and the reasons behind the recommendations.

11 Record Keeping Plan

11.1 The Pension Regulator requires Employers and Pension Administration organisations to develop and maintain an adequate record keeping plan. Work is underway to develop a plan that would be applied consistently across all HCC pension schemes: Fire; Police; LGPS; and Teachers.

11.2 The TPR self-assessment identified areas of weakness that may be linked to record keeping and so this is a key area for improvement.

11.3 The target date for completion of this work is 31st March 2017 and it is intended that the outcome of this work will be presented to the Board at their next meeting.

12 Risk Register

12.1 Currently the HRFS does not have a risk register for Fire Pensions. It is proposed that one is developed and Board members are encouraged to actively participate in the identification of risks that should be included based on probability; materiality and likelihood.

13 Web pages / intranet access and content

13.1 Work is ongoing to improve both the content and access to the website. It is proposed to have a future (soft) launch event once the relevant changes and enhancements have been made which will include details of the pensions resources now available to firefighters.

13.2 There is also a proposal to carry out a staff survey prior to finalising the website so that customer views and feedback is considered as part of this refresh exercise. The Board is asked to consider whether they would endorse such an approach or have any other ideas.

13.3 It is intended that the new website will “signpost” staff to who to contact for specific pension queries and to this end the Employer team is being enhanced through the secondment of Claire Neale from the Pension Services team for a period of 2 years.

The Pension Regulators' (TPR) - Self Assessment Tool – Action Plan

Public Service Self Assessment Tool

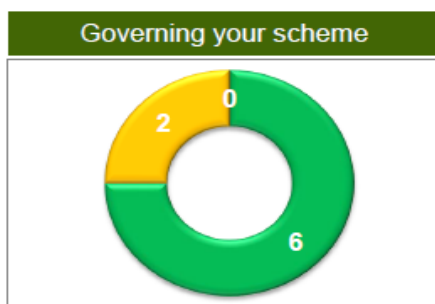
Results

Using this report

In this report we have provided an indicative risk rating for each answer you selected, alongside some guidance and links to additional information. This report does not provide an assessment of compliance with the law – it indicates areas that might be of particular concern and where you may wish to focus. You should seek legal advice where required.

To minimise the risk of non-compliance with the law, you should conduct a comprehensive review of your scheme against the requirements set out in the legislation and the guidance provided in our code of practice. Statistics refer to findings from TPR's 2015 survey into the Governance and Administration of Public Service Schemes.

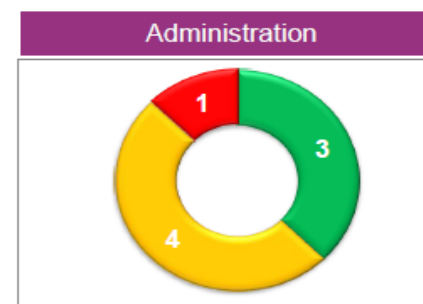
A summary of your results



Percentage of questions answered: 100%



Percentage of questions answered: 100%



Percentage of questions answered: 100%

Results - Governing your scheme

Question 1 - Have you clearly defined and recorded the roles and responsibilities of the pension board?		
Your Answer:	Yes	Green
Feedback:	<p>You should keep roles and responsibilities under review, in particular considering any changes to scheme regulations or working arrangements (eg where certain functions are delegated by the scheme manager). Roles and responsibilities should be made clear during the board member appointment process, so they are clear about what is expected of them and what the role entails.</p> <p>You should also ensure these are communicated and understood by relevant parties such as the administrator, members or in the case of local government pension schemes, the pension committee, eg by publishing them alongside other pension board information.</p>	
Question 2 - Have you published information about the pension board and ensured it is kept up to date?		
Your Answer:	Yes – we publish information to legal requirements and provide additional information about the pension board and board business	Green
Feedback:	<p>Our code of practice sets out examples of additional information you may wish to consider publishing if you don't already do so. You should monitor all published data to ensure it remains accurate and complete.</p> <p>You should also ensure that the information is suitably accessible – it should be available to all scheme members and all staff who are eligible to be automatically enrolled into the scheme without them needing to ask for it. Further information is on our website.</p>	
Useful Links:	<p>Code of Practice 14: Publishing information about schemes</p> <p>Website: Publishing scheme information</p>	

Question 3 - Do you have policies and arrangements in place to help pension board members acquire and retain the requisite knowledge and understanding?		
Your Answer:	In development	Amber
Feedback:	<p>Board members must have the required knowledge and understanding so they can perform their role properly.</p> <p>Four in five public service schemes have put in place policies and arrangements for acquiring and retaining knowledge and understanding – this key process helps board members meet their legal obligations.</p> <p>Further practical guidance on knowledge and understanding is available in our code.</p>	
Useful Links:	Code of Practice 14: Knowledge and understanding required by pension board members	

Question 4 - Do you use the following for your pension board? a) Training Plans		
Your Answer:	Yes	Green
Feedback:	<p>Board members should regularly review their skills, knowledge and competencies to identify gaps and weaknesses, and should invest sufficient time in their learning and development.</p> <p>Many schemes use pension board training plans to help board members acquire and retain knowledge and understanding. If you don't already do so, you may wish to consider the use of individual training plans as the training needed may vary according to each member's role and expertise. Further information is in our code and our quick guide to personal development.</p>	

b) Individual training needs analysis		
Your Answer:	Yes	Green
Feedback:	<p>Using individual training needs analysis can help board members identify specific individual training needs.</p> <p>Training is an important part of the pension board members' role and they should invest sufficient time in their learning and development alongside their other responsibilities and duties. Board members should keep their skills, knowledge and competencies under regular review to identify gaps and weaknesses for further training.</p>	
c) Training log		
Your Answer:	Yes	Green
Feedback:	<p>Many schemes use training logs to help board members track their learning. They help you demonstrate steps you have taken to comply with legal requirements.</p> <p>You should regularly review the training log to ensure that risks associated with knowledge gaps are being mitigated. Board members should keep their skills, knowledge and competencies under regular review to identify gaps and weaknesses for further training.</p>	
Useful Links:	<p>Code of Practice 14: Knowledge and understanding required by pension board members</p> <p>Quick guide to personal development</p> <p>Template: Assessing your Learning Needs</p>	

Question 5 - Do you have a conflicts policy and procedure for pension board members?		
Your Answer:	Yes	Green
Feedback:	<p>Nine in ten public service schemes have put conflicts policies and procedures in place for board members. These help identify, monitor and manage any interests that have the potential to become conflicts.</p> <p>You should review the policy and procedures regularly to ensure they remain fit for purpose.</p>	
Useful Links:	Code of Practice 14: Conflicts of interest and representation	

Question 6 - Do you have a register of interests (or equivalent)?		
Your Answer:	In development	Amber
Feedback:	<p>Conflicts of interest in pension board members are prohibited.</p> <p>The scheme manager must be satisfied that a pension board member doesn't have any conflicts of interest. A register is used by three quarters of public service schemes, and provides a simple and effective means of recording and monitoring interests that have the potential to become conflicts.</p> <p>Further information is in our code.</p>	
Useful Links:	Code of Practice 14: Conflicts of interest and representation	

Results - Managing risks and issues

Question 1 - Do you have procedures in place for assessing and managing risk?		
Your Answer:	Yes	Green
Feedback:	<p>You should review your processes regularly to ensure they remain effective and fit for purpose. Seven in ten public service schemes aim to review the effectiveness of their risk management and internal controls systems at least annually. Our code provides practical guidance on risk management to consider in your review.</p>	
Useful Links:	<p>Code of Practice 14: Managing risks Checklist: Internal Controls</p>	
Question 2 - Do you have a risk register?		
Your Answer:	Yes	Green
Feedback:	<p>You should review risks regularly. Three in five public service schemes assess risks at least every quarter.</p> <p>The risk register, and any other internal controls you put in place, should be kept under review to ensure that they remain effective and fit for purpose.</p>	
Useful Links:	<p>Code of Practice 14: Managing risks Example Risk Register</p>	

Question 3 - Where you have outsourced services, do you ensure that providers demonstrate that they have internal controls in place?

Your Answer:	We don't use outsourced services	N/A
Feedback:	Not applicable.	
Useful Links:	Code of Practice 14: Managing risks	

Question 4 - Do you have a service level agreement, or equivalent, in place with your scheme administrators, whether in house or outsourced?

Your Answer:	No	Amber
Feedback:	<p>The administration of the scheme is where a larger proportion of the scheme manager's duties are carried out – it is vital that you pay attention to the way your scheme is administered. You need to be confident that your administrator is delivering its services and take steps to address poor performance.</p> <p>Seven in ten public service schemes report having a documented service level agreement in place with their scheme administrator – this enables them to measure the timeliness, quality and accuracy of administration. Our code provides further guidance on internal controls.</p>	
Useful Links:	Code of Practice 14: Managing risks	

Question 5 - Are your internal dispute resolution arrangements clearly communicated to members and others?		
Your Answer:	Yes	Green
Feedback:	<p>You should consider using a variety of ways to communicate your arrangements to members, for example in joining booklets, benefit letters or decision letters. Schemes should also make their arrangements accessible to potential applicants, for example by publishing them on a scheme website, as some public service schemes do.</p> <p>You should ensure that the effectiveness of the arrangements is assessed regularly. Further information on internal dispute resolution is available in our code.</p>	
Useful Links:	Code of Practice 14: Internal dispute resolution	
Question 6 - Do you have procedures in place to identify, assess and report breaches of the law?		
Your Answer:	Yes	Green
Feedback:	<p>You should review your procedures regularly so they remain effective and fit for purpose. Some pension boards have made breach monitoring a standing agenda item, where they review all breaches (whether significantly material or not) to track progress and ensure issues are addressed.</p> <p>If a breach does occur and you think it is of material significance to us, you should report it to us as soon as possible. Don't wait for the issue to be resolved. Our code details information you should include in a report.</p>	
Useful Links:	Code of Practice 14: Reporting breaches of the law	

Results - Administration

Question 1 - Do you have a process in place to ensure that information is provided to TPR as required (eg through the scheme return)?		
Your Answer:	Yes	Green
Feedback:	<p>You must provide us with certain information and keep this information up to date, and complete a scheme return when asked.</p> <p>To help you meet your legal obligations, you should provide us with a 'scheme contact' via our online portal Exchange and make sure this information is kept up to date in light of role changes. Larger schemes may wish to provide several people with access to Exchange.</p>	
Useful Links:	Website: Reporting requirements Exchange	

Question 2 - Do you have processes in place to monitor scheme records for all membership types on an ongoing basis and ensure they are accurate and complete?		
Your Answer:	No	Red
Feedback:	<p>Scheme managers must ensure that certain data is complete and accurate. This applies equally in respect of active, deferred, pensioner members and beneficiaries. Failure to maintain complete and accurate records can affect your ability to carry out basic functions.</p> <p>Four in five schemes have put in place record-keeping policies and procedures for all types of members and beneficiaries. You should establish or review your record-keeping processes immediately. Guidance can be found in our code and on our website.</p>	
Useful Links:	Code of Practice 14: Scheme record-keeping Website: Types of records to keep	

Question 3 - Do you have controls in place to ensure that your employer(s) provides timely, accurate and complete data?

Your Answer:	In development	Amber
Feedback:	<p>Scheme managers must keep records of specific member data. Most of this information will come from your employer(s) so you should ensure that employers have processes in place to provide you with the right data at the right time and in the right format. Poor data can create significant issues, even in single employer schemes.</p> <p>Some schemes provide specific training to employers on data requirements. Further information can be found in our code and our guide to issuing annual benefit statements.</p>	
Useful Links:	Code of Practice 14: Scheme record-keeping Quick guide to issuing annual benefit statements	

Question 4 - When did you last carry out a data review exercise?

Your Answer:	Don't know	Amber
Feedback:	<p>A data review is a key action we would expect a well run scheme to undertake at least annually. A review enables you to identify gaps and data quality issues, and take action to resolve these. Nine in ten public service schemes plan to review their data at least once a year.</p> <p>The Record Keeping Regulations set out records scheme managers are required to keep and you should measure your data against these requirements. Your review should include an assessment of the accuracy and completeness of the member data held. Further information can be found in our code and on our website.</p>	
Useful Links:	Code of Practice 14: Scheme record-keeping Website: Types of records to keep	

Question 5 - Where you have identified poor quality or missing data, do you have an improvement plan to address issues?		
Your Answer:	In development	Amber
Feedback:	<p>You should continually review your data and carry out a data review exercise at least once a year. You should then ensure the necessary steps are taken to resolve any issues identified.</p> <p>A data improvement plan is a key tool we expect schemes to use to address issues of poor quality or missing data. Your plan should have specific data improvement measures that you can monitor and an end date within a reasonable timeframe when the scheme will have complete and accurate data.</p>	
Question 6 - Do you have processes in place for monitoring scheme contributions, resolving issues and assessing whether to report payment failures to TPR?		
Your Answer:	Yes	Green
Feedback:	<p>You should review your processes regularly to ensure they remain effective and fit for purpose. Guidance can be found in our code and our Managing contributions checklist.</p>	
Useful Links:	<p>Code of practice 14: Maintaining contributions Checklist: Managing contributions</p>	

Question 7 - Have you reviewed your processes for issuing annual benefit statements to ensure they are fit for purpose?		
Your Answer:	Yes	Green
Feedback:	<p>You should proactively address issues that arose in the previous year and ensure remedial work is completed before the next cycle. You should also consider reporting on the lessons learnt, for example to the pension board, employers or members.</p> <p>Some best practice examples to consider for future reviews are included in our guide to issuing annual benefit statements.</p>	
Useful Links:	Quick guide to issuing annual benefit statements	
Question 8 - Have you taken steps to ensure that member communications are clear, accurate and easily accessible?		
Your Answer:	In progress	Amber
Feedback:	<p>Good communications are key to members being able to engage with their pension provision, and effectively plan for retirement. You should design and deliver communications that are clear and simple to understand, as well as being accurate and easily accessible. Avoid jargon where possible, explain technical terms clearly and make sure you're consistent in the language you use.</p> <p>There are a number of ways you can find out about members' information needs and their views on your communications – you should choose methods appropriate to the size of your scheme and available resources. Examples include speaking to employee representatives on the pension boards, listening in on calls to the administrator, undertaking member surveys or even organising focus groups.</p>	

Appendix B

Board Member TNA – December 2016

Ref	Familiar (✓)	Almost (?)	Unsure (X)	Topic
A	Background and Understanding of the Legislative Framework of the Fire pension scheme			
A1	5(1)	1(1)	0(4)	Differences between public service pension schemes like the Fire Pension Scheme (FPS) and private sector trust- based schemes
A2	1	3(0)	2(5)	Role of the Independent Public Service Pensions Commission (IPSPC) and its recommendations
A3	1	4(0)	1(5)	Key provisions of the 2013 Pension Act
A4	4(1)	2(1)	0(4)	The structure of the scheme and the main bodies involved including the Responsible Authority, the Scheme Manager, the Scheme Advisory Board, the Local Pension Board and the Scheme employers
A5	4(1)	0	2(5)	An overview of local authority law and how Administering Authorities are constituted and operate
A6	1	5(2)	0(3)	Scheme and connected scheme rules overview (including the Regulations)
A7	4(1)	2(4)	0(1)	The Firefighter Pension Scheme 1992
A8	3(1)	3(2)	0(3)	The Firefighter Pension Scheme 2006 and main changes from the 1992 scheme
A9	2(1)	3(0)	1(5)	The Firefighters Pension Fund
A10	2(1)	2(0)	2(5)	The Firefighters Compensation Scheme
A11	3(1)	3(1)	0(4)	Firefighters (Modified) Pension Scheme
A12	3(1)	3	0(2)	The Firefighters Pension Scheme 2015
B	General pensions legislation applicable to the FPS - An overview of wider legislation relevant to the FPS including:			
B1	3(1)	2(1)	1(4)	Automatic Enrolment (Pensions Act 2008)
B2	3(1)	1(1)	2(4)	Contracting out (Pension Schemes Act 1993)
B3	3(2)	3(3)	0(1)	Data protection (Data Protection Act 1998)
B4	4(1)	2(5)	0	Employment legislation including anti- discrimination, equal treatment, family related leave and redundancy rights
B5	3(2)	3(4)	0	Freedom of Information (Freedom of Information Act 2000)
B6	2(1)	2(1)	2(4)	Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)
B7	1	3(2)	2(3)	Tax (Finance Act 2004)
C	Role and responsibilities of the Local Pension Board			
C1	6(2)	0(10)	0(3)	Role of the Local Pension Board
C2	3(2)	3(1)	0(3)	Conduct and conflicts
C3	4(1)	2(1)	0(3)	Reporting of breaches

C4	2(1)	4(1)	0(3)	Knowledge and understanding
D	Role and responsibilities of the Scheme Manager			
D1	5(1)	1(2)	0(3)	Membership and eligibility
D2	5(1)	1(3)	0(2)	Benefits and the payment of benefits
D3	1	5(3)	0(2)	Decisions and discretions
D4	2(1)	4(2)	0(3)	Disclosure of information
D5	4(1)	2(3)	0(2)	Record keeping
D6	2(1)	4(2)	0(3)	Internal controls
D7	4(1)	2(3)	0(2)	Internal dispute resolution
D8	3(1)	3(2)	0(3)	Reporting of breaches
D9	2(1)	4(2)	0(3)	Statements, reports and accounts
E	Funding and Investment			
E1	1(0)	2(2)	3(4)	Requirement for triennial and other valuations
F	Role and responsibilities of Scheme Employers			
F1	3(1)	3(2)	0(3)	Automatic Enrolment & Opting Out
F2	3(1)	3(3)	0(2)	Deduction and payment of contributions
F3	1(0)	3(2)	2(4)	Special contributions
F4		5(2)	1(4)	Employer decisions and discretions
F5	1(1)	1(1)	4(4)	TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Directions 2007)
G	Tax and Contracting Out			
G1		4(1)	2(5)	Finance Act 2004
G2	2(1)	4(3)	0(2)	Role of HMRC
G3	1	3(0)	2(5)	Registration
G4	3(1)	2(0)	1(5)	Role of 'scheme administrator'
G5	5(1)	0(3)	1(2)	Tax relief on contributions
G6	4(1)	1(2)	1(3)	Taxation of benefits
G7	2(1)	4(3)	0(2)	Annual and lifetime allowances
G8		5(1)	1(5)	Member protections (primary, enhanced, IP etc.)
G9	2(1)	3(3)	1(2)	National Insurance
G10	2(1)	3(1)	1(4)	Contracting out (Pensions Scheme Act 1993)
G11	2(1)	2(1)	2(4)	Impact of abolition of contracting out in 2016
H	Role of advisors and key persons			
H1	4(1)	2(1)	0(4)	Officers of the Fire and Rescue Authority
H2	4(1)	2(2)	0(3)	Auditor
H3	4(1)	2(2)	0(3)	Lawyers
H4	3(1)		3(5)	Administrators – in house v. third party
H5	2(1)	2(0)	2(5)	Procurement of services
H6	3(1)	1(0)	2(5)	Contracts with third parties
J	Key Bodies connected to the Scheme - an understanding of the roles and powers of:			
J1	2(1)	4(1)	0(4)	Courts
J2	2(1)	4(3)	0(2)	HMRC
J3	3(2)	2(1)	1(3)	Information Commissioner
J4	1	5(1)	0(4)	Pensions Advisory Service

J5	4(2)	2(2)	0(2)	Pensions Ombudsman
J6	4(2)	2(1)	0(3)	The Pensions Regulator (including powers in relation to Local Pension Boards)

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Hampshire Fire and Rescue Authority

Committee: Standards and Governance

Date: 23 March 2017

Item: Pensionable Allowances (Additional Duty / Training)

Report of: Melanie Swain, Strategic HR Adviser - Specialist

Contact: Melanie Swain, Strategic HR Adviser HR Tel: 023 80 383337

1 Summary

- 1.1 As a result of an earlier legal case - Norman V Cheshire Fire and Rescue Services 2011, all Fire and Rescue Authorities (FRA) have been reviewing their local allowances to confirm whether or not their current pensionable or non-pensionable status should change.
- 1.2 In 2016, the Local Government Association (LGA) advised that there is not a 'one-size-fits-all' solution for all FRAs across the country and each service should reach its own conclusion looking at contracts of employment, local policies and custom and practice.
- 1.3 HFRA has previously reviewed all of its allowances except 'Additional Responsibility Allowances' and the '10% Training Allowance'. This Paper deals with these last remaining allowances.

2 Recommendations

2.1 10% Training Allowance - Substantive trainers

Becomes pensionable from 1st April 2017.

As an exception, current substantive trainers may apply to have the Training Allowance backdated and treated as a pensionable emolument to 1st April 2016.

10% Training Allowance - Temporary promotion trainers

2015 pension scheme – Non-pensionable under pension scheme rules

2006 and 1992 pension scheme – Becomes pensionable from 1st April 2017 but is included as part of the Additional Pensions Benefit (APB) calculation (to be consistent with the approach taken with RDS payments last year).

- 2.2 All current **Additional Duty Responsibility Allowances** continue to be paid as non-pensionable. Any new ARAs developed to be assessed for pensionable status against the Blackburne Principles.

3 Introduction and background

- 3.1 The legal case 'Norman v Cheshire Fire and Rescue Service' surrounded the issue of pensionable pay and the interpretation of Rule G1 of the 1992 Firefighters' Pension Scheme. The case was heard in October 2011 and the Judgment made public December 2011.
- 3.2 The case was raised by Mr Norman, a firefighter with Cheshire FRA. Mr Norman retired in 2008 and said that his pension should have been higher and that his day-crewing allowance and RDS payment should have been pensionable.
- 3.3 However, in October 2007, the terms and conditions of pay for retained officers in Cheshire FRA changed and Mr Norman believed that he lost out in pension pay as a result. Cheshire FRA chose not to appeal against the decision.
- 3.4 The outcome of the case was that, under Rule G1, the consolidated pay received by Firefighters working the Day Crewing system in Cheshire fell within the meaning of pensionable pay. Additionally, that flexible duty pay payable to Officers working the Flexible Duty System and London Weighting is pensionable.
- 3.5 The judge referred to an earlier case and stated that the Blackburne Rules should be considered when determining which allowances should be pensionable.
- 3.6 As a result of this case, FRAs across the country have subsequently been reviewing their own allowances paid to Firefighters to determine whether they should be pensionable or not, using the Blackburne Principles.
- 3.7 A number of Fire Authorities chose not to look at the matter until central advice was provided by the Local Government Association. In 2016, a workshop was held for Authorities but the conclusion was that it was for individual fire authorities to determine their own rules recognising local precedent and application.

4 The Blackburne Principles*

- 4.1 A payment should be deemed pensionable if it is:
 - A. a regular payment (not one-off or episodic in nature)
 - B. a payment entitled to under the contract of employment
 - C. payable at a rate applicable to the role (is an additional amount calculated as a percentage increase in the individual's salary)
 - D. Is paid in the ordinary course of fulfilling their duties (so not an exceptional payment related to a special event or circumstance)
 - E. Has something of a permanent nature (not only payable if called upon)

See end of report for assessment of allowances against Blackburne Principles

* From Mr Justice Blackburne in the case of Kent & Medway Towns –v- Pensions Ombudsman & another [2001] OPLR 357

5 Current status of the HFRA's 10% Training Allowance and ARA's

5.1 10% Training Allowance

The allowance is calculated as 10% of the recipient's basic salary and is

contractual (referenced in the Statement of Particulars). The training duties carried out are intrinsic to the job role and are non-discretionary. The Allowance is paid to trained firefighters who carry out the role of Instructor as part of their role.

There is no reference in the Grey Book¹ to the treatment of a 10% Training Allowance.

The Grey Book is a national set of T&Cs for those eligible to join the Firefighters' Pension Scheme. The Grey Book has not been updated for a number of years and can no longer be relied upon to provide accurate guidance.

Additional Responsibility Allowances (ARAs)

5.2 There is no reference to ARAs within the Statement of Particulars.

5.2.1 There is no automatic entitlement to an ARA.

5.2.2 ARA duties are voluntary and outside the substantive role-map. Unlike the Training Allowance, they are non-compulsory, not part of the written statement of particulars and are not linked to the recipient's basic pay. The payment for a particular 'Additional Responsibility' is fixed over the year, divided into 12 and paid monthly.

5.2.3 Additional responsibility duties enable individuals to train in new skills and therefore provides job enrichment to those who volunteer to undertake them.

5.2.4 The service requires a certain number of additional responsibilities to be carried out in any one year, dependent on service need and determined by the Training Department. Invariably more staff volunteer and are trained in additional responsibilities than positions exist during any given year.

5.2.5 It is custom and practice for the staff to take on a responsibility for a fixed period (usually 12 months) before handing over the responsibility to a colleague for the following year. Hazemat and DIM responsibilities may be held for longer as they are undertaken by Station Managers and therefore there is a smaller pool of volunteers to undertake the role, however, the same assessment applies as the other ARAs in all other respects. Staff can choose to stop an additional responsibility at any time during the year, if they no longer want to undertake it, and the responsibility simply transfers to a suitably qualified colleague. This process enables all eligible and interested personnel to gain valuable experience.

5.2.6 **Amounts payable, subject to authorisation from the Training Team, are as follows:**

Additional Responsibilities	Monthly	Annual
FF Instructor	£22.09	£265.00
2 x FF Instructor qualifications	£33.13	£397.56
National Vocational Qualification (NVQ) A1 Assessors	£17.92	£215.00
National Vocational Qualification (NVQ) V1 Assessors	£22.09	£265.00
Hazardous materials	£22.09	£265.00
Hazardous materials & Detection / Identification and Monitoring (DIM) vehicles	£26.25	£315.00
Fire Investigation	£42.92	£515.00
Co-Responders	£26.25	£315.00
Marine Instant Response Group	£22.09	£265.00
Officer in Charge – Retained Duty System (RDS) Stations	£26.25	£315.00

5.2.7 The Grey Book states that “An employee may be paid an allowance or allowances to reward additional skills and responsibilities that are applied and maintained outside the requirements of the role but within the job function. Payments will be based on the requirements of the fire and rescue authority’s Integrated Risk Management Plan and may include payment for skills’ shortages where these are directly applicable to the delivery of the Integrated Risk Management Plan.

5.2.8 It goes on to state that “The maximum payable to any individual employee will be determined locally. Additional responsibility payments are temporary and non-pensionable and may be withdrawn following reasonable notice from the fire and rescue authority”.

6.0 **Discussion and Recommendation**

6.1 Fire and Rescue Services who have already gone through the process of reviewing all their allowances have implemented changes from different dates and based decisions based on local circumstances and precedent.

6.1.1 **Substantive trainers**

That the 10% Training Allowance, paid as a percentage of basic pay, changes from non-pensionable to pensionable for substantive trainers with effect from 1st April 2017. Exceptionally, current substantive trainers may apply to have the Training Allowance backdated and treated as a pensionable emolument to 1st April 2016 (1 full calendar year). To exercise this option the employee will be required to make a ‘one-off’ payment of the additional pension contributions relating to the 10% training allowance paid over the 12 month period (1st April 2016 to 31st March 2017). No part year backdating is permissible.

6.1.2 **Temporary Trainers (resulting from temporary promotion)**

2015 pension scheme – Under the rules of the national scheme, allowances cannot be pensionable, when linked to temporary promotion

2006 and 1992 pension scheme – The Training Allowance will be treated as pensionable but included as part of the Additional Pensions Benefit (APB) calculation. This arrangement provides a consistent approach to the treatment of

the RDS payments taken last year).

6.1.3 **ARAs**

It is recommended that the existing rules continue for ARAs whereby they remain non-pensionable. Any proposal to have made them pensionable could require the process, including selection and appointment, to be reviewed which could be disproportionate to the size of the allowances.

Any new ARAs developed in the future to be assessed for pensionable status against the Blackburne Principles.

7.0 **Financial implications of any changes**

7.1 The total estimated cost of the employers pension contribution are as follows:

	Estimated employer pension contribution costs
2017/18 (onwards)	6 substantive Trainers and 3 temporary promotion Trainers active in either the 2006 or 1992 Pension Scheme
10% Training Allowance	£6406 (2017/18)
One-off backdating of TA to 01.04.16 (6 substantive trainers)	£4,512
ARAs	Approx. £23,000 (although recommended that ARAs remain non-pensionable)

People Impact Assessment

The proposals, if agreed, will mean that all those in receipt of the 10% Training Allowance and who are a member of the Firefighter's Pension Scheme, will be required to pay pension contributions on their allowances from **1st April 2017**.

Consultation

Heads of Service, Directors and unions have been consulted over the contents of this Paper.

Background Papers

None

Assessment of current allowances using the Blackburne Principles

	Regular payment (not one-off or episodic)	A payment entitled to under the contract of employment	Payable as a % of base pay)	Paid as part of role map (not exceptional / related to a special event)	Has a perm. nature (not only paid if called upon)
10% Training Allowance	Yes	Yes	Yes	Yes	Yes
2 x FF Instructor quals	Payment inc.in mthly pay for up-to a yr. Individual may opt-out at any time.	Not written into contract but may be viewed as contractual as role usually held for a year	No	No - Voluntary - outside of individual's role map	No – usually payable for a max. of one year. Individual may opt-out of role at any time.
NVQ A1 Assessors	As above	As above	No	As above	As above
NVQ V1 Assessors	As above	As above	No	As above	As above
Hazmat	Payment inc.in mthly pay.Indiv. may opt-out at any time.	Not written into contract but may be viewed as contractual as role usually held for a year or more	No	As above	Paid to Station Mgrs. (who volunteer and can opt-out at any time)
Hazmat & DIM	Payment inc.in mthly pay. ndiv. may opt-out at any time.	Not written into contract but may be viewed as contractual as role usually held for a year or more	No	As above	Paid to Station Mgrs. (who volunteer and can opt-out at any time)
Fire Investig.	As above	As above	No	As above	As above
Co-Responders	As above	As above	No	As above	As above
MIRG	As above	As above	No	As above	As above
Officer in Charge - RDS Stns.	As above	As above	No	As above	As above