

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>	Thursday 26th July, 2018 10.00 am	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Room A - HFRS 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 5 - 8)

To confirm the minutes of the previous meeting

4 **DEPUTATIONS**

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

5 **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

6 **EXTERNAL AUDIT RESULTS REPORT 2017/18** (Pages 9 - 58)

To receive the External Auditor's HFRA Audit Results Report for 2017/18.

7 **INTERNAL AUDIT PROGRESS REPORT 2017/18 & 2018/19** (Pages 59 - 74)

To consider a report from the Chief Internal Auditor, which asks Committee to note the progress of internal audit work for the period ending June 2018.

8 **ANNUAL INTERNAL AUDIT REPORT AND OPINION 2017/18** (Pages 75 - 90)

To consider a report from the Chief Internal Auditor, which asks Committee to accept the annual report and opinion statement for 2017/18.

9 **IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS - PROGRESS REPORT** (Pages 91 - 94)

To consider a report from the Chief Officer, which asks Committee to note progress made towards the implementation of the internal audit management actions.

10 **ANNUAL ACCOUNTS 2017/18** (Pages 95 - 198)

To consider a report from the Treasurer regarding the Annual Accounts for 2017/18.

11 **ICT PROJECT - UPDATE ON FINANCIAL MANAGEMENT ACTION PLAN** (Pages 199 - 210)

To consider a report from the Treasurer, which asks Committee to note the update on the management actions detailed in Appendix 1 and provide any feedback as appropriate.

12 **INFORMATION GOVERNANCE** (Pages 211 - 228)

To receive a report from the Chief Officer regarding information governance.

13 **FIRE PENSION BOARD ANNUAL REPORT** (Pages 229 - 320)

To received and note the annual report from the Fire Pension Board.

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.

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Agenda Item 3

AT A MEETING of the HFRA Standards and Governance Committee of
HAMPSHIRE COUNTY COUNCIL held at HFRS & Police HQ, Eastleigh, on
Thursday, 8th March, 2018

Chairman:

* Councillor Luke Stubbs

* Councillor Roz Chadd

* Councillor Jonathan Glen

* Councillor Sharon Mintoff

* Councillor Roger Price

Councillor Rhydian Vaughan

*Present

Also present with the agreement of the Chairman: Councillor Chris Carter and
Councillor Geoff Hockley

25. APOLOGIES FOR ABSENCE

Apologies had been received for Cllr Vaughan.

26. 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.

27. MINUTES OF PREVIOUS MEETING

It was confirmed that the Fire Authority Chairman, Cllr Carter, had attended the previous meeting. The minutes of the last meeting were then agreed and signed by the Chairman.

28. DEPUTATIONS

There were no deputations for the meeting.

29. **CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's Announcements.

30. **EXTERNAL AUDIT PLANNING REPORT**

The Committee received the External Audit Planning Report and Letter, presented by Ernst and Young.

It was highlighted that the Risk Strategy could be found on page 15 of the Planning Report and 'risk of fraud in revenue and expenditure recognition' had been allocated a red rating due to being a newly added risk as part of the audit process. Value for Money was also summarised in Section 3 of the report on page 22 of the pack.

Committee was reminded that the closure of accounts was earlier this year, with sign-off required by the end of July.

RESOLVED:

The Standards and Governance Committee:

- A) Received and considered the External Audit Plan for 2017/18
- B) Noted the Annual Audit Letter for 2016/17

31. **INTERNAL AUDIT CHARTER AND ANNUAL INTERNAL AUDIT PLAN 2018/19**

The Committee considered a report from the Chief Internal Auditor regarding the Internal Audit Charter and Annual Internal Audit Plan for 2018/19, which highlighted proposed plans for the following year.

The report detailed the shared functions and partnership work alongside the County Council and Police as well as the systems specific to HFRS that had been developed through discussions with management and analysis of risk registers.

It was confirmed that work was being done to finalise the General Data Protection Regulation (GDPR) audit on Page 86 of the pack, as it was an area of change and high risks associated with the changes.

RESOLVED:

The Standards and Governance Committee approved the Internal Audit Charter for Hampshire Fire and Rescue Authority and the internal audit plan for 2018/19.

32. **INTERNAL AUDIT PROGRESS REPORT 2017/18**

The Committee received a report from the Chief Internal Auditor, which provided Committee with an overview of internal audit work and the status of 'live' reports.

It was confirmed that further progress had been made since the publication of reports and still continued on the reports listed in the Plan.

RESOLVED:

The Standards and Governance Committee noted the progress of internal audit work for the period ending January 2018.

33. **IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS - PROGRESS REPORT**

The Committee received a report from the Chief Internal Auditor, which provides an update on actions not yet completed within their target date and their status.

In the table on page 106 of the pack, members agreed that further justification for delays was necessary in order for the Committee to scrutinise effectively. Members were reassured that managers were confident in setting revised timescales for completion of projects and that the risks faced were not significant due to them being 'business as usual' actions. However, it was agreed that more detail would be provided to justify missed deadlines in future.

It was agreed in future, the Chairman of the Standards & Governance and Chairman of the Authority should be updated of progress in between meetings and informed of any potential slippage in timings.

RESOLVED:

A) The progress made towards the implementation of the internal audit management actions was noted and continues to be monitored.

B) That The Chairman of the Standards & Governance Committee and the Chairman of the Authority are kept up to date of potential slippages in management actions going forward, as detailed above.

34. **LGPS - EMPLOYER DISCRETIONS POLICY**

The Committee considered a report from the Treasurer regarding the employer discretions policy, of which Standards & Governance is the scheme manager.

The policy had been prepared for HFRA mirroring what was in place for HCC, apart from Part B (Optional Discretions), which states that consideration may be given to extending the standard 12 month period to transfer in previous pension rights into the LGPS up to a maximum of 24 months where there are extenuating circumstances, which were to be agreed by the Chief Finance Officer.

Such transfers would not happen automatically and so the process had improved with more accessible information online and factsheet that had also been prepared and sent out. It was confirmed that those aged 55 and over would remain to get automatic access to their pension.

RESOLVED:

- A) The attached Employer Discretions Policy was approved
- B) The Treasurer was given delegated authority to approve any minor amendments to the Employer Discretions Policy if required.

Chairman,



Purpose: Decision

Date **26 July 2018**

Title **EXTERNAL AUDIT RESULTS REPORT 2017/18**

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 2018. 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.

BACKGROUND

3. At the March 2018 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 2017/18. It explained that a Value for Money conclusion would be produced and detailed the criteria upon which this would be based.
4. 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.
5. 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.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

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

CONSULTATION

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

RESOURCE IMPLICATIONS

8. There are no direct resource implications contained within this report, but appropriate financial resources have been made available to fund the estimated cost of the 2017/18 audit fee of £36,225.

LEGAL IMPLICATIONS

9. 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

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

OPTIONS

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

RISK ANALYSIS

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

CONCLUSION

13. The 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

14. That the Committee receives the External Auditor's HFRA Audit Results Report for 2017/18.

APPENDICES ATTACHED

Appendix 1 – External Audit Results Report 2017/18

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.

None

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

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Hampshire Fire and Rescue Authority Audit results report

Year ended 31 March 2018

16 July 2018

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the top right corner of the page.

Building a better
working world



Private and Confidential

16 July 2018

Dear Committee Members

We have substantially completed our audit of Hampshire Fire and Rescue Authority (the Authority) for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form that appears in section 4, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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 welcome the opportunity to discuss the contents of this report with you at the Standards and Governance Committee meeting on 26 July 2018.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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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 February 2017)" 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 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 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 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 our prior written consent.



01

Executive Summary

Executive Summary

Scope update

In our Audit Planning Report presented at the 8 March 2018 Standards and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £2,006k for the main accounts and £407k for the pension fund. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services for the main accounts and benefits payable for the pension fund accounts, we have updated our overall materiality assessment to £2,012k for the main accounts and £354k for the pension fund.

This results in updated performance materiality, at 75% of overall materiality, of £1,509k for the main accounts and £265k for the pension fund. The updated threshold for reporting misstatements is £100.6k for the main accounts and £17.7k for the pension fund.

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

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Status of the audit

At the time of drafting the report we have substantially completed our audit of Hampshire Fire and Rescue Authority's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3 after the Standards and Governance Committee and once we have received the final signed set of financial statements and the management representation letter. However until work is complete, further amendments may arise:

- ▶ Completion of our audit procedures on discrete elements of income and expenditure;
- ▶ Completion of our detailed review in certain areas of work and our final review and sign off;
- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review;
- ▶ Receipt of the signed management representation letter; and
- ▶ Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

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



Executive Summary

Audit differences

At the time of drafting this report there are no unadjusted or adjusted audit differences arising from our audit. We will update the committee on 26 July.

Areas of audit focus

Our Audit Planning Report 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 conservative, and areas where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" 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.

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.

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.

Audit differences

At this stage of the audit we have identified one unadjusted audit difference, this relates to judgemental difference in the valuation of the Authority's share of the Hampshire Pension Fund assets as a result of timing differences in the actuarial valuation. This is detailed in section 4 of this report.



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 had no issues to report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The risk in local government resides in areas in which management judgements are made and transactions not subject to routine based system controls. As such we attach the risk of revenue recognition to the judgements made in recognising capital expenditure and the subsequent capital financing transactions.

What judgements are we focused on?

The risk is focused on significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit.

We have identified the following unusual transactions which we consider to present a risk of revenue and expenditure recognition:

- ▶ Minimum Revenue Provision (MRP);
- ▶ Capital Financing Requirement (CFR);
- ▶ Revenue and Expenditure Funded from Capital Under Statute (REFCUS); and
- ▶ Property, Plant and Equipment (PPE) additions.

What did we do?

- ▶ Engaged with management to understand the overall financial position;
- ▶ Examined data that supports significant additions and disposals during the period;
- ▶ Reviewed the schedule of expenditure classified as Revenue Expenditure Funded by Capital Under Statute (REFCUS);
- ▶ Ensured the calculation of the Capital Financing Requirement is compliant with the Code.
- ▶ Ensured additions and disposals tested in PPE are internally consistent with the capital financing disclosure; and
- ▶ Reviewed and discussed with management any accounting estimates on revenue recognition for evidence of bias.

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.



Areas of Audit Focus

Risk of fraud in revenue and expenditure recognition



Further details on procedures/work performed

Procedures focused on revenue account

- Review and test revenue and expenditure cut-off at the period end date;
We extended our cut-off procedures with testing on cash and accounts payable transactions around year-end.
- Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
This has been reviewed as part of our work on the testing of accruals.

Procedures focused on balance sheet

Capital Financing Requirement and Minimum Revenue Provision

We ensured that the calculation of the Capital Financing Requirement was compliant with the requirements of the Code and that the disclosure in the financial statements are internally consistent with the PPE, Investment Property, Intangible Assets and Group Account notes. We checked that MRP was appropriately calculated using the method outlined in the prudential code, paying specific attention to any MRP on unsupported borrowing.

➤ REFCUS

Reviewed expenditure classified as REFCUS and ensured that the expenditure met the broad principle of allowable expenditure, or was incurred under direction from the secretary of state.

➤ Additions and disposals

For significant additions (including capitalized labour, borrowing costs and other acceptable costs) and disposals during the period, we examined invoices, capital expenditure authorisations, leases and other data that supported the additions and disposals, to ensure assets capitalized met the correct definition and that the capital expenditure was appropriately recognised.

➤ Minute Review

We reviewed the Authority's minutes to identify any transactions that may be outside the normal course of business.

➤ Journals

We gained an understanding of the manual journal posting protocol in place at the Authority for which the accounting entries for capital expenditure are made.



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error/ Risk of management override of control

What is the risk?

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

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

What judgements are we focused on?

We have considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk. We have concluded that the judgements we are focused on are items of non-routine income and expenditure, involving management estimation and judgement, rather than transactions created through routine invoicing processes.

As this relates to how the Authority recognises revenue and expenditure, we have addressed the risk through our procedures to address the risk of fraud in revenue and expenditure recognition.

Our work on the risk of management override therefore focussed on reviewing manual journal entries, through the use of our data analytics tools, as this is the way in management would most easily be able to manipulate accounting records.

What did we do?

We addressed the residual risk of management override through the following procedures:

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias (as noted above relating to revenue and expenditure recognition); and
- We evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

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

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

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



Areas of Audit Focus

Other areas of audit focus

In our Audit Planning Report, we identified other areas of the audit, that were not classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land and Buildings

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

Pension Liability Valuation

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

The Firefighters pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheet. At 31 March 2018 this totalled £736.7 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council and also the Firefighters Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- ▶ Reviewed the data sent to, and the report produced by, the Authority's valuer;
- ▶ Challenged the assumptions used by the Authority's valuer by reference to external evidence and our EY valuation specialists (where necessary); and
- ▶ Tested the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

Conclusion: We concluded that the valuation has been accurately processed and reflected in the financial statements.

We have:

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

Conclusion: We have identified an immaterial difference in the pension fund liability valuation. This is due to timing reasons, where the actuary estimates the value of the pension fund assets at 31 March. This varied by approximately £31m from the actual fund value as at 31 March. The Authority's estimated share of this variance is £195k, which is not material but above our threshold to report to you.

Management have decided not to adjust the accounts for this non-material variance and we have reported this in section 4.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements (draft)

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

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Hampshire Fire and Rescue Authority for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the:

- ▶ Movement in Reserves Statement;
- ▶ Balance Sheet;
- ▶ Cash Flow Statement;
- ▶ Comprehensive Income and Expenditure Statement;
- ▶ the related notes 1 to 35; and
- ▶ Note 36, the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related note 37.

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 2017/18.

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 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

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

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 17, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority's financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.



Audit Report

Our opinion on the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether 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 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 2018.

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.

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 the 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 the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Our opinion on the financial statements

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.

Use of our report

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

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
26 July 2018

The maintenance and integrity of the Hampshire Fire and Rescue Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the 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

We highlight the following misstatements greater than £1,509,000 for the main accounts and £265,350 for the pension fund which have been corrected by management that were identified during the course of our audit.

There were no corrected misstatements above this threshold.

Summary of unadjusted differences

We have included all judgemental amounts greater than £100,613 for the main accounts and £17,690 for the pension fund relating to Hampshire Fire and Rescue Authority in our summary of misstatements table below.

There is one unadjusted difference. This is a judgemental difference in relation to the pension fund asset figure on the LGPS scheme, where the actuarial valuation of the scheme's assets is based on an estimated asset value at 31 March 2018 and there is a difference of £31m between the actual value of the Hampshire Pension Fund at 31 March 2018. This results in the authority's share of the pension fund asset being understated by £195k, resulting in the net pension liability disclosed in the Authority's balance sheet being overstated by the same amount.

Comments on disclosure notes

The draft accounts submitted for audit included a number of casting, consistency and cross-referencing errors which have been amended by management. Other disclosure amendments, included:




We will complete final checks to ensure that all of the above errors have been amended in the final version of the accounts.



Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Standards and Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2018 (£000)		 Effect on the current period:	 Balance Sheet (Decrease)/Increase			
			Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)
Judgemental difference in estimation of share of pension assets between IAS19 report and the actual year end assets of Hampshire Pension Fund.		(195)				195

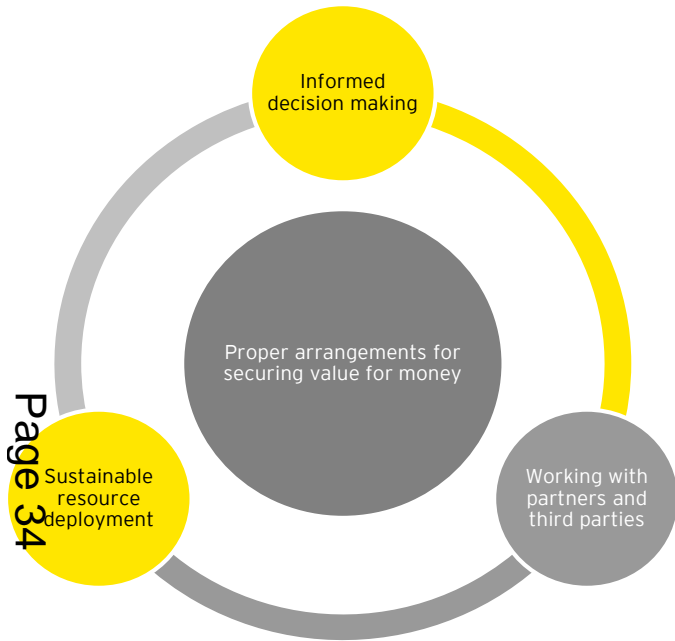
There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2018.



05

Value for Money Risks





Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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 will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through 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

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 2017/18 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

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 reporting issues

Other matters

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

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

There are no significant 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.

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Reliance on internal audit

We have reviewed Internal Audit reports issued to management during the period to April 2018 to ensure that any financial statement risks identified are considered in determining the extent of our audit procedures.



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics

Analytics Driven Audit

Data analytics

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

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

In 2017/18, our use of these analysers in the Authority's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

Journal Entry Analysis

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

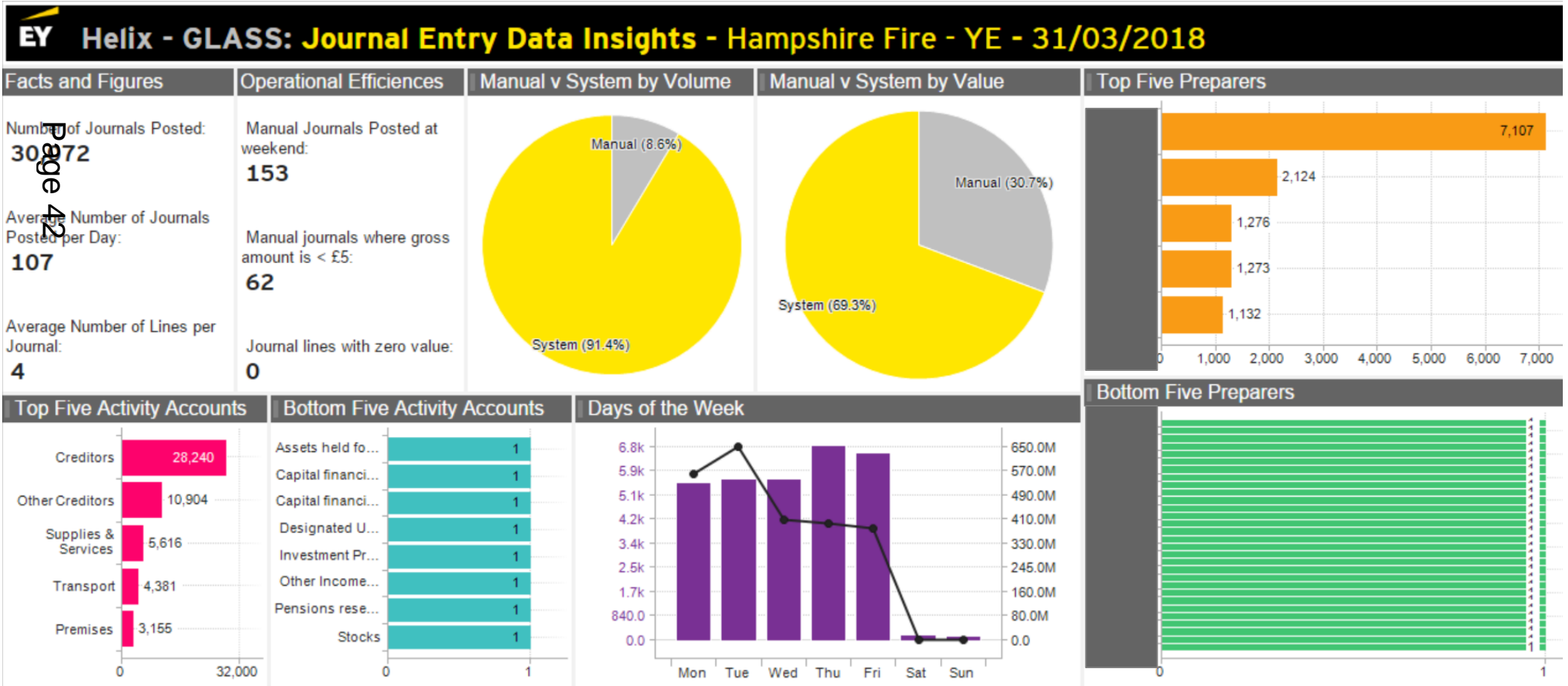


Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the Authority's journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

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





Journal Entry Testing

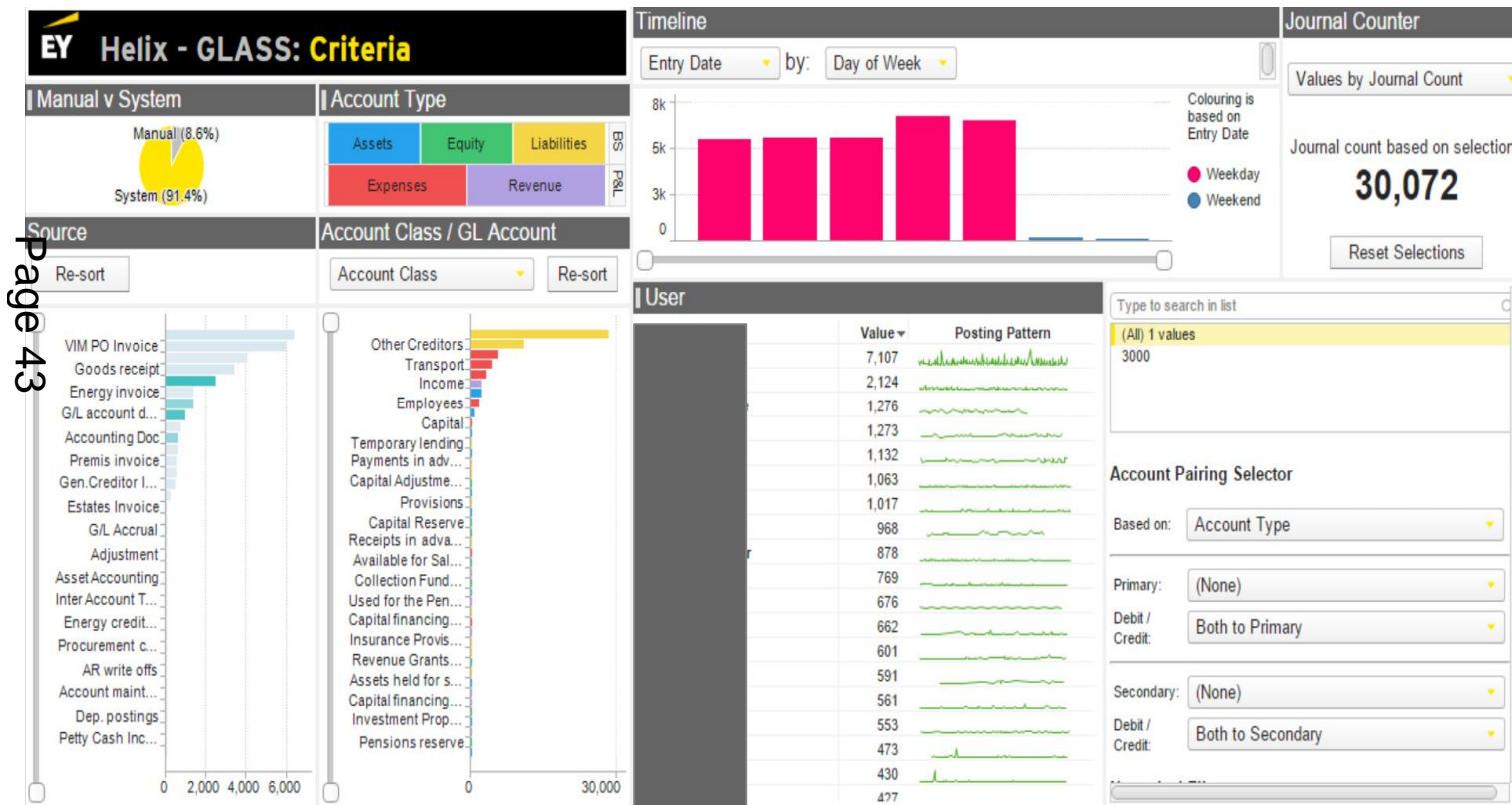
What is the risk?

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

What judgements are we focused on?

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

Journal entry data criteria – Hampshire Fire and Rescue Authority – 31 March 2018



page 43

What did we do?

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

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

What are our conclusions?

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



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Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Planning Report dated 1 February 2018

We complied with the FRC 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 26 July 2018.

 Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work	36,225	36,225	36,225	36,225

Independence

Relationships, services and related threats and safeguards



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

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The slide above includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services provided have been on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.



10 Appendices

Audit approach update

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

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

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Trade payables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Tangible fixed assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Cash	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change

Appendix B

Summary of communications

Date 	Nature 	Summary 
8 February 2018	Report	The Audit Planning Report, including confirmation of independence, was issued to the Standards and Governance Committee.
8 March 2018	Meeting	The Senior Manager met with the Standards and Governance Committee and senior members of the management team to discuss the Audit Planning Report.
13 July 2018	Meeting	Audit close meeting with the management team to discuss the preliminary findings of the audit.
16 July 2018	Report	The Audit Results Report, including confirmation of independence, was issued to the Standards and Governance Committee.
26 July 2018	Meeting -	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Standards and Governance Committee and senior members of the management team to discuss the Audit Results Report.





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In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Audit Committee

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

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Page 50	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.
	Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report presented at the Standards and Governance Committee 8 March 2018
	Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report presented at the Standards and Governance Committee 8 March 2018
	Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process. 	Audit Results Report presented at the Standards and Governance Committee 26 July 2018

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Hampshire Fire and 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 ▶ Material misstatements corrected by management 	Audit Results Report presented at the Standards and Governance Committee 26 July 2018
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Standards and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Request for Standards and Governance Committee to approve the letter of representation from management at the Standards and Governance Committee meeting on 26 July 2018
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Standards and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Standards and Governance Committee responsibility. 	Enquiries by letter to the Chair of the Standards and Governance Committee dated 10 April 2018

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report presented at the Standards and Governance Committee 26 July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Initial reporting in the Audit Planning Report presented at the Standards and Governance Committee 8 March 2018</p> <p>Confirmation in the Audit Results Report presented at the Standards and Governance Committee 26 July 2018</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report presented at the Standards and Governance Committee 26 July 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Standards and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report presented at the Standards and Governance Committee 26 July 2018



Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report presented at the Standards and Governance Committee 26 July 2018
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Request for Standards and Governance Committee to approve the letter of representation from management at the Standards and Governance Committee meeting on 26 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report presented at the Standards and Governance Committee 26 July 2018
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report presented at the Standards and Governance Committee 26 July 2018
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	<p>Initial reporting in the Audit Planning Report presented at the Standards and Governance Committee 8 March 2018</p> <p>Confirmation in the Audit Results Report presented at the Standards and Governance Committee 26 July 2018</p>

Appendix D

Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Management representation letter	Receipt of signed management representation letter	Management and Standards and Governance Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Completion of final areas of testing	Receipt of outstanding support for audit requests, and documentation and review on our files.	EY and management

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young
Apex Plaza
Forbury Road
Reading
RG1 1YE

Dear Maria,
Hampshire Fire and Rescue Authority - Audit for the year ended 31 March 2018

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 31/03/2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Hampshire Fire and Rescue Authority as of 31/03/2018 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 2017/18.

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 2017/18.

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 2017/18. 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 2017/18, that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

Management representation letter

Management Rep Letter

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

2. All material transactions have been recorded in the accounting records and 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 year to the most recent meeting on the following date : 26/07/2018.

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.

D. Liabilities and Contingencies

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

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

Management representation letter

Management Rep Letter

E. 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.

F. 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.

G. Reserves

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

H. 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.

I. Pension 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 2017/18.

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 2017/18.

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

J. Retirement benefits

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

Yours sincerely,

Chief Finance Officer

Chairman of the Standards and Governance Committee

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ED None

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Hampshire Fire and Rescue Authority

Standards and Governance Committee

26 July 2018

Internal Audit progress report 2017/18 & 2018/19

Report of the Chief Internal Auditor

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

1. Purpose and Summary

1.1 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.

2. Recommendation

2.1 That the Standards and Governance Committee note the progress of internal audit work for the period ending June 2018.

3. Introduction

3.1 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'.

3.2 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.
- 3.3 The attached report summarises the activities of internal audit for the period ending June 2018.
- 4. Contribution to corporate priorities and objectives**
- 4.1 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.
- 5. Risk analysis**
- 5.1 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.
- 6. People impact assessment**
- 6.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.
- 7. Environmental and sustainability impact assessment**
- 7.1 Proposals have no environmental or sustainability impacts.
- 8. Resource implications**
- 8.1 The 2018/19 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.
- 8.2 The audit plan will remain fluid to enable us to react to the changing needs of Hampshire Fire and Rescue Authority.

Section 100 D - Local Government Act 1972 - background documents

The following documents disclose 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 this report.

NB the list excludes:

1. published works; and,
2. documents which disclose exempt or confidential information as defined in the Act.

Title	Location
None	

Internal Audit Progress Report

June 2018

Hampshire Fire and Rescue Authority



**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’ 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

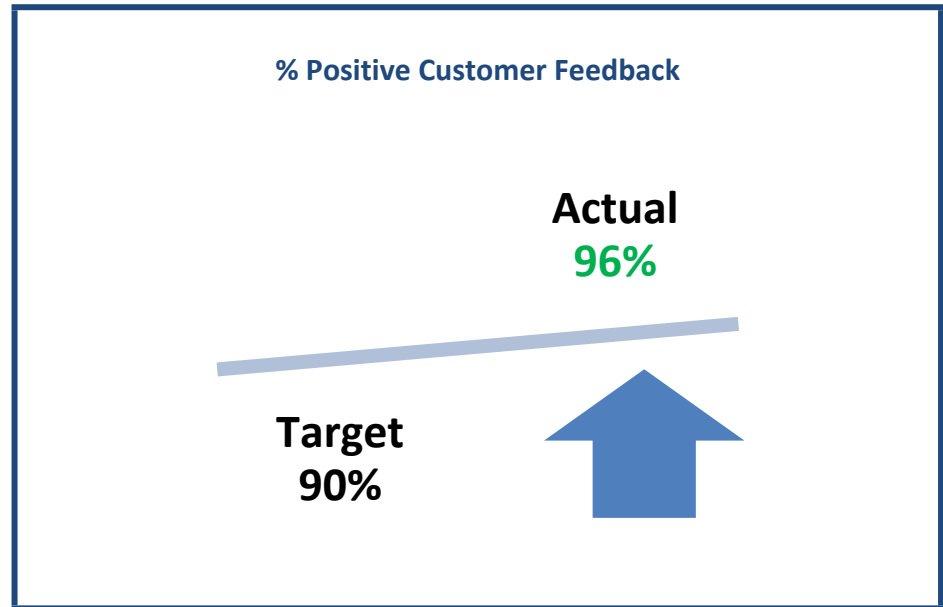
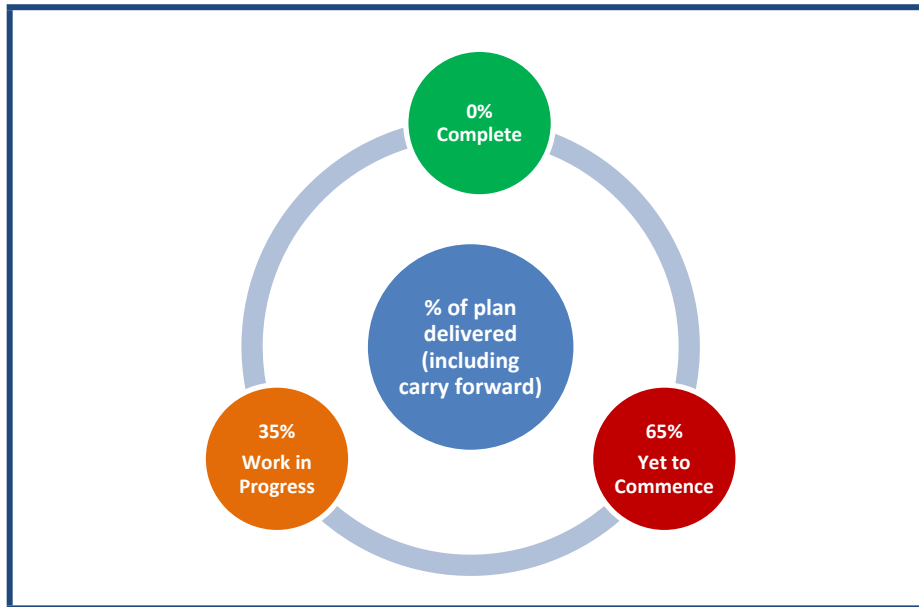
In accordance with proper internal audit practices (Public Sector Internal Audit Standards) and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to Senior Management and the Board, summarising:

- 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)	5(0)	0(0)
2014/15									
Partnerships and associated contracts (SCAS)	14.8.15	D o PS		Adequate	6(1)	0(0)	0(0)	5(1)	1(0)
2015/16									
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)	10(3)	0(0)
2016/17									
Effectiveness of Service Delivery Redesign	6.4.17	D o PS/ CFO	ACO	Adequate	3(0)	0(0)	0(0)	3(0)	0(0)
Commercial activities – income generation	22.6.17	D o PS	H o PA	Adequate	9(0)	0(0)	0(0)	9(0)	0(0)
Procurement processes	22.6.17	D o PS	H o PA	Limited	9(3)	0(0)	0(0)	7(2)	2(1)

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
Procurement of operational equipment and vehicles	22.6.17	D o PS	H o PA	Limited – operational equipment Adequate - vehicles	10(0)	0(0)	0(0)	8(0)	2(0)
Local management of shared services - Sickness management	30.8.17	D o PS	Head of HR and Workforce Development	Limited	5(0)	0(0)	0(0)	5(0)	0(0)
2017/18									
IT applications and systems governance	29.11.17	D o PS	Head of Digital Technology	Limited	5(0)	0(0)	0(0)	5(0)	0(0)
Fleet maintenance centre	2.1.18	D o PS	H o PA	Adequate	7(0)	0(0)	0(0)	7(0)	0(0)
Implementation of savings plan	29.03.18	H o F	Lead Finance BP	Adequate	5(1)	0(0)	2(0)	3(1)	0(0)
Safeguarding	15.06.18	D o CS and R	H o CS	Limited	17(11)	0(0)	9(6)	4(2)	4(3)

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
Budget monitoring and financial controls	25.04.18	H o F	D o PS	Limited	38(0)	0(0)	0(0)	28(0)	10(0)

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

Two reports have been issued since the last Standards and Governance Committee which resulted in a Limited assurance opinion. These covered Safeguarding and Budget Monitoring and Financial Controls. Details of these have been included in the Annual Audit Report.

6. Planning & Resourcing

The internal audit plan for 2017/2018 was approved by the Hampshire Fire and Rescue Service Management Team and the Standards and Governance Committee in March 2017, and the 2018/2019 plan was approved in March 2018.

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. In December 2017 the audit of Workforce Development was removed from the plan due to changes in this area which affected the requirement for this audit. At the same time we were asked to carry out some consultancy work on the ICT project budget and to add an audit of Budgetary Control to review arrangements for this within HFRS.

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 2017/18										
Implementation of savings plan	H o F	Lead Finance BP	✓	✓	✓	✓	✓	Adequate		
Information management/security	D o PS	Head of ICT	✓	✓	✓	✓		Limited	✗	
Safeguarding	D o CS and R	H o CS	✓	✓	✓	✓	✓	Limited		
Workforce development	H of HR and Training	Lead HR BP	N/A	N/A	N/A	N/A	N/A	N/A		Removed from plan
Fleet maintenance centre	D o PS	H o PA	✓	✓	✓	✓	✓	Adequate		
IT Applications and Systems Governance	D o PS	H of ICT	✓	✓	✓	✓	✓	Limited		
Budgetary control	H o F	D o PS	✓	✓	✓	✓	✓	Limited		

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
ICT budget consultancy work	H o F	D o PS	✓	✓	✓	N/A	✓	N/A		
Pro-active fraud work	D o PS	H o KM	N/A	N/A	✓	N/A	N/A	N/A		
NFI	D o PS	H o KM	N/A	N/A	✓	N/A	N/A	N/A		
Shared services audit plan 2017/18										
Payroll	CR		✓	✓	✓	✓	✓	Substantial		
Payroll support	CR		✓	✓	✓	✓	✓	Substantial		
Order to Cash (OTC)	CR		✓	✓	✓	✓	✓	Adequate		
Purchase to pay (P2P)	CR		✓	✓	✓	✓	✓	Adequate		
Treasury Management	CR		✓	✓	✓	✓	✓	Substantial		
Debt Collection	CR		✓	✓	✓	✓	✓	Adequate		
BACS	CR		✓	✓	✓	✓	✓	Adequate		
Governance arrangements	CR		✓	✓	✓	✓	✓	Substantial		
Statutory Checks	CR		✓	✓	✓				✗	
Recruitment – Pre-employment checks	CR		✓	✓	✓	✓	✓	Limited		

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Category Management	CR		✓	✓	✓	✓	✓	Substantial		
Contract Management	H of F	Lead Finance BP	✓	✓	✓	✓	✓	Substantial		

Audit Plan 2018/19										
Contract Management	H of F	Lead Finance BP								
Resource Management	D of HR	HR Business Partner	✓							
Data Quality	D of PS	H of KM								
GDPR	D of PS	H of KM								
Proactive Fraud	D of PS	H of KM								
NFI	D of PS	H of KM								
Firewatch	D of PS	H of KM	✓							
IT Strategy, Management &	D of PS	H of KM								

Governance				
Business Continuity	D of PS	H of ICT		
Networks & Communications	D of PS	H of ICT		
Shared services audit plan 2018/19				
Payroll	CR			
Order to Cash (OTC)	CR			
Purchase to pay (P2P)	CR			
Treasury Management	CR			
Debt Collection	CR			
Governance arrangements	CR		✓	
ICT – User Access	CR		✓	✓
Recruitment & Induction	CR		✓	
Workforce Development	CR		✓	✓
Ill Health Retirement & Death in Service	CR		✓	✓
Sick Pay	CR		✓	✓
IR35	CR			

Occupational Health	CR	
Category Management	CR	
Procurement	CR	
Master Data Team	CR	✓

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

Standards and Governance Committee

26 July 2018

Annual Internal Audit Report and Opinion 2017/18

Report of the Chief Internal Auditor

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

1. Purpose and Summary

1.1 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 2018.

2. Recommendation

2.1 That the Standards and Governance Committee accepts the Chief Internal Auditor's annual report and opinion statement for 2017/18.

3. Introduction

3.1 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.

3.2 The Annual Report for 2017/18 (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 2018.

3.3 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 2017/18;
- The revised internal audit plan for 2017/18 has been substantially delivered;
- In my opinion I can give 'limited assurance' over Hampshire Fire and Rescue Authority's framework of governance, risk management and management control from audit testing undertaken during the year 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.

4. Contribution to corporate priorities and objectives

4.1 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.

5. Risk analysis

5.1 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.

6. People impact assessment

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

7. Environmental and sustainability impact assessment

7.1 Proposals have no environmental or sustainability impacts.

8. Resource implications

8.1 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.

Section 100 D - Local Government Act 1972 - background documents

The following documents disclose 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 this report.

NB the list excludes:

1. published works; and,
2. documents which disclose exempt or confidential information as defined in the Act.

Title	Location
None	

Annual Internal Audit Report & Opinion

2017 / 18

Hampshire Fire and Rescue Authority



HAMPSHIRE
FIRE AND
RESCUE
SERVICE

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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 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 2013 [the Standards], which were updated in 2017.



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

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

Hampshire 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.

Annual Internal Audit Opinion 2017/18

“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 the internal control environment.

In my opinion I can give “limited assurance” over Hampshire Fire and Rescue Authority’s framework of governance, risk management and management control from audit testing undertaken during the year.

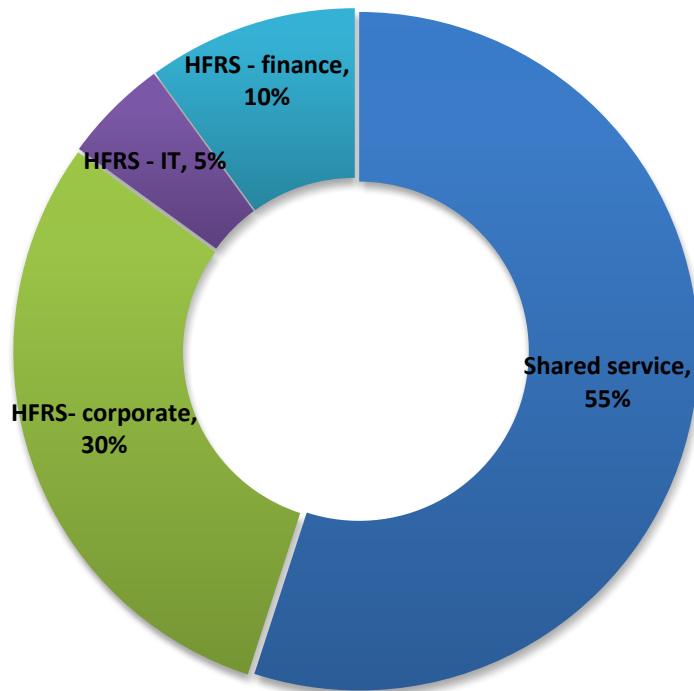
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

The issues arising that have led to this opinion are outlined in sections 4 and 5. We enjoy an open and honest working relationship with Hampshire Fire and Rescue Authority. As a result our planning discussions and risk based approach to internal audit ensure that the internal audit plan includes areas where management have raised concerns to ensure that ongoing organisational improvements can be achieved.

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 2017/18 Internal audit plan, approved by the Standards and Governance Committee in March 2017, 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.

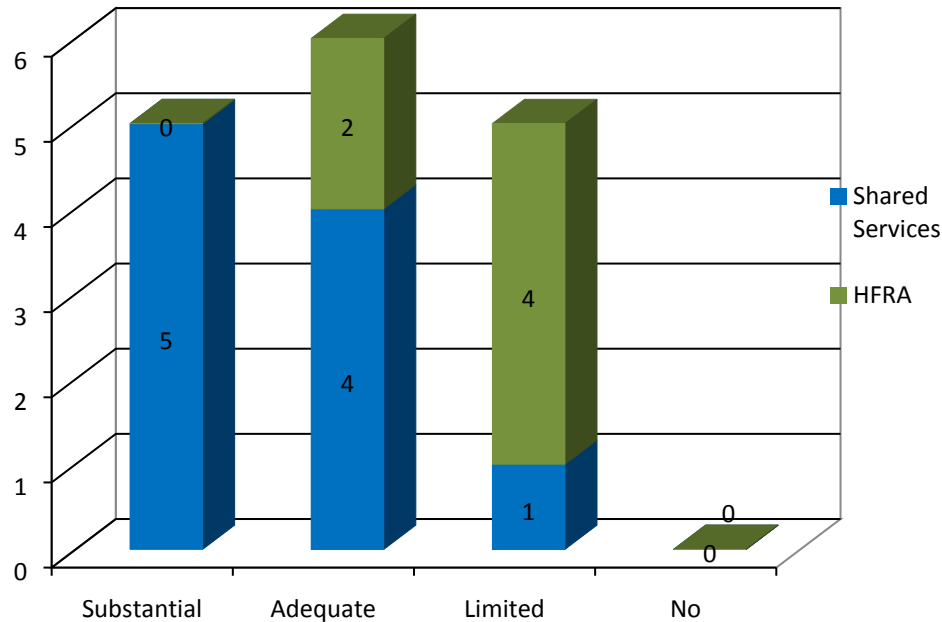
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the Internal Audit opinion the Southern Internal Audit Partnership have undertaken 19 reviews in the year ending 31 March 2018.

The 2017-18 internal audit plan has been delivered with the following exception:

- Work is complete and an opinion has been formed for 3 reviews, however, a final report has not yet been agreed with management (Shared Services – recruitment, Shared Services – debt collection, information management and security). The outcomes of these reviews are reflected in the internal audit opinion for 2017/18.
- Work remains in progress for one review which will be carried forward to be included in the 2018/19 annual internal audit opinion (Shared Services – statutory checks).

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, 3 reviews did not result in an audit opinion.

Shared Services *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 as outlined below. 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.

Statement of Assurance 2017/18 – Integrated Business Centre

“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 the internal control environment within the Integrated Business Centre.

In my opinion, the 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.”

The main issues arising from this work and highlighted in the assurance reports are as follow:

“Recruitment – Pre employment checks

Our review of pre-employment checks resulted in a limited assurance opinion. Whilst testing confirmed that the pre-employment checks requested by recruiting managers (in conjunction with HR advice) are being undertaken on prospective employees, a number of weaknesses were identified in the identification of the pre-employment checks to be undertaken, recording of DBS details and the setting-up of tasks for DBS re-checks in SAP. Linked SAP records for employees with multiple employments were not always updated with DBS check details. There are also opportunities to improve and expand documented guidance to ensure consistency of advice and that expectations for all pre-employment checks are clear.”

5. Key observations – Hampshire Fire and Rescue Authority

Internal audit provided limited assurance in 4 areas specific to Hampshire Fire and Rescue Authority during 2017/18 as outlined below.

Information management and security – a number of issues were identified at the time of our review which affected the Authority’s ability to comply with the General Data Protection Regulation from May 2018. This included the absence of a comprehensive information asset register; gaps in data protection training (although staff dealing with sensitive data receive annual data protection training); insufficient evidence retained to demonstrate compliance with data breach procedures; and there was no evidence that a data protection privacy impact assessments had been completed for a recent project.

Safeguarding – we found that a safeguarding policy, procedures and training are in place to ensure that any issues are dealt with effectively. However our review of the arrangements to ensure that Disclosure and Barring (DBS) checks are in place as required, highlighted that it is not currently possible to efficiently and effectively monitor and review the requirements for each post compared to the checks actually carried out. Although there are central controls in place to monitor certain roles, line managers are responsible for ensuring that staff have up to date checks in place, however we found that managers are not generally aware of this responsibility. This issue is linked to the findings in the Shared Services review of pre-employment checks outlined on page 8.

IT applications and systems governance – weaknesses were identified in the governance of new systems, change control, release management and in the decommissioning of systems and applications. These often related to a lack of documented procedures and gaps in the record kept over the life cycle of a system or application.

Budgetary control – although management have historically considered budgetary risks to be low, the need for sound budgetary control is nevertheless increasingly important given the pace of change and current economic pressures. We found that although budget managers were generally aware of their responsibilities, there were no documented procedures outlining expectations for either projects or business as usual, and budgets were not risk assessed to determine the level of scrutiny required. As a result practices vary considerably and need to be standardised across the service to ensure consistent and effective budgetary control.

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. Implementation of the agreed actions is monitored by the Performance Review team and reported to the Standards and Governance Committee.

6. 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 also 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.

Hampshire Fire and Rescue Authority submitted required data sets in October 2016 and received feedback on potential matches in January 2017. Work was carried out during 2017/18 to review identified 'recommended matches'. No significant issues have been identified as a result of this work.

No significant issues relating to fraud or corruption have been brought to my attention during 2017/18 that would impact on the system of governance, risk management or control.

7. 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 the principles contained within the International Professional Practice Framework (IPPF), the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN).

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.”

In accordance with PSIAS, annual self assessments have been completed since the external inspection concluding that SIAP continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. 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.

9. 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 2017/18 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;
- 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.

10. Internal Audit Performance

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

Annual performance indicators		
Aspect of service	2016-17 Actual (%)	2017-18 Actual (%)
Revised plan delivered	100	95
Compliant with the Public Sector Internal Audit Standards	Yes	Yes
Customer satisfaction *	96%	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. 17/18 actuals are based on the February 2017 questionnaire.

11. 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 2018

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**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

26 JULY 2018

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 to oversee the implementation of internal audit recommendations and their respective actions.
2. It 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. The internal audit follow-up process is 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 (SIAP) 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. The respective managers are responsible for the delivery of actions that fall within their areas of responsibility.

- 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 at times. We are committed to this, and the internal Risk, Resilience and Assurance Board oversees progress.
- 5.6 The table below lists 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 2015/16			
Business Continuity			
Comprehensive review of Resilience Plan testing and exercising to be undertaken and an appropriate schedule commencing January 2017 put in place to meet organisational requirements.	October 2016 Revised to January 2019	M	The outstanding actions are now included in the wider review of our Business Continuity Management System. This means that we have a revised target date of January 2019 for all the work to have been achieved.
A robust recording and evaluation process to be put in place for Service Resilience events to support current arrangements and to allow lessons learned to be identified and actioned.	October 2016 Revised to January 2019	M	
Audit Plan year 2016/17			
Procurement of Operational Equipment & Vehicles			
Finalise the new Strategic Vehicle and Equipment Plan to include clear strategy principles for both life cycle determination and disposals.	March 2018 Revised to September 2018	M	Following organisational changes and relocation of teams, the terms of reference for Strategic Vehicle and Equipment Board (SVEB) are currently being reviewed. This board provides governance for the organisation and the Strategic Vehicle and Equipment Plan will be considered as part of this

			review.
Procurement Processes			
A review of the Procurement position around temporary staff will be undertaken.	December 2017	H	A complete review is currently taking place around temporary staff including the approval process.
Audit Plan year 2017/18			
Budgetary Control			
Induction training for all new budget managers.	April 2018	M	Induction course under development.
Safeguarding			
Obtain further information on the questions asked of HFRS managers and the answers given on their responsibilities for monitoring DBS checks.	June 2018	H	Evaluation of the answers is underway. Once complete this will be provided to us from Shared Services.

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 arising from 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

Purpose: Approval

Date: 26 JULY 2018

Title: ANNUAL ACCOUNTS 2017/18

Report of Treasurer



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

SUMMARY

1. The Accounts and Audit Regulations require the Authority's Statement of Accounts to be approved by 31 July following the year end. The Authority has delegated responsibility for the approval of the statement of accounts to the Standards and Governance Committee.
2. The Authority's draft Statement of Accounts was published by the statutory deadline of 31 May following the year end, and has been audited by Ernst and Young (EY). The conclusions of the audit are contained within the audit results report which is also on this agenda.
3. A report on the final accounts for 2017/18 was submitted to the Authority on 18 July and the Statement of Accounts is consistent with that report. The Annual Governance Statement, which forms part of the Statement of Accounts was approved by the Authority on 13 June.
4. This report presents for the Committee's approval of the Statement of Accounts 2017/18 and recommends that the Treasurer be given delegated authority to make any amendments if required prior to the issue of the audit opinion.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

5. 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 no major changes to reflect in the Statement of Accounts 2017/18.

NARRATIVE STATEMENT

6. The narrative statement provides information about the key issues affecting the Authority, and reports on the Authority's financial and non-financial performance.

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

STATEMENT OF ACCOUNTS

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

Statement of Responsibilities for the Statement of Accounts

9. 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.

Movement in Reserves Statement

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

Balance Sheet

11. 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

12. The Cash Flow Statement is designed to demonstrate the changes that have taken place in the Authority's cash position over the year and to highlight the causes of that change.

Comprehensive Income and Expenditure Statement

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

Notes to the accounts

14. 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

15. 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.
16. The Account is balanced 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 2017/18 was 100%.

Annual Governance Statement

17. The Annual Governance Statement has to accompany the Statement of Accounts. The Authority's Annual Governance Statement was considered for approval on 13 June.

LETTER OF REPRESENTATIONS

18. 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 which has been provided at Appendix 2.

19. 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.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

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

RESOURCE IMPLICATIONS

21. There are no direct resource implications contained within this report as it is based on historic information and is purely a factual document.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

22. It is not believed that this report has any impacts to the environment or sustainability.

LEGAL IMPLICATIONS

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

EQUALITY IMPACT ASSESSMENT

24. This report is considered compatible with the provisions of equality and human rights legislation.

OPTIONS

25. 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

26. 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 2017/18, it provides evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

CONCLUSION

27. 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

28. That the attached Statement of Accounts for 2017/18 be approved subject to any amendments reported at the meeting.
29. That the Treasurer be given delegated authority to approve any minor amendments to the Statement of Accounts if required.
30. That the Letter of Representations contained in Appendix 2 is considered and signed by the Committee

APPENDICES ATTACHED

Appendix 1 – Statement of Accounts and Annual Governance Statement 2017/18

Appendix 2 – Letter of Representations

BACKGROUND PAPERS

31. Section 100 D - Local Government Act 1972 – background documents
32. 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.
33. Final Accounts Report – Hampshire Fire and Rescue Authority 18 July 2018

34. NB: the list excludes Published works

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

36. None

Contact:

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

The checklist at the beginning of this template MUST be completed before submission to the PA Team.



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Hampshire Fire and Rescue Authority

Statement of Accounts

2017-18

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Introduction

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

- Understand the overall financial position of the Authority and the outturn position for 2017/18;
- 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 2018 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 2017/18
- Corporate Risks
- Summary Position
- Where you can get further information

This is followed by an explanation of the Financial Statements, including information on any changes during 2017/18.

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 2017/18. Despite some challenges during the year we have once again come within budget and our reserves continue to show a healthy position.”

“The majority of our current savings plans have now been implemented and we are already looking ahead to 2022/23 and what changes may be required to balance the budget over that period.”

“During 2017/18 we have continued to strengthen our Delivering Differently in Partnership arrangements with the Isle of Wight Fire and Rescue Service and have also been jointly considering a business case for a new Combined Fire Authority that would include Hampshire, Southampton, Portsmouth and the Isle of Wight.”

“Our Service Delivery Re-design project is now well established and is making changes at stations around the County, learning from what has already been implemented and refining our requirements around vehicles and equipment”.

“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 2017/18 reflects once again the Authority’s ability to come within budget despite the challenges presented by a project overspend during the year, which have been fully investigated and reported to the Authority and appropriate actions put in place.

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 2018.

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

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 Southampton and Portsmouth Unitary Councils.

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 is 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 1,829,500 (Office for National Statistics Mid Year Estimates 2016)	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, Safe and Well 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

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 2018/19 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 savings programmes
- Council tax increases of 1.99% each year for four years (and the potential for an extra 1% in 2019/20) and
- Development of new 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 2018/19 budget in February 2018 generated nearly £1.3m of favourable changes in the budget mainly as a result of :

- An increase in the council tax base (the number of homes paying council tax) in excess of what had been forecast
- The ability to raise the core council tax level to 2.99% following changes in the referendum limit announced by the Government
- The removal of provisions for inflation and potential increases in the cost of pension contributions that were allowed for but not required.

The forward budget also allows for significant contributions to capital investment and annual contributions to meet the cost of other equipment and protective clothing when this needs to be replaced. These annual contributions equate to around £5m per year and provide a significant buffer in the event that there are timing differences between the achievement of savings and when they are needed.

The Authority has already carried out a review of its longer term vehicle replacement programme in light of the changes to Service Delivery and is now turning its attention to its estate of fire stations and the changes that are required to ensure they remain fit for purpose and can continue to support greater collaboration with our blue light partners.

The Medium Term Financial Plan will be updated in full in September 2018 recognising that figures for Government grant allocations are not available past 2019/20 and there could be other changes that impact on HFRA as a result of the extension of local Business Rate Retention and the current Fair Funding Review, both of which could see changes introduced for the 2020/21 financial year.

In overall terms HFRA remains in a strong financial position with reserves standing at £30.3m at the end of 2017/18 and is well placed to tackle the future financial challenges that will inevitably arise as a result of diminishing resources and the uncertain picture past 2019/20.

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

During 2016/17 new governance arrangements were approved by the Authority that reduced the number of Authority members from 25 to 11 and made provision for one of those spaces to be filled by the Police and Crime Commissioner. These new arrangements started in 2017/18 and have streamlined the decision making processes of the Authority at the same time as reducing the cost of the governance arrangements.

The Authority decides the budgets and policies for the vital services provided by the Hampshire Fire and Rescue Service. The composition of the smaller Authority implemented in 2017/18 is as follows:

Nominating Authority	Number of Members	Composition
Hampshire County Council	8	6 Conservative, 2 Liberal Democrat
Southampton City Council	1	1 Labour
Portsmouth City Council	1	1 Conservative
	<hr/> 10 <hr/>	

Whilst the new Authority makes provision for the Police and Crime Commissioner to formally take up an 11th seat on the Authority, at this stage he has not decided to take up this position but attends Authority meetings as a guest and has been supportive of the current work around a potential new Combined Fire Authority with the Isle of Wight.

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

Supporting the work of the Fire Authority Members are the Directors which comprise 6 Principal 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

Narrative Statement

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. Public consultation is expected this year to consider the potential option of combining the two services under a new Combined Fire Authority.

Following the appointment of Neil Odin to the post of Chief Fire Officer, changes to the structure of the senior team are being implemented this financial year, but at the end of 2017/18 the make up of the Directors Team was as detailed below. Note 7 shows the further detail of people that have been in a strategic post during 2017/18.

- Chief Fire Officer – Neil Odin
- Director of Service Delivery and Deputy Chief Fire Officer – Andy Bowers
- Director of Professional Services – Geoff Howsego
- Assistant Chief Fire Officer (Head of Response) – Stewart Adamson
- Assistant Chief Fire 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 2017/18, the Fire and Rescue Authority employed a Full Time Equivalent (FTE) total of 1,468 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 programmes that have been in place.

In line with the second phase of savings further reductions have been made during the year in whole time firefighters and support staff but this has been managed through natural wastage to avoid redundancies. The breakdown between staff groups is shown in the following table:

March 2017	Full-time equivalent employees	March 2018
715	Whole time Fire Fighters	679
499	Retained Duty System Fire Fighters	517
33	Control Room	33
251	Support Staff (non-uniformed staff)	240
<u>1,498</u>		<u>1,468</u>

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 programme of savings and modernisation, while protecting frontline services and ensuring that we continue to keep people safe across the County.

Narrative Statement

During 2017/18 a review of the key performance measures were undertaken and a new set of 'core' measures were introduced. A summary of these indicators at the end of 2017/18 is shown in the following table, together with the comparable figures for 2016/17:

	2016/17	2017/18
Fire related fatalities	3	9
Fire related casualties	51	73
Primary fires	1,949	2,017
Critical response time	63.60%	64.90%
Shifts loss to sickness per shift possible	3.59%	3.60%
Building Fires confined to room of origin	84.5%	86.9%
Retained Availability	80%	74%

Fire related fatalities and casualties are obviously heavily influenced by the types of incidents in the year, but overall there has been a marginal improvement in critical response times, which may be linked to the changes arising from Service Delivery Re-design, but is also obviously dependent on a large number of others factors such as location of the fire, time of day, traffic conditions and weather etc.

The increase in primary fires goes against the general trend for this area but once again is linked to a range of factors which are outside of the Services control (such as a prolonged period of hot weather. Further information on the performance of the Fire Authority can be found at the following link:

[Our Performance](#)

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 favourable 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 2017/18 which helped to contribute a further £2m to fund the change programme across the organisation.

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:

	2016/17	2017/18
	%	%
Council tax	55	56
Business rates	19	20
General Government grants	19	15
Fees, charges and interest	5	4
Specific Government grants	2	5
	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:

	2016/17	2017/18
	%	%
Employee benefit expenses	75	75
Other service expenses	25	25
	100	100

The Fire and Rescue Authority has continued to demonstrate strong financial stewardship over this extremely challenging period. At the end of 2017/18, overall net operating expenditure was over £1.4m 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. However the net position reported at the end of the year was an underspend of £333,000 following an overspend of £1.07m in the ICT transformation project. A full and transparent report on the reasons for the overspend and the resulting management actions across the service was presented to Standards and Governance Committee for appropriate scrutiny and review and this can be found at:

[Report on ICT overspend](#)

Whilst this overspend is disappointing it can mainly be attributed to poor project

Narrative Statement

management and lack of appropriate escalation and decision making and is not representative of the financial management within the overall Service as demonstrated by the results achieved in the Service over a prolonged period of austerity and grant reductions. Careful financial management following the identification of the overspend has also meant that these costs have been absorbed within the budget that was set for the year.

The small net underspend will be transferred to balances to provide investment funding for future service improvement and transformation. The main components of the 2017/18 budget and actual income and expenditure are set out below:

	Budget	Actual	Variance over / (under) spend
	£'000	£'000	£'000
Service Delivery	43,416	42,457	(959)
Professional Services	16,400	16,824	424
Pensions	1,079	1,319	240
Other items not allocated to services	697	659	(38)
Net cost of Fire and Rescue Services	61,592	61,259	(333)
Minimum Revenue Provision	484	484	0
Interest	205	115	(90)
Revenue contributions to capital outlay	2,547	3,143	596
Planned draw from reserves	(753)	(1,170)	(417)
Budget requirement	(64,075)	(64,267)	(192)
Surplus transferred to transformation reserve	0	(435)	(435)

Capital

In 2017/18 the Fire and Rescue Authority spent just under £3.3 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:

Scheme	£'000
Basingstoke Fire Station	1,203
Equipment	195
Estates Transformation	1,086
Fire Control System	40
Service Delivery Transformation	81
Solar Photovoltaic Panels	29
USAR Relocation	239
Vehicles	399
Total	3,272

Narrative Statement

The total capital expenditure of £3.272 million (excluding leased vehicles) was financed in the following way :

Source of funding:	£'000
Budgeted revenue contributions	74
Capital grant funding - government	39
Capital payments reserve	3,030
Other contributions	129
Total	3,272

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 2018 was the same as the previous year at £8.35 million and investments decreased marginally by £1m to £25.7m. Investment levels can fluctuate during the year as a result of changing cashflows, but do tend to track the total value of reserves held by the Authority.

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

[Outturn Report](#)

Treasury Management and Prudential Indicators

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

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

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

All treasury activity has complied with the Fire and Rescue Authority's Treasury Management Strategy and Investment Strategy for 2017/18, and all relevant statute, guidance and accounting standards. In addition the Fire and Rescue Authority has complied with all of the prudential indicators set in its Treasury Management Strategy.

Further information is provided in the Treasury Management Appendix to the outturn report for 2017/18 linked above.

Pension Fund Liability

The estimated future pension liability of the Authority has increased by £33.1m. This is mainly due to changes in the financial assumptions used by the actuary to calculate the present value of liabilities, reflecting a higher rate of future inflation and increased longevity.

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 2017/18 financial year the Fire and Rescue Authority's earmarked reserves together with the general fund balance stand at just over £30.3 million - a decrease of £0.7m on the previous year, mainly as a result of funding the capital programme 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 2016/17:

	Balance 31/03/2017	Balance 31/03/2018
	£'000	£'000
Transformation Reserve	4,018	3,754
Capital Payments Reserve	23,762	23,266
Earmarked Underspends Reserve	236	196
Revenue Grants Reserve	551	616
Capital Grants Reserve	0	0
Capital Receipts	0	0
General Balance	2,500	2,500
Total Reserves and Balances	31,067	30,332

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.

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,

Narrative Statement

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 the Full Authority. Monitoring of spend against the budget takes place throughout the year and is reported to Senior Management monthly and to the Authority on a quarterly basis.

Summary Position

It is clear that the Fire and Rescue Authority's financial and non financial performance in 2017/18 continues to be good, albeit that there was an overspend within the ICT Transformation project which has been transparently reported and an action plan put in place. The revenue outturn with a £333,000 under spend is in line with expectations and allows a small 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 sufficient reserves and balances to provide financial resilience for 2018/19 and future years.

In 2017/18, the Authority has faced and dealt successfully with significant change, in particular the phased implementation of the Service Delivery Re-design project which fundamentally changes the approach to responding to incidents across the County. 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 the last part of this decade.

Changes to the accounts

Nationally, the Code of Practice for Local Authority Accounting introduced no significant changes for the 2017/18 statement of accounts. Locally, we took the opportunity to streamline the document by changing the presentation of the accounting policies. Instead of having one long section of all accounting policies at the beginning of the notes, the policies are now inserted in each relevant disclosure note, with the more general policies included towards the end of the notes. In addition, a small number of disclosure notes have been discontinued as they are not material to the understanding of the financial position of the Authority.

Explanation of the Statement of Accounts

The Financial Statements bring together all the financial activities of the Authority for the year and its financial position as at the 31 March 2018. They detail both revenue and capital elements for the General Fund and separately provide detail for the Pension Fund.

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this

Narrative Statement

process of accountability, the Authority is required to produce a set of accounts in order to inform stakeholders of the Fire Authority that we have properly accounted for all the public money we have received and spent and that the financial standing of the Authority is on a secure basis.

The accounts for 2017/18 are set out on pages 18 to 78.

They consist of:

- **Statement of Responsibilities for the Statement of Accounts** – Outlines the key responsibilities in respect of the accounts, together with statements from the Chief financial Officer and Chairman of the Audit Committee.
- **Movement in Reserves Statement** – Analyses the change in net worth between the general fund, other useable reserves and unusable reserves.
- **Balance Sheet** – This sets out assets and liabilities at 31 March 2018 compared with 31 March 2017.
- **Cash Flow Statement** – This summarises the movement in cash and cash equivalents during the course of the year.
- **Comprehensive Income and Expenditure Statement** – Shows the accounting cost in the year of providing services measured in accordance with international accounting standards rather than on the basis of the costs that are required to be financed from taxation.
- **Notes to the Accounts** – Which explain some of the key items and disclosures in the accounts.

Relationship between Accounting Statements

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

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

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

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.

1 The Authority's responsibilities

The Authority is required to:

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

2 The Chairman's Statement

- 2.1 I certify that the Statement of Accounts for 2017/18 were considered and approved at the Standards and Governance Committee Meeting on XXXXX.

Cllr. XXXX XXXXX

Chairman

Standards and Governance Committee

3 The Chief Financial Officer's responsibilities

- 3.1 The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy / 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.

4 The Chief Financial Officer's statement

- 4.1 I certify that the Statement of Accounts gives a true and fair view of the position of the Hampshire Fire and Rescue Authority as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Chief Financial Officer / Section 151 Officer

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 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	2
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	
Movements During 2017/18:							
Total Comprehensive Income and Expenditure	28,752	0	0	28,752	1,414	30,166	
Adjustments between accounting basis and funding basis under regulations	(28,017)	0	0	(28,017)	28,017	0	2
Net (Increase)/Decrease in year	735	0	0	735	29,431	30,166	
Balance as at 31 March 2018	(30,332)	0	0	(30,332)	614,922	584,590	

* includes earmarked reserves

Balance sheet

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

Balance sheet

31 March 2017		31 March 2018	Note
	£'000		
127,387	Property, plant and equipment	130,607	15
670	Investment property	730	
11,900	Long term investments	6,749	17f
11	Long term debtors	6	17h
139,968	Long term assets	138,092	
1,200	Assets held for sale	1,200	15
962	Inventories	942	32
11,484	Short term debtors	8,424	17i
10,450	Short term investments	15,655	17e
4,210	Cash and cash equivalents	3,104	17j
28,306	Current assets	29,325	
(9,575)	Short term creditors	(5,679)	17d
(65)	Short term borrowing	(65)	17b
(9,640)	Current liabilities	(5,744)	
18,666	Net current assets	23,581	
(703,530)	Net liabilities relating to defined benefit pension schemes	(736,650)	23/24
0	Long term creditors	0	
(1,178)	Provisions	(1,263)	20
(8,350)	Long term borrowing	(8,350)	17a
(713,058)	Long Term Liabilities	(746,263)	
(554,424)	Net Liabilities	(584,590)	
	Financed by:		
	Usable reserves		
(2,500)	Revenue account	(2,500)	4
(28,016)	Earmarked reserves	(27,216)	4
0	Usable capital receipts reserve	0	4
0	Capital grants unapplied reserve	0	4
(551)	Revenue grants unapplied reserve	(616)	4
(31,067)	Total usable reserves	(30,332)	
585,491	Unusable reserves	614,922	3
554,424	Total reserves	584,590	

Signed:

Chief Financial Officer

Cash Flow

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.

2016/17 £'000		2017/18 £'000	Note
29,108	Net (surplus) or deficit on provision of services	28,752	31.5
(28,397)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(31,092)	31.1
14	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	31.2
725	Net cash (inflow)/outflow from Operating Activities	(2,340)	
4,832	Investing Activities	3,414	31.4
65	Financing Activities	32	31.5
5,622	Net (increase)/decrease in cash and cash equivalents	1,106	
(9,832)	Cash and cash equivalents at the beginning of the reporting period	(4,210)	
(4,210)	Cash and cash equivalents at the end of the reporting period	(3,104)	

Comprehensive Income and Expenditure Report

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and Expenditure and Funding Analysis.

2016/17			2017/18		
Net Expenditure	Gross expenditure	Gross Income	Net Expenditure	Gross expenditure	Gross Income
£'000	£'000	£'000	£'000	£'000	£'000
54,426	57,133	(2,707)	54,501	58,364	(3,863)
19,584	21,026	(1,442)	18,986	21,341	(2,355)
779	801	(22)	1,359	1,385	(26)
74,789	78,960	(4,171)	74,846	81,090	(6,244)
519	519	0	14	14	0
75,308	79,479	(4,171)	74,860	81,104	(6,244)
10	10	0	55	55	0
19,219	19,586	(367)	18,142	18,456	(314)
(65,429)	0	(65,429)	(64,305)	0	(64,305)
(46,200)	19,596	(65,796)	(46,108)	18,511	(64,619)
29,108	99,075	(69,967)	28,752	99,615	(70,863)
(12,373)			(5,896)		
(143)			(22)		
107,350			7,332		
94,834			1,414		
123,942			30,166		

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1 Expenditure and Funding Analysis

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

Net Expenditure chargeable to the General Fund Balance	2016/17			2017/18		
	Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES		Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 2)	
£'000	£'000	£'000		£'000	£'000	£'000
43,929	10,497	54,426	Service Delivery	42,457	12,044	54,501
17,163	2,421	19,584	Professional Services	16,824	2,162	18,986
879	(100)	779	Pensions	1,319	40	1,359
632	(113)	519	Other items not allocated to services	659	(645)	14
			Net cost of Fire and Rescue Services			
62,603	12,705	75,308		61,259	13,601	74,860
(58,276)	12,076	(46,200)	Other income and expenditure	(60,524)	14,416	(46,108)
4,327	24,781	29,108	(Surplus) or deficit on the provision of services	735	28,017	28,752
(35,394)			Opening General Fund (including earmarked reserves) balance at 1 April	(31,067)		
4,327			Plus (surplus)/deficit on provision of services	735		
(31,067)			Closing General Fund (including earmarked reserves) balance at 31 March	(30,332)		

2 Adjustments between funding and accounting basis

2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Service Delivery	4,521	7,523	0	12,044
Professional Services	1,372	790	0	2,162
Pensions	0	40	0	40
Other items not allocated to services	0	(645)	0	(645)
Net cost of services	5,893	7,708	0	13,601
Other income and expenditure from the funding analysis	(3,793)	18,080	129	14,416
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	2,100	25,788	129	28,017
Note a) Adjustments for capital purposes:				
Charges to services for depreciation and impairment	5,893			5,893
Current value of assets disposed	55			55
Statutory minimum revenue provision for capital financing	(516)			(516)
Revenue contributions to capital	(3,143)			(3,143)
Capital grants and contributions applied (note i)	(129)			(129)
Movement in the market value of investment properties	(60)			(60)
Total transferred to capital adjustment account (including note i)	2,100			2,100
Transfer asset sale proceeds to capital receipts reserve	0			0
Note a) Total	2,100			2,100

Continued on next page

Notes to the core financial statements

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		14,270		14,270
Past service cost of funded local government pensions		0		0
Interest on net pension liability		18,080		18,080
Total transferred to Pension Reserve		32,350		32,350
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(6,562)		(6,562)
Note b) Total		25,788		25,788
Note c) Other adjustments:				
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			129	129
Note c) Total			129	129
Total adjustments				28,017
(note i) transfer from capital grants unapplied reserve				0
Use of capital receipts reserve to fund capital expenditure				0
Total adjustments between accounting and funding basis under statute				28,017

Notes to the core financial statements

2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Adjustments (Note c) £'000	Total Adjustments £'000
Service Delivery	6,671	3,826	0	10,497
Professional Services	2,064	357	0	2,421
Pensions	0	(100)	0	(100)
Other items not allocated to services	0	(113)	0	(113)
Net cost of services	8,735	3,970	0	12,705
Other income and expenditure from the funding analysis	(7,013)	19,190	(101)	12,076
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	1,722	23,160	(101)	24,781
Note a) Adjustments for capital purposes:				
Charges to services for depreciation and impairment	8,735			8,735
Current value of assets disposed	10			10
Statutory minimum revenue provision for capital financing	(570)			(570)
Revenue contributions to capital	(6,132)			(6,132)
Capital grants and contributions applied (note i)	(291)			(291)
Movement in the market value of investment properties	(30)			(30)
Total transferred to capital adjustment account (including note i)	1,722			1,722
Transfer asset sale proceeds to capital receipts reserve	0			0
Note a) Total	1,722			1,722

Continued on next page

Notes to the core financial statements

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		10,070		10,070
Past service cost of funded local government pensions		480		480
Interest on net pension liability		19,190		19,190
Total transferred to Pension Reserve		29,740		29,740
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(6,580)		(6,580)
Note b) Total		23,160		23,160
Note c) Other adjustments:				
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			(101)	(101)
Note c) Total			(101)	(101)
Total adjustments				24,781
(note i) transfer from capital grants unapplied reserve				(1,759)
Use of capital receipts reserve to fund capital expenditure				(2,914)
Total adjustments between accounting and funding basis under statute				20,108

3 Unusable reserves

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

	2016/17 £'000	Movement £'000	2017/18 £'000	Note
Revaluation reserve	(42,121)	(4,678)	(46,799)	3a
Capital adjustment account	(74,922)	882	(74,040)	3b
Pensions reserve	703,530	33,120	736,650	3c
Collection fund adjustment account	(776)	129	(647)	3d
Available for sale financial instruments reserve	(220)	(22)	(242)	3e
Total unusable reserves	585,491	29,431	614,922	

3a Revaluation reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

2016/17 £'000		2017/18 £'000
(30,528)	Balance as at 1 April	(42,121)
(14,391)	Upward revaluation of assets	(6,745)
2,018	Downward revaluation of assets and impairment losses not charged to the (surplus) / deficit on the cost of services	849
(42,901)	Surplus or deficit on revaluation of non-current assets not posted to the (surplus) / deficit on the cost of services	(48,017)
780	Difference between fair value depreciation and historic cost depreciation	1,218
0	Write down of revaluation reserve on assets sold	0
0	Accumulated gains on assets sold or scrapped	0
780	Sub total written off to the capital adjustment account	1,218
(42,121)	Balance at 31 March	(46,799)

3b Capital adjustment account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The movement in the reserve is analysed below:

2016/17 £'000	2017/18 £'000	2017/18 £'000
(71,191) Balance as at 1st April		(74,922)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
8,735 Charges for depreciation and impairment of non-current assets	5,893	
(30) Revaluation (gain)/loss on investment property	(60)	
10 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	55	
8,715		5,888
(780) Adjusting amounts written out of the revaluation reserve		(1,218)
7,935 Net written out amount of the cost of non-current assets consumed in the year		4,670
Capital financing applied in the year:		
(2,914) Use of the Capital receipts Reserve to finance new capital expenditure	0	
(2,050) Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(129)	
(570) Statutory provision for the financing of capital investment charged against the general fund	(516)	
(6,132) Capital expenditure charged against the general fund	(3,143)	
(11,666)		(3,788)
0 Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement		0
(74,922) Balance as at 31 March		(74,040)

3c Pensions reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the resources the Authority has set aside to meet the benefits earned by past and current employees. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17		2017/18
£'000		£'000
573,020	Balance 1 April	703,530
107,350	Actuarial (gains) or losses on pensions assets and liabilities	7,332
29,740	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit in the Comprehensive I&E Statement	32,350
(6,580)	Employer's pension contributions and direct payments to pensioners in the year	(6,562)
703,530	Balance 31 March	736,650

3d Collection fund adjustment account

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

3e Available for sale financial instruments reserve

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.

4 Usable Reserves

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

Notes to the core financial statements

that year and is included in the Surplus or Deficit on the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

	Balance 1 April 2016 £'000	Movement in 2016/17 £'000	Balance 31 March 2017 £'000	Movement in 2017/18 £'000	Balance 31 March 2018 £'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	(107)	(129)	(236)	40	(196)	a
General Capital Reserve	(23,590)	(172)	(23,762)	496	(23,266)	b
Revenue Grants Unapplied	(430)	(121)	(551)	(65)	(616)	c
	(24,127)	(422)	(24,549)	471	(24,078)	
Corporate Reserves						
Transformation Reserve	(8,767)	4,749	(4,018)	264	(3,754)	d
	(8,767)	4,749	(4,018)	264	(3,754)	
Total Earmarked Revenue Reserves Available	(32,894)	4,327	(28,567)	735	(27,832)	
Total Revenue Reserves and Balances	(35,394)	4,327	(31,067)	735	(30,332)	
Capital Reserves						
Capital Grants Unapplied	(1,759)	1,759	0	0	0	e
Capital Receipts Reserve	(2,914)	2,914	0	0	0	f
Total Capital Reserves and Balances	(4,673)	4,673	0	0	0	
Total Usable Reserves	(40,067)	9,000	(31,067)	735	(30,332)	

- The designated underspends reserve enables departments to carry forward specific underspends into the next financial year.
- 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.
- 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.
- 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.
- The capital grants unapplied reserve is the equivalent of the revenue grants unapplied reserve but for capital grants.

- f. The capital receipts reserve is the proceeds from the sale of capital assets (buildings and vehicles) which is available to finance future capital expenditure.

5 Financing and investment income and expenditure

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

2016/17 £'000		2017/18 £'000
426	Interest payable	399
(367)	Interest and dividends from short-term investments	(316)
(30)	Investment property (gains) and losses	(60)
20,380	Pensions interest cost	19,110
(1,190)	Pensions interest on assets	(1,030)
19,219	Total	18,103

6 Government grants and contributions

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

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

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

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

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

Notes to the core financial statements

2016/17 £'000		2017/18 £'000
	Credited to taxation non specific grant income:	
(19,172)	General Government grants (RSG, locally retained business rates & top up grant)	(16,834)
(475)	S31 Grant funding	(627)
	Specific capital grants:	
(14)	CLG – Capital priorities	0
(277)	Capital contributions	(129)
(19,938)	Total	(17,590)
	Credited to services:	
(895)	New Dimensions - USAR	(875)
0	New Dimensions - Community Response	(136)
(6)	New Dimensions – Vehicle Insurance	(6)
(73)	New Dimensions - Enhanced Command Support	(72)
0	National Resilience	(216)
0	Emergency Services Mobile Communication Programme	(53)
0	National Fire Control Services Partnership	(157)
(531)	Radio System	(337)
(19)	New Risks	(148)
0	Intervention Grant	(40)
0	NAR Maintenance Grant	(6)
(31)	LAA - Reward Grant SCC	0
(1,555)	Total	(2,046)

2016/17 £'000	Revenue grants receipts in advance	2017/18 £'000
0	SCC LAA Reward Grant	0
53	Emergency Service Mobile Communicaton Programme (ESMCP)	0
152	Professional Standards Body for the Fire Sector - Set up Grant	0
40	Firesetters intervention - Police and Crime Commissioner	0
245	Total	0

7 Officers' remuneration

Employee benefits

Benefits Payable During Employment

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

Termination benefits

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

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

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

2017/18	Salary	Benefits in kind (e.g. car allowance)	Employers pension contributions	Total remuneration
	£	£	£	£
Chief Officer - Dave Curry (1/4/2017 - 31/12/2017)	116,998	0	25,264	142,262
Chief Officer - Neil Odin (1/1/2018 - 31/3/2018)	35,500	0	5,076	40,576
Director of Service Delivery (1/4/2017 - 31/12/2017)	93,448	0	13,319	106,767
Director of Service Delivery (1/1/2018 - 31/3/2018)	31,047	0	6,737	37,784
Director of Professional Services	114,379	4,509	16,127	135,015

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 Authority for which the Hampshire Fire and Rescue Authority 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.

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

Total remuneration	Number of Employees	
	2016/17	2017/18
£50,000 - £54,999	41	48
£55,000 - £59,999	16	20
£60,000 - £64,999	10	12
£65,000 - £69,999	5	3
£70,000 - £74,999	0	3
£75,000 - £79,999	2	2
£85,000 - £89,999	1	0
£95,000 - £99,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	1	2
£120,000 - £124,999	1	0
£125,000 - £129,999	1	0
Total	78	91

7c Exit Packages

2017/18 Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 to £20,000	0	8	8	£22,705
£20,001 - £50,000	0	2	2	£56,620
	0	10	10	£79,325

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

8 Members' allowances

During 2016/17, new governance arrangements were approved by the Fire Authority that reduced the number of Authority members from 25 to 11 (including a seat for the Police and Crime Commissioner) with effect from 2017/18. Expenses are paid by the nominating authority. The Authority paid the following amounts to members of the Authority during the year:

2016/17 £'000	2017/18 £'000
130 Allowances	89
2 Expenses	0
132	89

9 External audit costs

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

2016/17 £'000	2017/18 £'000
36 External audit services	28
0 Statutory inspection	0
0 Grant claims and returns	0
0 Other services	0
36 Total	28

10 Nature of expenses

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

2016/17 Expenditure in the CIES £'000		Note	2017/18 Expenditure in the CIES £'000
53,957	Employee Benefit Expenses	a	58,135
16,787	Other Service Expenses	b	17,075
8,735	Depreciation and Impairment	c	5,893
79,479	Total Expenditure		81,103
(2,767)	Grants, contributions and reimbursements		(4,813)
(1,404)	Fees, charges and other service income		(1,430)
(4,171)	Total Income		(6,243)
75,308	Net Cost of Services		74,860

- a. Employee benefit expenses include pay, employer national insurance contributions, employer pension contributions and other employee benefits. Accounting adjustments are then made under IAS19 so that the expenditure in the CIES reflects the current service cost of the benefit granted in the period, rather than the payments made.
- b. 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).
- c. Depreciation and impairment charges are made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

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

2016/17 £'000		2017/18 £'000
(670)	Service Delivery	(783)
(734)	Professional Services	(647)
(1,404)	Total income from external customers analysed on a segmental basis	(1,430)

12 Related parties

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides a significant proportion of its funding in the form of grants.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances is shown in Note 8. During 2017/18 there were no potential conflicts of interest involving Members of the Authority.

Officers

The Chief Finance Officer (CFO) to the Fire Authority is also the Head of Finance for Hampshire County Council. The Fire Authority's governance arrangements 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

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.

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, Chief Fire Officer, was a director of the company and was replaced by Andy Bowers, Deputy Chief Fire Officer during the year.

13 Capital financing

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

Capital Financing Requirement

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

Revenue expenditure funded from capital under statute

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

2016/17 £'000	2017/18 £'000
12,762 Opening capital financing requirement	12,191
<i>Capital investment:</i>	
11,095 Property, plant and equipment	3,272
<i>Sources of finance:</i>	
(2,914) Capital receipts	0
(2,050) Government grants and contributions	(129)
<i>Sums set aside from revenue:</i>	
(6,132) Direct revenue contributions (budgeted)	(3,143)
(570) Minimum revenue provision	(516)
12,191 Closing capital financing requirement	11,675
Explanation of movements in year:	
0 Increase in finance leases	0
(570) Minimum revenue provision	(516)
(570) Increase/(decrease) in capital financing requirement	(516)

Redemption of debt

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

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

14 Leases

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

The Authority as a lessee:

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

The Authority as a lessor:

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

Assets used under operational lease

Some of the Authority's premises and operational vehicles are leased. The expenditure charged to the cost of services within the Comprehensive Income and Expenditure Statement in 2017/18 was £35,668 (£21,831 in 2016/17).

The future minimum lease payments due under non-cancellable leases are:

31 March 2017	31 March 2018
£'000	£'000
29 Not later than one year	44
108 Later than one year and not later than five years	168
1,101 Later than five years	1,108
1,238 Total	1,320

The Authority as lessor

The Authority grants operating leases to third parties for example for parking and or storage by other emergency services. The income received by services within the Comprehensive Income and Expenditure Statement in 2017/18 was £896,090 (£776,885 in 2016/17).

The future minimum lease payments receivable in future years are:

31 March 2017		31 March 2018
£'000		£'000
877	Not later than one year	888
2,564	Later than one year and not later than five years	2,545
9,424	Later than five years	8,998
12,865		12,431

15 Property, Plant and Equipment

Property, plant and equipment

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

Recognition

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

Measurement

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation loss previously charged to a service.] Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

Depreciation

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

The accounting standard IAS16 requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. However, where parts of the item are individually not significant and there are varying expectations for these parts, approximation techniques may be necessary

to depreciate them in a manner that faithfully represents the consumption pattern and/or useful life of its parts. For building assets, the Authority uses a weighted average of all components rather than depreciating components separately. The difference in the depreciation calculated is not material.

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and assets held for sale

When a material PPE asset is to be disposed of, and meets all of the criteria of an asset held for sale, it is reclassified as Assets Held for Sale. If the carrying amount at the time of reclassification is higher than the fair value less 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.

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

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

Heritage Assets

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

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

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

15a Movements

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

2017/18	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 2017	114,071	40,811	0	5,445	160,327
Adjustment to opening balance					0
Revised value as at 31 March 2017	114,071	40,811	0	5,445	160,327
Additions in year	289	717	0	2,266	3,272
Donations	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,627	0	0	0	4,627
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(565)	0	0	0	(565)
Derecognition - Disposals	0	(554)	0	0	(554)
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	6,780	(132)	0	(6,648)	0
Gross book value as at 31 March 2018	125,202	40,842	0	1,063	167,107
Accumulated depreciation:					
At 31 March 2017	(8,346)	(24,594)	0	0	(32,940)
Adjustment to opening balance	0	0	0	0	0
Revised value as at 31 March 2017	(8,346)	(24,594)	0	0	(32,940)
Depreciation Charge	(2,586)	(2,802)	0	0	(5,388)
Depreciation written out on revaluation	1,269	0	0	0	1,269
Depreciation written out on the Surplus/Deficit on the Provision of Services	60	0	0	0	60
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	0	499	0	0	499
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	(4)	4	0	0	0
Accumulated depreciation as at 31 March 2018	(9,607)	(26,893)	0	0	(36,500)
Net book value 31 March 2018	115,595	13,949	0	1,063	130,607
Net book value 31 March 2017	105,725	16,217	0	5,445	127,387

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	0	0	0	0
Revised value as at 31 March 2016	106,098	35,621	0	4,903	146,622
Additions in year	682	3,153	0	7,260	11,095
Donations	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,443	0	0	0	7,443
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,476)	0	0	0	(2,476)
Derecognition - Disposals	(2,272)	(85)	0	0	(2,357)
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	4,596	2,122	0	(6,718)	0
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)	0	0	(4,355)
Depreciation written out on revaluation	5,573	0	0	0	5,573
Depreciation written out on the Surplus/Deficit on the Provision of Services	27	0	0	0	27
Impairment (losses)/reversals recognised in the Revaluation Reserve	(642)	0	0	0	(642)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(1,932)	0	0	0	(1,932)
Derecognition - Disposals	2,272	75	0	0	2,347
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
Accumulated depreciation as at 31 March 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

16 Revaluations

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.

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		13,949	13,949
Valued at current value in:			
2013/14	14,040		14,040
2014/15	7,180		7,180
2015/16	15,972		15,972
2016/17	59,942		59,942
2017/18	18,462		18,462
Total	115,596	13,949	129,545

17 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and 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.

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

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.

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.

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;

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 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.

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.

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).

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

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.

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.

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.

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

17a Financial Instruments – Balances

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

Financial Liabilities	Long Term		Short Term	
	31/03/2017 £'000	31/03/2018 £'000	31/03/2017 £'000	31/03/2018 £'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	0	0	(32)	0
-Trade creditors	0	0	(4,102)	(4,470)
Total other liabilities	0	0	(4,134)	(4,470)
Total	(8,350)	(8,350)	(4,199)	(4,535)

17b Short term borrowing

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

17c Long- term borrowing

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

17d Creditors

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

2016/17 £'000		2017/18 £'000
	Financial instrument creditors	
(150)	Deposits	(150)
(3)	Central government bodies	(485)
(153)	Other local authorities	(1,274)
(3,796)	Other creditors	(2,561)
(4,102)	Total Financial Instrument creditors	(4,470)
	Non-financial instrument creditors	
(3,578)	Central government bodies	(1,209)
(1,864)	Other local authorities	0
(31)	Finance leases - to be repaid within 1 year	0
(9,575)	Total short term creditors	(5,679)

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.

17e Financial Assets

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:

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

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

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

Financial Assets	Long Term		Short Term	
	31/03/2017	31/03/2018	31/03/2017	31/03/2018
	£'000	£'000	£'000	£'000
Loans and receivables:				
- Principal at amortised cost	0	0	9,000	8,500
- accrued interest	0	0	29	16
Available for sale investments:				
- principal at fair value	11,900	6,749	1,420	7,139
- accrued interest	0	0	1	0
Total investments	11,900	6,749	10,450	15,655
Loans and receivables:				
- cash (including bank accounts)	0	0	(524)	(571)
- cash equivalents at amortised costs	0	0	480	610
- accrued interest	0	0	3	4
Available for sale investments:				
- cash equivalents at fair value	0	0	4,250	3,060
- accrued interest	0	0	1	1
Total cash and cash equivalents	0	0	4,210	3,104
Loans and receivables:				
- trade debtors	0	0	1,677	4,534
- loans made for service purposes	11	6	0	0
Total financial assets	11,911	6,755	16,337	23,293

17f Long-term investments

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

This balance also includes available for sale financial investments which are not planned to be redeemed in the next financial year.

17g Short term investments

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

This balance also includes available for sale financial investments which are planned to be redeemed in the next financial year.

17h Long term debtors

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

17i Debtors

Receipts are due within one year without interest and as such the fair value of receivables equals the original invoice amount. The total amount has not been reduced to take account of debts that are unlikely to be collectable as it is believed all debts will be repaid in full. Consideration was given as to the need for a provision for bad debts but none was required for either 2016/17 or 2017/18.

The debtors balance incorporates payments in advance. These represent the proportion of leasing payments made that relate to 2018/19 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 2017/18.

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:

2016/17		2017/18
£'000		£'000
	Financial instrument debtors	
44	Central government bodies	565
560	Other local authorities	2,197
139	NHS bodies	125
934	Other debtors	1,647
1,677	Total Financial Instrument debtors	4,534
	Non-financial instrument debtors	
5,483	Central government bodies	2,168
1,546	Other local authorities	0
1,733	Payments in advance	1,722
1,045	Other debtors	0
11,484	Total debtors and prepayments	8,424

17j Cash and cash equivalents

Cash comprises cash in hand and on demand deposits.

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

Notes to the core financial statements

The balance of cash and cash equivalents is made up of the following elements at the balance sheet date;

2016/17		2017/18
£'000		£'000
10	Cash in hand	6
483	Call Account (same day access fund)	614
4,251	Available for sale cash equivalents	3,061
(534)	Uncleared BACS payments	(577)
4,210	Total	3,104

18 Financial Instruments – Fair Values

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 2018, 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.

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 2018, 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

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.

	Fair Value level	Balance Sheet		Fair Value		Note
		31/03/2017 £'000	31/03/2018 £'000	31/03/2017 £'000	31/03/2018 £'000	
Financial Liabilities						
Long term loans from PWLB	2	(8,350)	(8,350)	(10,935)	(10,449)	
Accrued interest		(65)	(65)	0	0	
Total loans borrowed		(8,415)	(8,415)	(10,935)	(10,449)	
Liabilities for which fair value is not disclosed *		(4,134)	(4,470)			
Total financial liabilities		(12,549)	(12,885)	(10,935)	(10,449)	
Recorded on balance sheet as:						
Short term creditors		(4,134)	(4,470)			17d
Short term borrowing		(65)	(65)			17a
Long term creditors		0	0			
Long term borrowing		(8,350)	(8,350)			17a
Total financial liabilities		(12,549)	(12,885)			
Financial Assets						
Available for sale assets held at fair value:						
Money market funds	1	4,251	3,061	4,251	3,061	
Bond, equity & property funds	1	3,692	3,736	3,692	3,736	
Certificates of deposit	2	1,001	0	1,001	0	
Corporate & government bonds	2	8,628	10,152	8,628	10,152	
Assets held at amortised cost:						
Long term loans to other authorities		0	0	0	0	
Total		17,572	16,949	17,572	16,949	
Assets for which fair value is not disclosed *		10,676	13,099			
Total financial assets		28,248	30,048			
Recorded on balance sheet as:						
Long term investments		11,900	6,749			17e
Long term debtors		11	6			17e
Short term investments		10,450	15,655			17e
Cash and cash equivalents		4,210	3,104			17j
Short term debtors		1,677	4,534			17i
Short term service loans			0			
Total financial assets		28,248	30,048			

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

19 Financial Instruments – Risks

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 December 2017).

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.

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.

The main risks covered are:

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

Credit Risk: Investments

HFRA manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of 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.

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

The credit quality of £10.2m of HFRA's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of HFRA suffering a loss on these investments. The table below summarises the credit risk exposures of HFRA's investment portfolio by credit rating:

Credit rating	Long term		Short term	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
AAA	8,208	3,013	420	7,139
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	480	610
A+	0	0	0	0
A	0	0	4,005	1,506
A-	0	0	3	0
AAA Money Market Funds	0	0	4,251	3,061
Unrated local authorities	0	0	6,025	7,014
Unrated pooled funds	3,692	3,736	0	0
Total Investments	11,900	6,749	15,184	19,330

Liquidity Risk

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

Time to maturity (years)	31/03/2017 £'000	31/03/2018 £'000
Not over 1	0	0
Over 1 but not over 2	0	(100)
Over 2 but not over 5	(1,700)	(2,350)
Over 5 but not over 10	(1,550)	(800)
Over 10 but not over 20	(4,600)	(5,100)
Over 20 but not over 30	(500)	0
Total	(8,350)	(8,350)

Market Risks: Interest Rate Risk

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

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall

Notes to the core financial statements

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

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 2018, the entire net principal borrowed (i.e. debt net of investments) was exposed to fixed rates. HFRA’s investments in floating rate notes (£7m at 31 March 2018) and pooled funds (£3.5m at 31 March 2018) are classed as being held at variable rates and exposed to interest rate risk.

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	(222)
Impact on (Surplus) or Deficit on the Provision of Services	(222)
Decrease in fair value of available for sale financial assets	10
Impact on Comprehensive Income and Expenditure	10

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

Market Risks: Price Risk

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

HFRA’s investment in a pooled property fund 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 pooled 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.

20 Provisions

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 liabilities relating to temporary promotions that will be funded by the Authority.
- The third related to various tax liabilities the Authority was 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.

The movement on these provisions can be summarised as follows:

	Uninsurable and other claims	Pension liabilities	Tax liabilities	Provision charged to net cost of services	Business Rate appeals	Total provision made
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017	(207)	0	(141)	(348)	(830)	(1,178)
Payments made in the year	74	0	115	189	247	436
(Increase) /decrease	(14)	(290)	26	(278)	(243)	(521)
Balance as at 31 March 2018	(147)	(290)	0	(437)	(826)	(1,263)

21 Defined benefit pension schemes

21a Participation in pension schemes

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

The Authority participates in a number of pension schemes:

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

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

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

22 Transactions relating to post-employment benefits

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

Notes to the core financial statements

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

	Firefighters' Pension Schemes		Injury Pensions (firefighters)	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	7,980	11,330	560	710
- Past service costs	390	0	0	0
- (Gain)/loss from settlements	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	17,860	16,840	770	730
Total Charge to the Surplus or Deficit on the Provision of Services	26,230	28,170	1,330	1,440
<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	99,620	5,362	4,610	690
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	125,850	33,532	5,940	2,130
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(26,230)	(28,170)	(1,330)	(1,440)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	4,340	4,202	0	0
Benefits paid direct to beneficiaries	0	0	660	670
Charge on General Fund	4,340	4,202	660	670

	LGPS (Staff)		All schemes - Summary	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	1,530	2,230	10,070	14,270
- Past service cost	90	0	480	0
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	560	510	19,190	18,080
<i>Total Charge to the Surplus or Deficit on the Provision of Services</i>	2,180	2,740	29,740	32,350
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
- Return on plan assets	(3,980)	(160)	(3,980)	(160)
- Actuarial (Gains)/Losses arising:-	7,100	1,440	111,330	7,492
<i>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>	5,300	4,020	137,090	39,682
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(2,180)	(2,740)	(29,740)	(32,350)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	1,580	1,690	5,920	5,892
Benefits paid direct to beneficiaries	0	0	660	670
<i>Charge on General Fund</i>	1,580	1,690	6,580	6,562

23 Liabilities in relation to post-employment benefits

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

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

2017/18	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	60,020	654,680	28,280	742,980
Current service cost	2,230	11,330	710	14,270
Interest cost	1,540	16,840	730	19,110
Contributions by scheme participants	510	3,360	0	3,870
Actuarial (gains) and losses	1,440	15,300	690	17,430
Net benefits paid out	(1,730)	(17,500)	(670)	(19,900)
Past service costs	0	0	0	0
31 March	64,010	684,010	29,740	777,760

Under IAS 19, a prospective allowance for injury benefits is required. At the last valuation of the Firefighters' Pension Schemes, 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.

24 Assets in relation to post-employment benefits

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

2016/17 £'000	2017/18 £'000
33,590 1 April	39,450
1,190 Expected return on assets	1,030
3,980 Actuarial gains and (losses)	160
1,580 Employer contributions	1,690
460 Contributions by scheme participants	510
(1,350) Net benefits paid out	(1,730)
39,450 31 March	41,110

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

The actual return on assets in the year was a gain of £1.19m in 2017/18 (£5.17m gain in 2016/17).

25 Pension Scheme Assets

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

31 March 2017	31 March 2018
60% Equities	63%
7% Property	7%
25% Government bonds	24%
8% Other assets	6%
100% Total	100%

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

26 Impact on the Authority's cash flows

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

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

The deficit on the LGPS will be made good by increased contributions over the remaining life of employees, as assessed by the actuary. The objectives of the LGPS are to keep the employer's contribution rate as constant as possible. The aim is to achieve a 100% funding level over a period of 19 years from 1 April 2017. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

The employer's regular contributions to the LGPS fund for the accounting period 31 March 2019 are estimated to be £1.85m. In addition pension strain contributions may be required.

27 Basis for estimating Assets and Liabilities

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

- Financial assumptions
- Post Retirement Mortality
- Commutation.

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

Scheme	Date
Local Government Pension Scheme – funded	31 March 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

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

<u>31 March 2017</u>		<u>31 March 2018</u>
3.1%	Rate of Inflation (RPI)	3.2%
2.0%	Rate of Inflation (CPI)	2.1%
3.5%	Rate of increase in salaries	3.6%
2.0%	Rate of increase in pensions	2.1%
2.6%	Rate for discounting scheme liabilities	2.6%
Longevity at 65 for current Pensioners (years):		
24.0	Men (LGPS)	24.1
27.0	Women (LGPS)	27.2
22.1	Men (Firefighter Schemes)	22.2
24.6	Women (Firefighter Schemes)	24.7
Longevity at 65 for future Pensioners (years):		
26.0	Men (LGPS)	26.2
29.3	Women (LGPS)	29.4
24.2	Men (Firefighter Schemes)	24.3
26.9	Women (Firefighter Schemes)	27.0

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

The commutation assumptions used by the independent actuary are:

	31 March 2017	31 March 2018
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.

28 Sensitivity analysis of financial assumptions

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

Baseline:-

Fire Schemes

Present Value of total obligation (excluding injury benefits) @ 31 March 2018 = £684.01m

Projected Service cost 2018/19 = £12.20m

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31 March 2018 = £63.96m

Projected Service cost 2018/19 = £2.38m

	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)	62.66	65.29	670.73	697.56
* % change in present value of total obligations	-2.0%	2.1%	-1.9%	2.0%
* Projected service cost (£M)	2.31	2.45	11.71	12.70
* % change in projected service cost	-3.0%	3.1%	-4.0%	4.1%
Rate of general increase in salaries				
* Present value of total obligations (£M)	64.27	63.65	687.75	680.32
* % change in present value of total obligations	0.5%	-0.5%	0.5%	-0.5%
* Projected service cost (£M)	2.38	2.38	12.46	11.94
* % change in projected service cost	0.0%	0.0%	2.1%	-2.1%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	64.97	62.96	693.78	674.38
* % change in present value of total obligations	1.6%	-50.0%	1.4%	-1.4%
* Projected service cost (£M)	2.45	2.31	12.43	11.98
* % change in projected service cost	3.1%	-3.0%	1.9%	-1.8%

	LGPS		Fire Schemes	
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	65.84	62.09	702.49	665.53
* % change in present value of total	0.03	-0.03	0.03	-0.03
* Projected service cost (£M)	2.47	2.29	12.64	11.76
* % change in projected service cost	0.04	-0.04	0.04	-0.04

29 Contingent liabilities and assets

Contingent liabilities

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

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

Contingent assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

The Authority is not aware of any contingent liabilities and assets

30 Events after the balance sheet date

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.

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

Notes to the core financial statements

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 May 2018. 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 2018, the figures in the financial statements and notes would have been adjusted in all material respects to reflect the impact of this information.

31 Cash Flow Statement

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

2016/17 £'000	2017/18 £'000
(4,355) Depreciation	(5,388)
(4,380) Impairments & downward revaluations	(505)
0 Amortisations	0
0 (Increase)/Decrease in impairment for bad debts	0
(733) (Increase)/Decrease in creditors	3,865
4,121 Increase/(Decrease) in debtors	(3,176)
34 Increase/(Decrease) in inventories	(20)
(288) (Increase)/Decrease in provisions	(521)
344 Actual cash payments made from provisions	436
(23,160) Movement in pension liability	(25,788)
30 Movement in the value of investment properties	60
(10) Carrying amount of non current assets and non current assets held for sale, sold or derecognised	(55)
0 Other non-cash items charged to the net surplus or deficit on the provision of services	0
(28,397) Adjustment for non-cash items	(31,092)

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

2016/17 £'000	2017/18 £'000
0 Proceeds from the sale of fixed assets	0
14 Capital grants and contributions received	0
14 Adjustment for activities that are investing or financing cash flows	0

Notes to the core financial statements

The cash flow from operating activities includes the following items:

2016/17 £'000	2017/18 £'000
(257) Interest received	(147)
(121) Dividends received	(182)
426 Interest paid	396
48 Net cash outflow from operating activities	67

The cash flow from investing activities comprises the following items:

2016/17 £'000	2017/18 £'000
Cash outflows	
10,374 Purchase of property, plant and equipment	3,271
26,531 Purchase of short-term and long-term investments	18,197
Cash inflows	
(150) Proceeds from the sale of property, plant and equipment	0
(31,909) Proceeds of sale of short-term and long-term investments	(18,180)
(14) Capital grants received	126
0 Other income	
4,832 Net cash outflow from investing activities	3,414

The cash flow from financing activities comprises the following items:

2016/17 £'000	2017/18 £'000
Cash outflows	
65 Cash payments for the reduction of the outstanding liabilities relating to finance leases	32
0 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
65 Net cash outflow from financing activities	32

32 Accounting policies

General principles

The Statement of Accounts summarises the Authority's transactions for the relevant financial year and its position at the relevant year end of 31 March. It has been prepared in accordance with the 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.

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

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

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

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

Intangible assets

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

Inventories and long term contracts

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

VAT

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

Interests in Companies and Other Entities

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

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

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

33 Critical judgements in applying accounting policies

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.
- Judgements have been made on whether any contracts for services include embedded leases. None have been identified.
- Judgements about the likelihood of pending and potential liabilities have been made and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties and legal claims that could eventually result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending cases based on experience in previous years or in other local authorities.

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

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

- Network Fire Control Services Partnership
- South Central Ambulance Service (SCAS) Co-responder scheme.
- Joint working with Hampshire County Council and Hampshire Constabulary

In the case of 3SFire Ltd they have been judged to be a subsidiary of the Authority and therefore group accounts will be required when their turnover becomes material. However, for 2017/18 this has been judged immaterial as their turnover is less than 1% of the Authority's total income.

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

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 28.

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 2018. 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 2018.

35 Accounting Standards Issued, Not Adopted

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

The additional disclosures that will be required in the 2018/19 financial statements in respect of accounting changes introduced in the 2018/19 Code are:

- IFRS 15 Revenue from Customers with Contracts from 1 April 2018

The impact of IFRS 15 on the 2018/19 Statement of Accounts is still being assessed, although it is not anticipated this will be material.

- IFRS 9 Financial Instruments from 1 April 2018

In anticipation of implementing IFRS 9 from 1 April 2018 the Authority has irrevocably elected to account for individual investments in equity instruments at fair value through other comprehensive income. The category of equity instruments covers the Authority's holdings in pooled property funds and equity funds valued at £3.7m as at 31 March 2018.

Pension Fund Accounting Statement

36 Pension Fund Account

2016/17 £'000	2017/18	
	£'000	£'000
Contributions receivable:		
(4,293) Normal contributions from employer	(4,108)	
(61) Early retirement contributions from employer	(121)	
<u>(3,686) Contributions from members</u>	<u>(3,373)</u>	(7,602)
(8,040)		
(97) Transfers in		(275)
Benefits payable:		
15,530 Pensions	14,883	
4,468 Commutations and lump sum retirement benefits	2,807	
<u>0 Lump sum death benefits</u>	<u>0</u>	17,690
19,998		
Payments to and on account of leavers:		
0 Refunds of contributions	0	
<u>351 Individual transfers out to other schemes</u>		<u>0</u>
351		
Net amount payable for the year before top-up grant		
12,212 receivable from the Government		9,813
(12,212) Top up grant receivable from the Government		(9,813)
<u>0 Net amount receivable/payable for the year</u>		<u>0</u>

Net Assets statement

2016/17 £'000	Net current assets and liabilities	2017/18 £'000
5,481	Pension top-up grant receivable from Government	2,164
1,258	Pensions paid to pensioners in advance	1,334
	Liabilities to be paid in relation to employee	
(509)	contribution holidays	0
<u>(6,230)</u>	<u>Temporary (borrowing) / lending</u>	<u>(3,498)</u>
<u>0</u>		<u>0</u>

37 Notes to the Pension Fund Accounting Statement

The accounting policies for the Pension Fund Account are the same as those of the main Authority and can be found in note 33 of the main Authority's financial statements.

Funding arrangements

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

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

Accounting for future liabilities

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

Temporary borrowing or lending

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

Annual Governance Statement for Hampshire Fire and Rescue Authority

1. Scope of Responsibility

Hampshire Fire and Rescue Authority (the Authority) is responsible for ensuring that:

- its business is conducted in accordance with the law and to proper standards;
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively;
- pursuant to the Local Government Act 1999 it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy; and
- 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 edition.

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 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, 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 2018 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 and has been operating under a new structure and arrangements for a year. The aim of the review was to ensure the Authority is 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, which comprises of 10 members, is more agile and already demonstrating more effective leadership. The Police and Crime Commissioner (PCC) attends Authority meetings and has the ability to speak on items on the agenda. The new structure and arrangements have resulted in a more strategic and business focus from the Authority with improved Member engagement and scrutiny.
- 3.1.2 The key policies that set out the scope of authority for Members and explain the delegation to Officers is detailed in the Scheme of Delegation, Contract Standing Orders and Financial Regulations which are contained within the Authority's Constitution. Both Members and staff are aware of their responsibilities within these policies. The Scheme of Delegation and Financial Regulations were reviewed as part of the Authority's Governance Review and combined into one single document, "The Constitution". The Authority approved The Constitution at their AGM in June 2017.
- 3.1.3 The organisation's values are embedded in our ways of working. These values are underpinned by the Leadership Framework and a range of policies and procedures including Codes of Conduct for Members which is included within The Constitution and for staff, the registers of interests, gifts and hospitality and Code of Conduct.
- 3.1.4 The Authority is committed to the highest ethical standards. A Code of Corporate Governance is included within The Constitution. The Code of Corporate Governance demonstrates a comprehensive commitment on the part of the Authority to accountability, integrity, ethical values and the rule of law.
- 3.1.5 Senior Management 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, resilience and assurance, our people and physical assets (vehicles and estates). These boards provide extra scrutiny on behalf of the Chief Officer's Group and Executive, to which they report on a regular basis.
- 3.1.7 A Policy Framework has been developed and approved and is currently being implemented.

3.2 Ensuring openness and comprehensive stakeholder engagement.

- 3.2.1 The Authority's Service Plan 2015-2020 sets out our clear strategic Priorities. The Plan is on the Authority's website and available to stakeholders electronically and in paper format (upon request).

- 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, 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 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 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 where required and expected. Extensive consultation was undertaken during the Authority's 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 and other senior leaders 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 Fire Officer reports progress to the 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'. They are called 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 plans and our corporate portfolio of projects. Progress against these plans is monitored through regular performance updates to Senior Management and the Authority. A Service Plan

refresh was carried during the year. The refresh, which was approved by the Authority, enabled the opportunity to assess the deliverables of the Safer Stronger aims to ensure they reflect the current operating environment.

- 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.
- 3.3.5 Equality Impact Assessments (EIAs) are used to identify any significant impact on people, and in particular, those who share a characteristic which is protected under equality law. EIAs are carried out for any significant project, process or strategic decision.

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

- 3.4.1 There are clear guidance and protocols for decision making. The involvement of legal and finance officers in all significant decisions of the Authority ensures that decisions are only made after relevant options have been weighed and associated risks assessed.
- 3.4.2 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 clear that financial resources are focussed to deliver the Authority's aims and priorities which underpinned continuous improvement.
- 3.4.3 Risks associated with the delivery of plans are detailed in Risk Registers held at strategic and project level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation. The Strategic Risk Register was reviewed during the year and approved in February 2018. The review was carried out to ensure the risks on the register accurately reflect the current operational and organisation environment. The Authority approved the Strategic Risk Register and monitor it regularly through formal reporting.

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. A Member Officer Protocol has been developed to provide clarification around the two roles. The Member Officer Protocol is included within The Constitution.
- 3.5.2 Members receive thorough induction training and attend regular 'awareness' sessions on current topics which are delivered during the year. The topics are decided by Members with support from officers to ensure that decision-making is based on knowledge and understanding of the issues involved. Members receive copies of key internal staff communications. The 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.
- 3.5.3 The Authority, its committees and the Chief Fire Officer have access to a full range of professional advisers to enable them to carry out their functions effectively and in compliance with statutory requirements. Some legal and democratic services are

provided through service level agreements with Hampshire County Council. 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 to meet the changing needs and expectations of society and future opportunities for the delivery of services to our communities. The Service has also recently approved an Appointments and Promotions Policy to ensure clarity for staff over the process.
- 3.5.5 Hampshire Fire and Rescue Service regularly reviews the shape of its workforce against the context of its capacity and capability requirements to meet the needs of communities. This then informs a range of strategies such as recruitment, retention and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of the Service.
- 3.5.6 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 A Corporate Shared Services Workforce Development Learning Brochure has recently been created to deliver a variety of development programmes, tools and resources to help leaders, managers and staff feel supported in their roles.
- 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, Resilience and Assurance Board, which reports to the Service Management Team.
- 3.6.2 Performance management is in place to measure progress against aims and priorities to prompt remedial action where appropriate. Our 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. The Service Management Team review our key performance indicators on a regular basis and the Chief Fire Officer holds Directors to account for performance of their areas of the Service. The Authority holds the Chief Officer to account and receives regular performance reports at its public meetings. It is worthy of note that the internal management structure for the Service will be developed over the following financial year to improve efficiency, effectiveness and improve its ability to make communities safer.
- 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 similar fire and rescue services.
- 3.6.4 The Internal Audit Plan 2017/18 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. The Service's approach is to identify areas that could present greatest risk or where managers have identified indicators that improvement is needed.
- 3.6.6 The delivery of the resulting internal audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Service Management Team, having previously been viewed by the Directors group.
- 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. This Committee consider the delivery and outcomes of the internal audit plan, along with scrutinising the Services performance in delivering against agreed actions.
- 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 Although financial management across the service continues to deliver effective results in what is essentially a low risk financial environment, there was a single project overspend in excess of £1m during 2017/18 that arose mainly due to lack of proper project management and appropriate escalation within the ICT transformation project. This overspend was investigated and transparently reported to Standards and Governance Committee and an action plan put in place to further strengthen financial management arrangements across the Service.
- 3.6.11 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 resulting from reducing funding received as part of the Fire Funding Formula. It also provides information on the level and use of reserves in transforming and improving the Service. The Authority has established a clear Financial Plan up to 2021 with the specific purpose of closing our predicted funding gap of £3.4m by 2021/22, based on the best information available to it. The medium term financial plan is overseen and monitored by our Service Management Team and is regularly formally reported to the Authority at its public meetings.
- 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 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 twice yearly progress reports to the Standards and Governance Committee providing an overview of Service performance. It considers delivery against the plan and the progress made by the Service in the implementation of management actions that have been agreed to mitigate risks identified through internal audit work.
- 3.7.3 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 strategic and project risk registers. Internal Audit, as part of its planned review of internal controls, regularly evaluates the key controls to determine their adequacy and carries out tests to confirm the level of compliance. An audit opinion on effectiveness is provided to management and any actions for improvement to be agreed.
- 4.2 The Service have been preparing for the new General Data Protection Regulations (GDPR) which come into effect in May 2018 and will be ensuring that all staff and Authority Members have appropriate awareness and training sessions.
- 4.3 Hampshire Fire and Rescue Authority prides itself on being a professional learning organisation that actively seeks challenge and review.
- 4.4 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.

4.5 In readiness for an inspection from Her Majesty's Inspectorate of Constabulary's and Fire and Rescue Services (HMICFRS), the Service have conducted a gap analysis to ensure we are prepared for inspection and learn from the outcomes.

4.6 Other external reviews include the following:

- ISO27001 Information Security Audit accreditation meaning that HFRS are compliant to the internationally recognised information security standard.
- 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.
- An external independent review, facilitated through the NFCC, was conducted for its ICT Transformation Project.

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 Senior Management.
- 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 2017/18 action plan to ensure continuous improvement of the system of corporate governance

The following actions have been identified to ensure continuous improvement and will be carried out over the next year.

6.1 The Service will review its consultation strategy as part of the planning stage of any new or existing piece of work.

6.2 The Service will implement the approved Service Policy Framework, ensuring that all policies are up to date, published on an appropriate platform and the process is embedded throughout the organisation.

6.3 We will review the framework and arrangements that govern our Impact Assessments.

6.4 We will carry out an Authority Governance Review to ensure the changes implemented from June 2016 have resulted in a more efficient and effective Authority.

- 6.5 We will ensure that all of the recommendations contained in the action plan produced following the ICT project overspend are implemented.
- 6.6 We will ensure the Service is ready for the inspection programme being carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and ensure we learn from the outcomes.
- 6.7 We will carry out a new Strategic Assessment to inform a new Service Plan.
- 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 2016-2017 Annual Governance Statement:-

- 7.1 The Risk, Resilience and Assurance Board has conducted a review of the risks on the Strategic Risk Register and has established a robust process for monitoring risks and mitigating controls. The Risk Resilience and Assurance Board reports to the Service Management Team.
- 7.2 The Service has employed a Data Protection Officer. Preparations have been made to ensure that the Service have controls in place to meet the requirements of the new General Data Protection Regulations which come into force in May 2018. Preparation includes the training of Authority Members and staff.
- 7.3 The Service has reviewed its Partnership Policy and framework. A draft has been approved by the Risk, Resilience and Assurance Board. Further approval will be sought from the Service Executive Team within the new governance arrangements for 2018/2019, after which it will be communicated to staff and implemented.
- 7.4 The Service has reviewed its procurement practices and Contracts Register to ensure they are effective and ensure value for money. The Service now has a comprehensive contracts register and pipeline database with regular dashboards produced and reported. There have been increased levels of governance with reviews at significant milestones during procurement processes.

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:
Chief Officer
Date:

Signed:
Chairman
Date:

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26 July 2018

Ernst & Young
Apex Plaza
Forbury Road
Reading
RG1 1YE

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 2018. 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 2018 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 2017/18.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 2017/18. 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 2017/18, 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. Non-compliance with law and regulations, including fraud

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and 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: 26/07/2018.
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.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. 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.

F. 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.

G. Reserves

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

H. 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.

I. 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 2017/18.
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 2017/18.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant

retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Chief Financial Officer

Chairman of the Standards and Governance Committee

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Purpose: Noted

Date: 26 July 2018

Title: ICT Project - Update on Financial Management Action Plan

Report of Treasurer

EXECUTIVE SUMMARY

1. The purpose of this report is to provide an update on the management action plan that was submitted to Standards and Governance Committee in response to the internal audit reports on the ICT Transformation Project overspend and budgetary control.
2. The report highlights the fact that the majority of the management actions are now complete and where this is not the case sets out a rationale for this and proposed next steps.

INTRODUCTION AND BACKGROUND

3. During last year financial year, routine budget monitoring by the Finance Team uncovered a significant overspend on the ICT Transformation project. Internal audit were asked to investigate the reasons for the overspend on the project and were also asked to undertake an audit on budgetary control across the whole service.
4. The first audit concluded that there had been poor project management and oversight of the ICT project and that delays to go live and subsequent problems after, meant that significant money had been spent on bringing in consultants and contractors without the appropriate authority or budget approval.
5. The second audit highlighted that whilst in general terms there was low financial risk across the majority of services and projects within HFRS, compliance with project management, budgetary management and control processes needed improving.
6. A comprehensive management action plan was put in place to address these concerns and an update was provided to the Executive Group at the end of May and Members of Standards and Governance Committee were provided with an informal update at that stage notifying them of planned slippage in some of the items.
7. This report provides a further formal update to Standards and Governance Committee on the status of the actions.

MANAGEMENT ACTIONS

8. Appendix 1 sets out the action plan that was approved by Standards and Governance Committee in January. The original timescales are provided for information and responsible officers have been updated to reflect the change in senior management arrangements.
9. A number of the actions on the plan relate to the responsibilities and expectations of budget managers and in the original submission to Standards and Governance Committee it was stated that these would be covered off by a 'comprehensive management instruction'.
10. The instruction was issued to budget managers and project managers on 29 June and is repeated for Members information in Appendix 2, you will note a key message around appropriate escalation, which is probably the biggest single item that would stop such an occurrence ever happening again.
11. Following the issue of this instruction that now means that 17 of the total 21 management actions are now complete and the Committee is therefore requested to note the progress and provide any feedback as appropriate.
12. The main area where there are outstanding actions is within project management and control and these actions are being subsumed within a wider piece of work around the role of the Programme Management Office and the documentation, processes and procedures employed in respect of project management activity.
13. The only other areas relate to the updating and issuing of guidance information for budget and project managers, which is partially complete but cannot be finalised until the work around project management and the PMO is complete. Once this has been done a full pack will be issued to budget managers and will be available of the intranet.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

14. Good financial management is a pre-requisite for any organisation and is key to achieving our service plan priorities. The actions detailed in this report will ensure that there is better governance around project and budgetary control across the Service.

LEGAL IMPLICATIONS

15. There are no direct legal implications arising from this report but the statutory role of the Chief Financial Officer must ensure that there is proper administration of the financial affairs of the Authority.

RISK ANALYSIS

16. In general terms the financial risks faced by the Authority on a day to day basis are small since most expenditure is directed towards people, property and

vehicles and there is limited demand led activity within the service outside of retained call outs.

17. However, the audit investigations highlighted the fact that no financial risk assessment was carried out in respect of projects that were initiated within the Service and this has therefore been corrected as one of the management actions.
18. In any event the requirement to appropriately escalate financial issues of concern is a major risk mitigation factor in most circumstances.

CONCLUSIONS

19. Although it is important to keep the ICT overspend within the overall context of many years of good financial management across the service, it nevertheless represents a very serious incident which requires appropriate action to be taken.
20. The majority of the action plan has now been completed, but it is important that these items are now embedded across the Service to ensure that financial management is being given the level of importance it requires.
21. The Executive Group and Finance Team will continue to ensure that appropriate focus is given to this area and a follow up audit is planned for 2019/20 to further review the position.

RECOMMENDATIONS

It is recommended that Standards and Governance Committee

22. Note the update on the management actions detailed in Appendix 1 and provide any feedback as appropriate.

Appendices :

Appendix 1 – Update on management action plan

Appendix 2 – Management instruction

UPDATE ON MANAGEMENT ACTION PLAN

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
a)	Induction training for all new budget managers.	Kate Boynton	Process in place by April 18	Complete	Training sessions have been programmed in on a regular basis so that new starters or those managers who are new to budget management will be given the appropriate training to ensure all new budget managers have the necessary understanding of their responsibilities. Link to (c) below.
b)	Mandatory finance training for all existing budget holders	Kate Boynton	End March 18	Complete	Training sessions had already been planned from January 2018 onwards and these have taken place. Two further wash up sessions were held during June for those managers that missed the first courses.
c)	A commitment to have finance training as a qualifying requirement for promotion where applicable, therefore becoming either a pre-employment training (PET) requirement or a requirement within a set period of taking up post.	Rob Carr / Molly Rowland	Process in place by April 18	Complete	Finance training will be stated as a requirement in the competencies framework for all Station Managers and for all green book budget holders. This will ensure that as with other competencies they will have to do the training and then have to retain the competence through refresher courses that will be made available on-line in the longer term.
d)	A review of the current guidance for project managers and line managers with budgetary responsibilities to include clear expectations of what is expected of them and their delegated spend and approval levels.	Kate Boynton / PMO	End April 18	Partly complete	The existing guidance has been reviewed but is awaiting formal update whilst the new management structure and responsibilities and accountabilities are put in place and the review of PMO and project management arrangements is completed. A complete guidance pack will produced once everything is finalised.

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
e)	Training to include how to use portal reports and details of the financial housekeeping activities budget managers should do regularly.	Kate Boynton	End March 18	Complete	This is contained within the finance training in action b.
f)	Training to include an understanding and appreciation of financial regulations and contract standing orders.	Kate Boynton	End March 18	Complete	This is contained within the finance training in action b.
g)	Written guidance available on the intranet that covers these issues.	Kate Boynton	End June 18	Ongoing	The aim would be to produce a single pack that budget managers have access to once all of the parts of this action plan have been completed (as per item d).
	<u>Budgetary Control and Forecasting</u>				
h)	Requirement that all managers will look at their budgets and update forecasts at least quarterly, and more frequently in the early stages of a project.	Rob Carr / Neil Odin	End June 18	Complete	Covered by comprehensive management instruction and compliance checking
i)	Budget Managers are expected to escalate issues of financial concern to their line manager and Finance (this is in response to audit Action Plan 8 and 9, where it is not felt appropriate that separate reports are produced by budget managers for onward reporting and limited resources mean that Finance cannot meet with all budget managers on a set basis).	Rob Carr / Neil Odin	End June 18	Complete	Covered by comprehensive management instruction and compliance checking

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
j)	Corporate monitoring will be carried out quarterly which will include formal reporting by Directors to the Executive Group and HFRA.	Rob Carr	End June 18	Complete	Covered by comprehensive management instruction and will be supported by the Finance Team.
k)	Compliance checking by Directors that budget managers are carrying out effective budget monitoring, forecasting and housekeeping.	Rob Carr / Neil Odin	End June 18	Complete	Covered by comprehensive management instruction and will be supported by the Finance Team.
l)	Ensure that the Establishment Management Group (EMG) are monitoring establishments and the spend on staffing, which should include all staff related costs (temporary, agency, volunteers etc.).	Molly Rowland	End June 18	Complete	This is being picked up by the new Resource Management Group and is currently in place. This item relates more to the control of establishment than it does general monitoring since budget managers should also take responsibility for their workforce budgets and monitoring.
	<u>Project Management</u>				
m)	Risk assessment of projects from a financial and non-financial point of view at the outset to determine the appropriate board representation and onward reporting.	Shantha Dickinson	Process in place by April 18	Complete	A process is in place to ensure this happens going forward and a review of existing projects to ensure there is appropriate representation has been carried out. A review of the PMO and associated processes is currently in train and this action will be further picked up as part of that to ensure it is embedded in process and guidance.
n)	Stricter financial reporting to all boards for projects concentrating on costs not just achievement of savings.	Shantha Dickinson	End June 18	Complete	Covered by comprehensive management instruction and will be further picked up as part of the PMO review to ensure it is embedded in process and guidance.

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
o)	Reporting timelines to be proportionate to the length and risks of the project but with a minimum of monthly highlight reporting.	Shantha Dickinson	End April 18	Complete	Covered by comprehensive management instruction and will be further picked up as part of the PMO review to ensure it is embedded in process and guidance.
p)	A review of the highlight report format to ensure that it is fit for purpose from a financial point of view.	Rob Carr	End March 18	Partly complete	The current highlight report has been reviewed and it is felt that the amount of information within it is excessive for regular reporting, since focus should be on escalating key issues to the appropriate board / senior manager. Changes to the highlight report will be considered as part of the PMO review.
q)	Compliance checking by the PMO to ensure that highlight reports are being completed appropriately.	Shantha Dickinson	End March 18	Partly complete	This has been communicated verbally to the PMO and will be included as part of the formal review of processes. It is also covered by the comprehensive management instruction.
r)	The appointment of Finance and Quality Assurance members on Project Boards to be considered at the initial stages of establishing the governance arrangements for all projects.	Shantha Dickinson	Process in place by April 18	Complete	This is essentially a repeat of (m) - A process is in place to ensure this happens going forward and a review of existing projects to ensure there is appropriate representation has been carried out. A review of the PMO and associated processes is currently in train and this action will be further picked up as part of that to ensure it is embedded in process and guidance.
	<u>Procurement</u>				
s)	Appropriate Officers to be made aware of requirements and approval limits within Contract Standing Orders and Financial Regulations.	Rob Carr / Neil Odin	End April 18	Complete	This was reviewed as part of the update of the Constitution and approval limits are covered in the training referred to above.

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
t)	A simple guide of key procurement issues to be made available on the web.	Kate Boynton	End March 18	Complete	Already available, see: http://intranet.hants.gov.uk/corporateprocurement/procurementinhampshire.htm
u)	Procurement approvals and routes to be covered within future business cases.	Rob Carr / Neil Odin	End June 18	Complete	Covered by comprehensive management instruction

Management Actions Arising from the ICT Transformation Project Overspend

Introduction

You will no doubt be aware that last financial year an overspend in excess of £1m was incurred on the ICT Transformation Project mainly as a result of a delay in the implementation date and the employment of consultants and contractors before and after the go live date in order to resolve a number of system issues.

The project was subject to an audit investigation and a further audit on budgetary control was also carried out across the Service by the Southern Internal Audit Partnership. The results of these audits were transparently reported to Standards and Governance Committee and a comprehensive management action plan to address a range of shortcomings was put in place.

The purpose of this note is to make all managers aware of a number of key requirements and expectations of them in carrying out their roles as part of their business as usual duties.

These are detailed in the points below but the next section highlights an issue which is fundamental to the effective operation of any organisation, not just from a financial point of view but relating to responsibilities, accountabilities and decision making across the whole organisational structure.

Appropriate Escalation

Perhaps the most fundamental and disappointing element of the ICT overspend was that at no point were the financial problems within the project highlighted or appropriately escalated within the organisation.

It is entirely plausible that a large proportion of the expenditure relating to the overspend was in fact needed under the circumstances, what was missing however was the early escalation of the potential problems so that they could be considered and addressed and appropriate responses put in place.

This could have included asking the Authority for a further £1m of funding to meet the anticipated cost over run if this was justified, or putting in place other mitigating actions that may have prevented the over spend in the first place. The lack of knowledge of the problem and the subsequent late identification of it by the Finance Team later in the year has severely dented Members confidence in our financial management capabilities and this is something that we need to repair quickly.

A further important point in this regard is that escalation would never be viewed as someone not doing their job properly, it is an important part of management and decision making and in general the rule would be **'if in doubt, escalate'**.

Key Requirements and Expectations

Finance Training – All Budget Managers are required to undertake finance training in order to be able to undertake their role. This will be included in future competencies for relevant staff and you should by now have attended the recent financial training courses that were arranged by the Finance Team. If you have not done so or are unsure as to whether or not you need to attend, please speak to your manager or the Finance Team.

Budgetary Control and Management – In general terms, the financial risks within the operational budgets across the Service are not considered to be high, but it is still important that Budget Managers regularly undertake financial ‘housekeeping’ tasks, review their spend against budgets and provide forecasts to the Finance Team **at least on a quarterly basis**. The audit review highlighted that there was poor compliance by Budget Managers in this regard and our performance therefore needs to improve.

The Finance Team are there to support you in this process, but they are not responsible for completing it. We will be looking at compliance reporting during the year to ensure that Budget Managers are carrying out their financial responsibilities. Project managers are also accountable for the finances of their projects, but the frequency of reporting may need to be different as covered in the project reporting timelines point below.

Appropriate Escalation – It is accepted that financial management may be easier for some managers than others, given the different skill sets that individuals hold. It is therefore important that if Budget Managers are concerned about any part of their budgets, spend or forecasts that they escalate this to their line manager and to the Finance Team in order that the issue can be investigated and appropriate action taken if necessary. This should be done at the earliest opportunity and should not be ‘held over’ to coincide with the next financial reporting timescales.

Financial Reporting – The new arrangements for the Executive Group require Directors to provide quarterly reports on finance and performance (including projects). The Chief Fire Officer has made it clear that he expects Directors to be accountable for what is presented albeit that they will be supported by the Finance Team and their own teams to pull the information together. This will include forecasts of spend to the end of the year (or project) and it is important that Budget Managers take this process seriously to ensure the most accurate information is reported each quarter. There will also be onward reporting to the Authority but at a more summarised level.

Project Reporting – Projects by their very nature tend to deal with implementing change and therefore there is inherently more risk associated with delivery and the financial arrangements. Good project reporting relies on an honest assessment of delivery against outcomes, quality, cost and timelines as part of a regular highlight report.

Project boards or responsible officers should be disciplined in requiring timely and honest highlight reports to be completed and should challenge project managers where this is not the case. The ICT project did not properly report the financial aspects of the project and this was not challenged by the project board or the PMO.

The highlight report and reporting arrangements will be simplified and streamlined as part of a current review of this area and further information will be provided in due course. This will also include a review of the appropriate representation on project boards based on an initial risk assessment of the project itself.

Project Reporting Timelines – In general terms there should be a minimum of monthly highlight reporting for individual projects. However, the reporting timelines should be commensurate with the level of risk and length of the project itself.

Depending on this assessment that could mean that weekly highlight reporting is needed for some projects and the focus of highlight reporting is to appropriately escalate issues that may need to be considered or resolved in order to ensure the project stays on track. As stated above, a review of the highlight report format will be undertaken to better facilitate this.

Procurement – Budget Managers should be aware of their responsibilities and the processes associated with procurement. This is covered in the mandatory training highlighted above, but again the Finance and Procurement Teams are there to assist if you have any doubts.

In the future, any business cases put forward for projects or other expenditure need to be clear on the procurement route at the point of decision to ensure that this is appropriate.

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Purpose: Noted

Date **July 2018**

Title **Information Governance**

Report of Chief Officer

1 **Audit objectives**

1.1 This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:

- policies and procedures for information management are defined documented, maintained and adhered to;
- training and awareness for information management is comprehensive and periodically conducted for all new and existing staff;
- Freedom of Information and Subject Access Requests (SARs) are dealt with in line with legislative requirements;
- data handling, storage, processing and destruction is in line with the 8 Data Protection principles;
- data sharing protocols have been established and are adhered to by staff to ensure that data is shared appropriately with other organisations;
- data privacy notices are published at collection and where appropriate, consent is recorded;
- privacy impact assessments are undertaken when changes are made to systems, policies and procedures;
- appropriate plans are in place and are monitored to support HFRS in being prepared for the implementation of the requirements of new data protection legislation (GDPR) taking effect from May 2018.

2 **Audit opinion**

2.1 The overall opinion of this review based on the audit evidence obtained, is that **limited assurance** can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives.

3 **Executive summary**

- 3.1 There are a number of information management related policies and procedures in place in Hampshire Fire and Rescue Service (HFRS), covering the key areas of information security and handling. We noted that several documents had not been reviewed for some time, however we were informed that HFRS are in the process of carrying out a policy review process to streamline the number of policies and procedures prior to transferring documents to Sharepoint. There were also some housekeeping issues with document control records such as version number, review dates and record of changes made.
- 3.2 We were informed that HFRS does not currently provide Data Protection training to all staff. Although we understand that all operational and support staff across HFRS received training three years ago, there has been no follow up to this, and new staff do not receive Data Protection training as part of their induction. However we confirmed that staff dealing with sensitive data in a safeguarding role do receive annual Data Protection training as part of that role. ICO guidance is that all staff should be trained, and that this should be refreshed annually.
- 3.3 HFRS have procedures in place for handling Freedom of Information (FOI) requests. Testing of FOI requests confirmed that they were being handled in line with procedures, except for completed requests being published on the HFRS website. A small percentage of requests were completed outside the 20 day limit (5.7% between April and November 2017). We tested 4 overdue requests and established that for 2 of these departments had not been reminded of the need to provide information in a timely manner. There is also no training on FOI given to staff, although the staff dealing with FOI requests have been trained.
- 3.4 The complaints information published on the HFRS website is incomplete, as it does not inform the complainant that they will receive a response within 20 days, or that they have a right to contact the Information Commissioner's Office if they are not satisfied with the HFRS response.

For four of the 15 FOI requests tested, we were unable to confirm that the requester had been notified of the complaints procedure as required, because some documentation was missing; we understand that this documentation was lost because of IT problems.

- 3.5 Procedures are in place for Subject Access Requests (SARs), and we found that these are being complied with.
- 3.6 At the time of the audit there was no information asset register in place, therefore HFRS could not evidence what data is held, where it is held, how it is processed and with whom it is shared. A record of data held is one of the key requirements of the GDPR, which will be effective from 25th May 2018. Discussions with the Performance Review Manager in

March 2018 indicated that the new Data Protection Officer had begun this task, however it was anticipated that it would take time to complete.

- 3.7 Access controls are in place for IT systems, and we found that starters and leavers accounts are assigned and deleted appropriately. There is also good physical security, with access to sites restricted. Virus protection, back up procedures and a firewall are all in place. Redundant hardware is securely disposed of by a contractor, however we noted that there were some discrepancies between the IT asset register and the records of disposal issued by the contractor.
- 3.8 Although there is a data incident and breach procedure in place, testing highlighted that this is not being complied with. The log of data incidents/breaches contained little information, and there was no documentation held in SharePoint to evidence the process carried out for six of the ten data incidents/breaches logged. This is a key requirement of the GDPR.
- 3.9 There is limited personal data sharing carried out by HFRS, with data being shared with the Multi Agency Safeguarding Hub (MASH) through a data sharing agreement drawn up by HCC. Generic Data Privacy Notices are in place, and these are in the process of being reviewed to ensure compliance with the GDPR.
- 3.10 Privacy impact assessments are included as part of the Project Lifecycle to ensure that they are completed in a timely manner. However, our review of the documentation for the Drones project highlighted that although a People Impact Assessment had been completed detailing equalities impacts, there was no Data Protection Impact Assessment completed. This will be a requirement of the GDPR.
- 3.11 Due to some of the issues highlighted above, such as the lack of general Data Protection training, absence of a record of the data held by the organisation, non-compliance with data breach procedures, and the lack of completion of Privacy Impact Assessments, there is a risk that HFRS will not be compliant with the GDPR when it comes into effect on 25th May 2018.

4 Action plans

- 4.1 The action plans detailed within this report provides:
 - Observations where internal audit considered either controls or compliance to be insufficient to mitigate risk to the achievement of management objectives;
 - The actions management propose to undertake to bring the risks within acceptable parameters; and
 - Internal audit's assessment as to whether management's

actions achieve an acceptable level of risk exposure.

Action plan 1 - Information Asset Register				
Objective		Data handling, storage, processing and destruction is in line with Data Protection principles.		
Observation		<p>We were informed by the Performance Review Manager and the Information Security Assurance Manager at the start of the audit in November 2017 that HFRS did not have an information asset register in place. At this time, blank Register of Personal Data Processing Forms (F11-1-11) had been emailed to all known data owners with the request that they be completed and returned to IT.</p> <p>However, further discussions with the Performance Review Manager and the Information Security Assurance Manager in February 2018 highlighted that the information asset register was still not in place.</p> <p>As part of the process towards GDPR compliance, every organisation needs to know what data it holds, where it came from and who it is shared with. An information asset register would keep all these details in one place.</p> <p>Without an information asset register in place, there is a risk that HFRS will not meet the requirements of the GDPR by 25th May 2018.</p>		
Management action				
What		Priority (H/M/L)	Responsible officer	Target date
1.1	Information Asset register to be fully populated and embedded across Service in all daily working practices	H	Data Protection Officer	March 2019
Auditor's assessment of management response:				

Action plan 2 - GDPR implementation				
Objective		Appropriate plans are in place and are monitored to support HFRS in being prepared for the implementation of the requirements of new data protection legislation (GDPR) taking effect from May 2018.		
Observation		<p>HFRS has an action plan that sets out the various actions required to enable an organisation to be compliant with the GDPR by the deadline of 25th May. This sets out a schedule of actions from February 2017 to April 2018.</p> <p>Discussions with the Performance Review Manager and observations during the course of the audit confirmed that although some action has been taken, this is not in line with timescales as advised by the plan. For example, the plan suggests that an information audit should have been completed by March 2017 and as at March 2018 this is currently underway at HFRS. We were advised by the Performance Review Manager that the information audit will be documented in an information asset register following meetings with Heads of Service, and this work will take approximately two months to complete.</p> <p>However, much of the work to comply with the GDPR will be informed by what data is collected, processed and held by the organisation, including Privacy Notices, the need to obtain consent, ensuring that contracts are in place with organisation with whom data is shared and that these are GDPR compliant.</p> <p>There is therefore a risk that HFRS will not be compliant with the GDPR when this becomes law in May 2018.</p>		
Management action				
What		Priority (H/M/L)	Responsible officer	Target date
2.1	Update plan with appropriate time scales	M	Data Protection Officer	July 2018
Auditor's assessment of management response:				

Action plan 3 - Information management policies and procedures				
Objective		Policies and procedures for information management are defined documented, maintained and adhered to.		
Observation		<p>Review of 18 policies and procedures relating to information management highlighted the following issues:</p> <ul style="list-style-type: none"> • 14 were not dated to show when they had been drawn up • five documents did not have a review date recorded, with the remaining 13 having review dates between June 2014 and September 2017 and there was no evidence that any of them had been reviewed • although 13 documents had an assigned owner, for 10 of these it was a named individual rather than a job title • nine of the documents had no version number so it was not clear whether this was the most up to date version • there was no change history on any of the 18 documents reviewed, although nine of the documents were version 1.0 so no changes had yet been made. This is something that the ICO look for when they carry out reviews of Data Protection within organisations. <p>Although we were made aware that HFRS are planning to review IT policies and procedures in preparation for GDPR implementation and as part of the transfer of documents to SharePoint, it is clear that several of the documents have not been reviewed for some time and therefore may be out of date and of limited value.</p>		
Management action				
What		Priority (H/M/L)	Responsible officer	Target date
3.1	New Information Governance Policy	H	Performance Review Manager	July 2018
3.2	Existing policies and procedures transferred to new templates	M	Performance Review Manager	September 2018
Auditor's assessment of management response:				

Action plan 4 - Data Protection training within systems training				
Objective	Training and awareness for information management is comprehensive and periodically conducted for all new and existing staff.			
Observation	<p>There is currently no general Data Protection training in place for all staff at HFRS. We were informed that Data Protection training was delivered to all staff, both operational and support, three years ago, however there has been no follow up to this. Additionally, Data Protection is not included in the induction process for new staff. This could lead to the mishandling of data, with the potential for data breaches leading to a fine.</p> <p>A Data Protection training package has been purchased, but at the time of the audit there had been technical issues which meant it had not been released for completion by all staff.</p> <p>HFRS collects personal data via two main systems, CFRMIS and FireWatch. CFRMIS is used by staff involved with safeguarding activities, so it contains sensitive personal data, and the safeguarding training received by them includes Data Protection and information sharing.</p> <p>However, we were informed by the FireWatch system owner that any training on FireWatch focuses on the functionality of the system, and Data Protection is not included.</p> <p>This increases the risk that lack of Data Protection awareness could lead to data breaches or data being incorrectly maintained.</p>			
Management action				
What	Priority (H/M/L)	Responsible officer	Target date	
4.1	Electronic Training for all staff to be delivered	H	Data Protection Officer	July 2018
Auditor's assessment of management response:				

Action plan 5 - Publication of FOI responses.	
Objective	Freedom of Information and Subject Access Requests (SAR) are dealt with in line with legislative requirements.
Observation	The HFRS procedure for processing Freedom of Information (FOI) requests requires a redacted copy of the response letter and the information sent to be uploaded to the FOI log on the HFRS internet pages. However, testing of a sample of 15 FOI requests completed between December 2016 and November 2017 highlighted that only the five completed requests from December 2016 to March 2017 had been uploaded. Further examination of the FOI log spreadsheet, and the published FOI responses, highlighted that only two responses out of 88 completed requests between April and November 2017 had been uploaded to the internet. Therefore HFRS are not complying with their processes.

	This could result in multiple requests for the same information which creates more work for the Knowledge Management Team.			
Management action				
What		Priority (H/M/L)	Responsible officer	Target date
5.1	These are now published on the website and procedure re-enforced accordingly	L	Information Compliance Officer	July 2018
Auditor's assessment of management response:				

Action plan 6 - Freedom of Information training for HFRS staff				
Objective	Freedom of Information and Subject Access Requests (SAR) are dealt with in line with legislative requirements.			
Observation	<p>There is no Freedom of Information (FOI) training currently in place for staff. HFRS is considering purchasing an FOI e-learning package but this will not be completed until the Data Protection e-learning is implemented.</p> <p>There is a risk that FOI requests may not be handled correctly if staff are not aware of how to recognise an FOI request, or what to do if one is received.</p>			
Management action				
What		Priority (H/M/L)	Responsible officer	Target date
6.1	Training package to be created and delivered	L	Information Compliance Officer	December 2018
Auditor's assessment of management response:				

Action plan 7 - Overdue FOI responses				
Objective	Freedom of Information and Subject Access Requests (SAR) are dealt with in line with legislative requirements.			
Observation	<p>We tested the four responses between April and November 2017 that had been issued late to determine the reasons. We found that for one of the requests, the information had been sent back to the Assurance and Compliance Officer's inbox, and she had been on leave at this time. Although it was dealt with on her return, this made the response one day late.</p> <p>For the remaining three requests, the delays were all due to the information being received late from the relevant departments. Although the departments were given a deadline to return the information to the FOI Team, for two of the requests there were no reminders issued by FOI</p>			

	<p>when this deadline had been reached. Instead, reminders were emailed once the 20 day deadline for issuing the response to the requester had been reached.</p> <p>If reminders are not issued to departments once the internal deadline for the receipt of the information by FOI is reached it is more likely that the 20 day response time for FOIs will be exceeded.</p>			
Management action				
What	Priority (H/M/L)	Responsible officer	Target date	
7.1	Appropriate escalation to be included in the FOI procedure	M	Information Compliance Officer	September 2018
Auditor's assessment of management response:				

Action plan 8 - Complaints procedures.				
Objective	Freedom of Information and Subject Access Requests (SAR) are dealt with in line with legislative requirements.			
Observation	<p>Section 45 of the Freedom of Information Act deals with the handling of requests, and this includes the need for a complaints procedures to be established. The ICO Section 45 Code of Practice requires the complaints procedure to include certain criteria. Although HFRS has a complaints procedure publicised online that broadly meets these requirements, there are two exceptions:</p> <ul style="list-style-type: none"> • the details on the web page do not include reference to the response to the complaint being required within 20 days • the web pages do not advise complainants that they have a right to contact the Information Commissioner's Office if still dissatisfied with the HFRS response. <p>Failure to comply with the ICO requirements could lead to further complaints.</p>			
Management action				
What	Priority (H/M/L)	Responsible officer	Target date	
8.1	Website to be updated with more detail to reflect the policy and procedure	L	Information Compliance Officer	Complete (May 2018)
Auditor's assessment of management response:				

Action plan 9 - Public awareness of HFRS complaints procedure	
Objective	Freedom of Information and Subject Access Requests (SAR) are dealt

	with in line with legislative requirements.			
Observation	<p>When an FOI request is submitted to HFRS there are three ways in which the requester can be made aware of the complaints procedure:</p> <ul style="list-style-type: none"> • details are on the FOI web page under "Feedback" • the acknowledgement template letter to the requester includes details of where to send any further correspondence, the complaints process and the ICO address to raise issues if not satisfied • the response template letter also includes details of where to send any further correspondence, the complaints process and the ICO address to raise issues if not satisfied. <p>However, our testing highlighted that an acknowledgement letter was not on file for one of the 15 requests tested, and no response letter was on file for three of the requests. Additionally, one of the requests had been dealt with by Media and Comms, who do not have access to the template letters used by the FOI team. Therefore there is a risk that people submitting requests may not be informed of the complaints procedure.</p>			
Management action				
What	Priority (H/M/L)	Responsible officer	Target date	
9.1	All FOIs are to be managed through the correct procedure and all relevant stakeholders to be notified.	M	Information Compliance Officer	Complete (May 2018)
Auditor's assessment of management response:				

Action plan 10 - Disposal of IT equipment				
Objective	Data handling, storage, processing and destruction is in line with the 8 Data Protection principles.			
Observation	<p>We selected a sample of 11 items from the lists supplied by Jamie's Computers (the authorised disposal company) to the asset register on Hornbill. We were unable to find the record on Hornbill for one of the items selected - HFRS 0684 Compaq base unit. We also found that one Dell base unit (HFRSPC72) was still on Hornbill as being allocated to Fordingbridge Fire Station.</p> <p>We then selected ten items recorded in Hornbill as disposed of, and checked them to the Jamie's Computers lists, and could not find two items (Dell Laptop HFRSL303 and HP PRobook laptop HFRSL229).</p> <p>A failure to keep accurate records of IT hardware could result in losses being unidentified and a financial loss to the service. This could also result in a potential data breach.</p>			
Management action				

What	Priority (H/M/L)	Responsible officer	Target date	
10.1	Monthly audits of scrap equipment to be introduced	M	IT Security Officer	September 2018
Auditor's assessment of management response:				

Action plan 11 - Recording of data breaches	
Objective	Data handling, storage, processing and destruction is in line with the 8 Data Protection principles.
Observation	<p>There is a Data Breach Log in place that is used to record any data breaches/incidents reported to the Knowledge Management Team. If a breach or incident is reported to IT this is recorded on Hornbill, and the Data Incident and Data Protection Breach procedures require an annual reconciliation between the Knowledge Management Team's records and Hornbill to ensure all data breaches are recorded on the log.</p> <p>The Data Breach Log requires the following details to be recorded to demonstrate compliance with the procedures:</p> <ul style="list-style-type: none"> • breach reference (assigned by HFRS) • date received • topic • number of people (not completed for all three of the sample tested) • raised with • additional comments • conclusion • action taken • lessons learnt • breach/data incident • type of breach • disciplinary action taken (yes or no) • reported to the ICO. <p>Testing of three data breaches recorded on the log identified the only details recorded were the reference, topic and person raised with - no further details were recorded.</p> <p>Additionally, all documentation associated with the breach, including the initial reporting of it and any evidence of investigation, should be held in a folder in SharePoint. Although there were ten breaches/incidents recorded in the log, there were only folders for incidents one to four in SharePoint.</p> <p>Therefore there was no evidence that a proper process had been followed for six of the data incidents/breaches recorded. This could leave HFRS exposed should the ICO become involved in investigating a breach.</p>
Management action	

What		Priority (H/M/L)	Responsible officer	Target date
11.1	New procedure to be created and implemented	H	Data Protection Officer	September 2018
Auditor's assessment of management response:				

Action plan 12 – Data privacy impact assessments				
Objective	Privacy impact assessments are undertaken when changes are made to systems, policies and procedures.			
Observation	<p>The Project Lifecycle process requires all projects to have a Privacy Impact Assessment (PIA) completed for the project as part of the business case prior to this being submitted to the HFRS Senior Management Team (if under £100k) or HFRA (if over £100k) for approval at gate 2.</p> <p>The Programme and Project Management 'How to....Guide' also details the activities for which a PIA is required. A template is available to staff to assist them in this.</p> <p>We reviewed the documentation in place to support the drone project, and were unable to find any evidence that a PIA had been completed for this project. An on-line impact assessment had been completed, but this only includes the impact on people (equalities), health and safety, resources and environment.</p> <p>As part of the General Data Protection Regulation, Data Privacy Impact Assessments will become mandatory where the use of personal data is likely to result in high risk to the rights of the data subjects. Data Privacy Impact Assessments form part of the privacy by design aspect of the new legislation, therefore it is crucial to complete these for each new or revised data processing function.</p>			
Management action				
What		Priority (H/M/L)	Responsible officer	Target date
12.1	Review of impact assessments to be completed and embedded within daily working practices	M	Performance Review Manager	April 2019
Auditor's assessment of management response:				

RECOMMENDATION

1. That the Standards and Governance Committee note our performance in respect of Information Governance.

BACKGROUND PAPERS

Guide to the General Data Protection Regulation (GDPR) – Information Commissioners Office

<https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr>

Contact:

Samuel Fairman, Performance Review Manager, Samuel.fairman@hantsfire.gov.uk, 07918 887502

Annex A**Key**

The following is the key to quantify observations identified in the audit:

Assurance levels

Opinion	Framework of governance, risk management and management control
Substantial assurance	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 assurance	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 assurance	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 assurance	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.

Priority

Priority rating	Current risk
High	A significant risk of; failure to achieve objectives; fraud or impropriety; system breakdown; loss; or qualification of the accounts by the organisation's external auditors. Such risk could lead to adverse impact on the organisation or expose the organisation to criticism.
Medium	A serious, but not immediate risk of: failure to achieve objectives; system breakdown; or loss.
Low	Areas that individually have no major impact, but where management would benefit from improved risk management and / or have the opportunity to achieve greater efficiency and / or effectiveness.

Assignment – Progress Control Sheet

Assignment stage	Assignment Progress				Comments
Audit Outline	Issued	10/10/2017	Agreed	10/10/2017	
Fieldwork commenced	Target	16/10/2017	Actual	20/10/2017	
Fieldwork completed	Target	19/01/2018	Actual	22/03/2018	Delays with obtaining information requested, also workloads of key HFRS staff made it difficult to schedule meetings for testing purposes.
Close of audit meeting	Target	26/01/2018	Actual	11/04/2018	
Draft Report Issued	Target ¹	25/04/2018	Actual	21/05/2018	
Factual accuracy agreed and management response provided	Requested ²	04/06/2018	Provided		
Draft final report issued	Target ³	11/06/2018	Actual		
Senior management sign-off	Requested ⁴	18/06/2018	Provided		
Final report issued	Target ⁵	20/06/2018	Actual		

¹ Within 10 working days of close of audit meeting

² Within 10 working days of draft report issued

³ Within 5 working days of receipt of management response

⁴ Within 5 working days of draft final report issued

⁵ Within 2 working days of senior management sign-off

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**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date **26 July 2018 (Standards & Governance Committee)**

Title **FIRE PENSION BOARD ANNUAL REPORT (2017/18)**

Report of Chief Finance 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 2017/18 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 periodically during the 2017/18 financial year. Three meetings were held during the year:
 - (a) 17 July 2017
 - (b) 14 November 2017
 - (c) 7 February 2018
4. The meeting in July 2017 saw the election of Stew Adamson to chairman and Richard North to Vice-Chairman. Both will hold the position until the first meeting of the Fire Pension Board following the annual meeting of the Fire Authority in 2018.
5. 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.
 - (a) 30 year pension contribution holidays
 - (b) The Pension Regulator Self Assessment Tool
 - (c) Training for Board members
 - (d) Risk Register
 - (e) Scheme Reconciliation
 - (f) Opt Outs
 - (g) Allowances
 - (h) Annual Benefit Statements

- (i) Annual and Lifetime Allowance
- (j) Communication & engagement

6. The pension board reports can be found in APPENDIX A, B and C

30 YEAR PENSION CONTRIBUTION HOLIDAY

- 7. It was reported to the Pension Board that the refund of pension contributions as a result of the 30 year rule had been completed. The final number of retired personnel in scope was 65. The number of affected personnel was lower than that previously reported following an audit of the data before cases were finally processed.
- 8. Repayments were made to 62 out of the 65 retired personnel. The outstanding three retired firefighters have not yet been paid as they did not return a signed HMRC declaration along with their bank details; this is despite three letters being sent to their home addresses using the Royal Mail 'signed-for' service. These are no longer being pursued
- 9. The total gross amount due to the 65 firefighters affected was £314,134; the net amount was £187,880. The relevant amounts were reported to the Home Office so that a refund can be given to HFRS
- 10. For employed firefighters who achieve 30 years service before their 50th birthday and who remain in the 1992 Fire Pension Scheme, a manual process has been introduced to cease pension contributions and re-commence again at age 50. There are currently 10 employees within scope and a further 11 have been identified.

THE PENSION REGULATOR (TPR) SELF ASSESSMENT

- 11. The TPR self assessment tool is a way of evaluating how the Fire Pension Scheme is being managed and where things can be improved.
- 12. The tool is split into three categories
 - (a) Governing your scheme
 - (b) Managing risks and issues
 - (c) Administration
- 13. The scoring is done on a RAG (Red, Amber and Green) status to help identify areas for improvement.

14. This table shows that there has been an improvement year on year

Year	Green	Amber	Red
2016/17	13	7	1
2017/18	17	3	1

15. At the end of 2017/18 there were three Amber and one Red item remaining. One of the Amber items relates to member communication being clear, accurate and easily accessible. This item has since been resolved with the launch of the Employer Pension Web pages. The remaining items are all under the Administration area and relate to record keeping.

TRAINING

16. The TPR pension education portal has online training containing seven topics. The topics are:
- (a) Conflicts of interest
 - (b) Managing risk and controls
 - (c) Maintaining accurate member data
 - (d) Maintaining member contributions
 - (e) Providing information to members and others
 - (f) Resolving internal disputes
 - (g) Reporting breaches of law
17. Board members were invited to improve their knowledge and understanding by completing the different modules.
18. During the year, the Board received training covering the areas of Pension Sharing Orders, Employer decisions and discretions and Pensions and Tax. Board members were also invited to attend the Tax seminars provided by the Local Government Association (LGA).
19. Board members completed another Training Needs Analysis (TNA). This showed that knowledge had improved from the previous year and that there were no major issues that needed to be covered by specific additional training.

RISK REGISTER

20. A key governance item that was missing, which was highlighted both on the TPR self assessment and the TPR's 2016 Scheme Administration survey, was a risk register.
21. A risk register was set up and the Board approved this at the meeting in July 2017.

SCHEME RECONCILIATION

22. The Fire Pension Schemes were Contracted Out between 6 April 1978 and 5 April 2016. For periods of service during these dates, the Fire Pension Schemes must provide a minimum pension called a Guaranteed Minimum Pension (GMP).
23. HMRC kept track of all liabilities for each individual in each Contracted Out pension scheme. When HMRC ceased Contracting Out from 6 April 2016 they also stopped tracking the movements of liabilities.
24. Every pension scheme that has been Contracted Out had to embark on a Scheme Reconciliation to reconcile their data with the data that HMRC held, this was not only membership periods for each person but also the relevant GMP amount. HMRC gave a deadline of December 2018 to complete this work.
25. The Board were updated about the Scheme Reconciliation project. In January 2015, Hampshire Pension Services received the “leaver data” from HMRC. This was anyone that had left Contracted Out service where HMRC had the GMP liability attributed to Hampshire Fire Pensions. Work on this data for Fire Pension Schemes was completed in May 2016.
26. Details of all “active members”, those that were contributing to a scheme on 6 April 2016, were sent to Pensions Services in April 2017. Hampshire Pension Services are now working with Civica and Intellica to enable records to be checked, queried and corrected where applicable.
27. The completion of the reconciliation of the Hampshire Fire Pension Scheme data is on track to be completed by December 2018.

OPT OUTS

28. During the year a lot of work was carried out looking at opt outs. Whilst it is expected to see a high number of retained firefighters that are not in the scheme, it is unusual to see high numbers of whole time fire fighters opting out.
29. In 2016/17 there was a spike in the optant out numbers. The Board were surprised to see that there were 59 opt outs of whole time fire fighters recorded. This accounted for 79% of opt outs in the year. Upon further analysis it was determined that almost all of these were a temporary or fixed term contract.

30. In December 2017 additional scrutiny of employees, roles and membership of pension schemes was undertaken. This showed that there were 1,119 firefighters employed in 1,395 roles, of which 709 were whole-time contracts and 686 were RDS contracts. Of the 1,395 roles, 209 are not in the Fire Pension Scheme
- (a) 129 RDS contracts are not in any Fire Pension Scheme, this is 19% of the RDS employments
 - (b) 80 whole-time contracts are not in any Fire Pension Scheme, this is 11% of the whole-time employments
 - (c) Overall there are 96 firefighters that are not in any Fire Pension Scheme at all, this is 9% of people
31. The Board were keen to understand why members were opting out of the scheme and asked that the 96 not in any scheme, were contacted by way of a survey to try and establish why they may have chosen to not be a member.

ALLOWANCES

32. A lot of work took place during 2017/18 regarding allowances which started with S&G Committee approving making the 10% training allowance pensionable from 1 April 2017.
33. It was reported to the Board that a number of firefighters were identified as receiving a 10% training allowance even though they were not working in the Academy. Due to the complexities arising a project board was formed to review various aspects including
- (a) Those receiving 10% allowance which is not for training
 - (b) USAR 20% allowance and its potential change to 10% allowance (which may or may not be pensionable)
 - (c) A review of the policy handbook including definitions and criteria
 - (d) A review of the governance around awarding an allowance
 - (e) A review of governance when the allowance no longer applies.
34. New handbooks for both allowances and ARA's were produced and went to Unions and Rep Bodies for consultation in February 2018.
35. The board heard that the project was on target to be implemented by 1 April 2018. The implementation would not only be the new handbooks but also a new governance process that will have more stringent controls for commencing or ceasing payment of an allowance, along with ongoing audit controls and any pension implications.

ANNUAL BENEFIT STATEMENTS

36. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year. It was reported to the Board that the 2017 deadline was met and that ABS' were issued to home addresses.
37. The Board also heard that the Employer Pension Manager has also been involved with providing feedback to Hampshire Pension Services with regard to improvements, wording and consistency for the 2018 statements

ANNUAL AND LIFETIME ALLOWANCE

38. The statutory deadline to provide Pension Savings Statements is 6 October each year.
39. A Pension Savings Statement is automatically sent to a member where they have exceeded the Annual Allowance in the year, but can be sent to any member upon request; for 2016/17 10 Pension Savings Statements were issued to members of the Hampshire Fire Pension Schemes.
40. The issues around Annual Allowance (AA) and Lifetime Allowance (LTA) are very complex and the Board were in favour of the proposal to hold seminars for those that might be affected by the AA or LTA issue. They have also endorsed an Annual Allowance factsheet that has been drafted.

COMMUNICATION

41. Communication about pensions to firefighters and internally across departments is an area that has seen much improvement in 2017/18. The Employer Pension Manager has been fundamental in delivering an enhanced communication approach through various strands which are detailed below in paragraphs 47 to 59.

ACCOUNTABILITIES

42. It was reported to the Board that a lot of work had been undertaken to define the boundaries of the pension accountabilities across the different departments as there was generally a lot of confusion internally about who was responsible for what. There are three main areas:
 - (a) Hampshire Pension Services
 - (b) Shared Services IBC Pensions Administration Team
 - (c) Human Resources (HR)

43. Pensions Services are responsible for issuing Annual Benefit Statements, providing estimates and calculating retirement benefits, along with dealing with complex enquiries.
44. IBC Pensions Administration Team is effectively the payroll provider for HFRA. They provide the pension information, relating to pay and service to Pensions Services for new starters, leavers and retirements. They deal with those wanting to opt in or opt out of the scheme.
45. HR provides advice on pension policy and deal with any ill health retirements. They will provide instruction to the IBC Pensions Administration Team.
46. An accountabilities chart detailing who does what was drawn up. In July 2017 HR held two sessions for HR staff. The introduction by the Head of Finance covered the differences in the teams and started to address the issue of who does what. After this session, the chart was shared with the other departments.

FIRE PENSION LETTERHEAD

47. For many years, Hampshire Pension Services have been using the Hampshire Fire and Rescue Authority logo on their letterhead for written communication to operational Fire staff in one of the Fire Pension Schemes.
48. The same logo is used by the IBC and HR and as the employer it makes sense for the IBC and HR departments to use this logo.
49. The Board heard that confusion can arise as many staff do not appreciate that there is a difference between the employer and Pension Services, this issue is compounded by the fact that they appear to use the same headed paper and are based at the same address.
50. The Board endorsed a revised letterhead for Fire Pensions.

EMPLOYER PENSION WEB PAGES

51. It was reported to the Board that a suite of new Employer Pension web pages had been launched. Following positive feedback, they went live in August 2017.
52. The new Employer Pension web pages are accessible from the new Fire portal homepage and split into three sections to aid navigation. Under each of the sections there are a handful of key subjects, including requesting an estimate, when to leave or retire and who to contact.
53. The Employer Pension Manager receives page hits for these web pages which enables the content to be reviewed or updated where necessary.

EMPLOYER GROUPS

54. The Employer Pension Manager has set up Employer Pension groups which pull together representatives from HR, Finance, Hampshire Pension Services and IBC Pensions Admin. There are three groups; one for LGPS, one for Police and one for Fire; along with a Pensions Admin group.
55. The groups have been meeting monthly and keep track of pension related issues, provide updates as well as discussing upcoming items that may require communications to members or a more detailed piece of work.
56. These groups enable a complete overview of pensions, across all schemes and partners and ensure a level of consistency. They have also been instrumental in improving internal communications and collaborative working.

PRESENTATIONS

57. It was reported to the Board that the Employer Pension Manager has developed and delivered several presentations on Fire pensions. The table below shows the number of presentations delivered in 2017/18:

Presentation	Number
New Recruits	1
Pre-retirement courses	3
Mid career (visits to Gosport, Redbridge and Fareham stations)	3

58. The briefing for new recruits concentrates on the 2015 Fire Pension Scheme with details about the benefits that can be expected. The other presentations include information on all four Fire Pension Schemes and cover how the schemes work, examples of how benefits are calculated, along with a brief explanation of Annual and Life Time Allowances and HMRC maximum benefits.
59. The Board heard how these presentations have been very well received and well attended, with lots of questions and engagement from those that attended.

FUTURE ISSUES

60. The report has identified significant progress across a number of areas; this is largely due to the dedicated resource of the Employer Pension Manager which are secured until March 2019. The focus for the 2018/19 year includes:
- (a) Addressing the outstanding items from the TPR self assessment tool
 - (b) Implementation of General Data Protection Regulations and relevant privacy notices
 - (c) Rolling programme of pension communications
 - (d) Opt out survey
 - (e) Employer Pension web pages survey
 - (f) Draft a Lifetime Allowance factsheet
 - (g) Seminars for Annual & Lifetime Allowance issues
 - (h) Injury pension reviews
 - (i) Implementation of Member Portal (access to pensions online)

CONCLUSION

61. As set out in this report, substantial progress has been made across all areas of fire pensions during 2017/18; in particular around governance and control, together with significant improvements in the quality and range of pension information that is available to firefighters.
62. Much of this has only been possible due to the employment of Claire Neale as the Employer Pension Manager, who has been instrumental in managing the multitude of activities throughout the year.
63. For 2018/19 the year will be more about a period of continuous improvement and building on the foundations that have been put in place that will continue to be orchestrated by the Employer Pension Manager.

RECOMMENDATION

64. That the contents of this report are received and noted by the Standards and Governance Committee
65. That the Standards and Governance Committee provides any feedback to the Fire Pension Board on previous work or on future areas of priority.

APPENDICES ATTACHED

- 66. APPENDIX A – Fire Pension Board report 17 July 2017
- 67. APPENDIX B - Fire Pension Board report 14 November 2017
- 68. APPENDIX C – Fire Pension Board report 19 February 2018

Contact:

Claire Neale, Employer Pension Manager, claire.neale@hants.gov.uk,
01962 845481

APPENDIX A

Meeting: Hampshire Firefighters' Pension Board

Purpose: Decision

Date 17 JULY 2017

Title FIRE PENSION BOARD STATUS REPORT

Report of the Chief Financial Officer



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

1. SUMMARY

- 1.1 This report provides an update on the development of key items.
- 1.2 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, and confirm that they specifically support recommendations at:

Item 8.10 – Voluntary Scheme Pays (VSP) is allowed for any affected HFRS employee.

Item 9.5 - The board provide an opinion on whether members that are not in a pension scheme should be contacted to provide them with details of the benefits of the pension scheme.

Item 15.2 –To approve the Risk Register

3. THE PENSION REGULATOR (TPR) ONLINE PORTAL

- 3.1 At the last pension board meeting it was reported that the 2006 Fire Pension Scheme had still to be set up by TPR on their central database. This has since been achieved all schemes are now accessible through the online portal.
- 3.2 The TPR pensions education portal has online training containing seven topics, each topic takes around 30 minutes to complete; the topics are:

- Conflicts of interest
- Managing risk and controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of law

3.3 Board members are invited to improve their knowledge and understanding by completing the modules. Once all modules are complete, a certificate is available and this should be submitted for inclusion on the Board Member's training record.

4. PRESENTATION FROM LPP

4.1 There has been interest to receive a presentation from LPP, an alternative pension provider, to understand how they see the Fire Pension administration developing in the future, and more specifically how they manage and administer their current business. The board will be invited to attend a separate meeting in due course.

5. 30 YEAR PENSION CONTRIBUTION HOLIDAY

5.1 The refund of pension contributions as a result of the 30 year rule has now been completed. The final number of retired personnel in scope was 65. The number of affected personnel was lower than that previously reported following an audit of the data before cases were finally processed.

5.2 Repayments have been made to 62 out of the 65 retired personnel. The outstanding three retired firefighters have not yet been paid as they have not returned a signed HMRC declaration along with their bank details; this is despite three letters being sent to their home addresses using the Royal Mail 'signed-for' service. These are no longer being pursued.

5.3 The total gross amount due to the 65 firefighters affected was £314,134; the net amount was £187,880. So that a refund can be given to HFRS, the amounts have been notified to the Home Office.

5.4 For employed firefighters who achieve 30 years service before their 50th birthday and who remain in the 1992 Fire Pension Scheme, a manual process has been introduced to cease pension contributions and re-commence again

at age 50. There are currently 10 employees within scope and a further 11 have been identified.

6. UNAUTHORISED PAYMENTS

6.1 HMRC have now provided the final contract settlement amount in respect of the 4 outstanding unauthorised payment cases relating to retirements / re-employment cases dating back to 2010 to 2011.

6.2 A total payment of tax and interest amounting to £115,107 will be made within 30 days of receipt of the acceptance letter from HMRC. It is therefore anticipated that this matter will be concluded by the end of this month. A provision with the fire pension accounts of £142,000 more than covers the payment due to HMRC.

7. TRAINING ALLOWANCES

7.1 At the HFRS Standards & Governance Committee held on 23 March 2017 the recommendation to make the 10% training allowance pensionable was approved. Since this date work has been undertaken to amend the training allowance wage type within the payroll system so that it is included within the pension contribution calculation.

7.2 It is anticipated that this will be implemented in time for the July payroll and arrears between 1 April and 30 June will be collected. Members previously identified have been written to advising them of the delay.

7.3 As part of the work to determine eligibility a number of firefighters have been identified as receiving a 10% training allowance although they are not working within the academy. Work is underway to determine why a 10% allowance is being paid and whether it should continue.

7.4 There are potentially a further 13 firefighters who may be impacted and the board will be updated on the outcome of this work when it is completed by the HR department.

8. VOLUNTARY SCHEME PAYS

8.1 HMRC have set limits on the amount of pension savings that an employee can contribute in any tax year. This is called the Annual Allowance (AA) and is presently capped at £40,000.

- 8.2 The Government has now (for 2017/18) introduced a tapered AA for certain high earning employees which can have the effect of reducing the AA to £10,000
- 8.3 Where a member's pension contributions exceeds the AA in any one tax year and they do not have any unused allowances from the previous three years to cover the excess, then this will result in a tax charge.
- 8.4 The member can request that the scheme pays the tax charge on their behalf and as a consequence, the annual pension will have a permanent debit, this is known as Scheme Pays offset.
- 8.5 To enable the member to utilise the Mandatory Scheme Pays (MSP) option they must fulfil three criteria:
- (a) The tax charge must be greater than £2,000
 - (b) The pension savings must be greater than the AA limit for the year. Any tapered AA is ignored for this purpose.
 - (c) An election to use Scheme Pays must be made within the relevant deadlines.
- 8.6 Where a member does not meet the three criteria above, then this is considered to be Voluntary Scheme Pays (VSP) and it is this option which has led to some uncertainty.
- 8.7 VSP is likely to occur where either the tax charge is less than £2,000 or where the member has a tapered AA and exceeds this, but does not exceed the total limit.
- 8.8 The Local Government Association (LGA) has sought legal advice over whether Fire & Rescue Authorities (FRA) can utilise Voluntary Scheme Pays (VSP) and the advice received is attached in Appendix A.
- 8.9 Our interpretation of this advice is that an FRA can offer VSP to members, but it is up to each FRA to make their own decision. HCC Legal Services have confirmed that the advice provided from LGA is reasonable. A report will be provided to Standards & Governance Committee on 15 September 2017.
- 8.10 It is recommended that the pension board supports a recommendation to allow VSP for any affected HFRS employee.

9. OPT OUTS

9.1 During the period 1 July to 31 December, there were 55 opt outs from the 2015 Fire Pension Scheme as set out in the following table:

	Deferred pension entitlement	New joiner	Automatic re-enrolment	Total
Retained	3	1	5	9
Whole-Time	2	19	25	46
Total	5	20	30	55

9.2 Given that the automatic re-enrolment date was 1 October 2016 it is not surprising that the number of opt outs increased in this period. For information, the youngest was aged 21 and the oldest age 57. The average age of the optant out members was 38.

9.3 Currently there are 3,775 roles subject to the Fire Pension Schemes within Hampshire and a total of 1,365 are opted out (36%).

9.4 The majority of roles that are not in a pension scheme are retained roles; a member could be in a scheme in their whole time post but not their retained post.

9.5 The board are asked to consider if they have a view on whether members that are not in a pension scheme should be contacted to provide them with details of the benefits of the pension scheme.

10. CONTRIBUTION RATES PUBLIC SECTOR SCHEMES

10.1 Details of other public sector schemes contribution rates have been compiled. This can be found in Appendix B.

11. THE PENSION REGULATOR (TPR) SELF ASSESSMENT TOOL

11.1 In the last board report there was a summary of the amber and red items from the TPR self assessment survey, along with all the results of the survey.

11.2 The survey is split into three categories,

- Governing your scheme,
- Managing risks and issues and
- Administration.

11.3 To confirm that improvements have been made, the self assessment has been completed again. The board is invited to note that over the last four months, substantial progress has been made. The results are in Appendix C.

11.4 There are now three amber and one red item remaining. One of the amber items relates to member communications being clear, accurate and easily accessible. It is anticipated that this item will be resolved with the launch of the new Employer Pension web pages. The remaining amber and red items are all covered by the record keeping plan

12. RECORD KEEPING PLAN

12.1 The board report in February stated that the target date for completion of the record keeping plan was 31 March 2017.

12.2 The record keeping plan has not yet been completed partly due to a change in management of Pension Services and partly due to a decision to create a composite record keeping plan for all partners (HFRS, LGPS and Police).

12.3 There is a record keeping statement but there are no tools to assess the current position to develop an improvement plan.

12.4 Hampshire Pension Services were going to buy this service from South Yorkshire Pension Fund, but they have withdrawn this for the time being. Therefore the options available need to be reassessed.

13. EMPLOYER PENSION GROUPS

13.1 The Employer Pension Manager, Claire Neale, has been making good progress in her role. There have been some quick wins and some longer term items are in progress.

13.2 The Employer groups consisting of 3 groups; one for LGPS, one for Police and one for Fire; along with a Pensions Admin group were set up in April 2017 with Terms of Reference having been agreed for each of them.

- 13.3 Each of the groups meets monthly. They review an issues log and provide updates where necessary as well as discussing any upcoming items that may require communication to members or a more detailed piece of work.
- 13.4 Items are also referred to the Pensions Admin Group so that there is a complete overview for the Employer Pension Manager and Head of Finance.
- 13.5 The member estimate request process was identified as an immediate item that could be improved. The estimate request form has been re-drafted to accommodate all four schemes and this is now available upon request from members. This is an interim step as the form will be available via the new Employer pension pages once launched.

14. PRESENTATIONS

- 14.1 The Employer Pension Manager has delivered some pension training to new recruits. The briefing covered the benefits of the new 2015 Fire Pension Scheme. This was well received and clearly shows that there is an appetite for pension information to be available.
- 14.2 The Employer Pension Manager has three pre-retirement courses lined up where a pension presentation will be delivered as part of the course. The first one is on 24 July.
- 14.3 The pre retirement course will cover most aspects of the four fire pension schemes including how the pension is calculated, the options with commutation, the HMRC limits, the retirement process, protected pension age and re-engagement issues, contacts and further information.

15. RISK REGISTER

- 15.1 A risk register has been compiled and can be found in Appendix D.
- 15.2 It is recommended that the pension board approves the risk register.

16. GOVERNANCE OF FIRE PENSIONS

- 16.1 At the last board meeting it was agreed that a governance chart would be prepared. This is attached in Appendix E and shows the relevant bodies involved in the governance of fire pensions, together with a brief summary of the roles and responsibilities for each body.

17. WEB PAGES / INTRANET ACCESS AND CONTENT

- 17.1 The Employer Pension Manager, in consultation with HR and other stakeholders has developed a new suite of Employer Pension web pages. This will replace what is already there but in a much more simplified format, with hopefully less confusing information.
- 17.2 The new pension pages will link from the new fire portal and will have three main sections with subheadings under each category.
- I want to....
 - Policies
 - Further information on....
- 17.3 Details of the tiles on the new web pages are in Appendix F. When a user clicks on each of these tiles, there will be some information provided; this could be outlining the process, a link to relevant forms / documents / web pages, or simply information.
- 17.4 The draft Employer Pension web pages can be found <http://hantsweb-staging.hants.gov.uk/hfrspensions>. Feedback from board members will be welcome before go live launch.
- 17.5 At go live, there will be communications sent out to not only to members, but also to HR, IBC Pensions Admin Team and Pensions Services to publicise the new pages. All parties will be asked to signpost members to these pages.
- 17.6 Feedback from all users on an ongoing basis will be useful and if there are changes required, then these can be made as and when required.
- 17.7 Continuing management and maintenance of the new web pages will be the responsibility of HR.

Contact:

Claire Neale, Employer Pension Manager, claire.neale@hants.gov.uk, 01962 845481

APPENDIX A

‘Voluntary Scheme Pays’ in the Firefighters’ Pension Schemes

Background

Mandatory Scheme Pays (‘MSP’)

1. Individuals whose annual growth in pension savings during the Scheme’s ‘Pension Input Period’ exceeds **HMRC’s standard Annual Allowance Limit (‘HMRC AA Limit’)**, currently set at £40,000, and who have no unused Annual Allowance to carry forward from the previous three tax years will be subject to an **Annual Allowance tax charge (‘AA tax charge’)**.
2. The individual can pay the AA tax charge from their own personal finances, however, the Finance Act 2004 provides that a pension scheme must provide a ‘Scheme Pays’ facility¹ where all of the following qualifying conditions are met:
 - (i) The HMRC AA limit (currently set at £40,000) has been exceeded in the pension scheme that the Scheme Pays election is made; and
 - (ii) An AA tax charge exceeding £2,000 has been triggered; and
 - (iii) The relevant time limits for making an election have been met.

Voluntary Scheme Pays ‘VSP’

3. Where a member does not meet the conditions for Mandatory Scheme Pays ‘MSP’ to apply or they do not make their nomination in time then a scheme may decide to pay the member’s annual allowance charge on a voluntary basis ‘VSP’.
4. Changes to the tax rules now mean that some high earning members with income of more than £150,000 per annum are now subject to a **Tapered Annual Allowance (‘tapered AA’)** which reduces from £40,000 to £10,000 incrementally for those earning between £150,000 and £210,000 per annum.

Members who are subject to a tapered AA will incur an AA tax charge where their pension growth exceeds their tapered AA. The tapered AA will be lower than the £40,000 HMRC AA limit and therefore these members cannot use MSP to pay this charge.

5. With the introduction of the 2015 Scheme, members of the 1992 Firefighters’ Pension Scheme (‘1992 Scheme’) and 2006 Firefighters’ Pensions Scheme (‘2006 Scheme’) who have transferred into the 2015 Scheme on or after 1 April 2015 will effectively be members of two pension schemes and will see pension benefit growth in both schemes until retirement:

¹ A scheme pays facility works by having the pension fund pay the member’s tax charge initially. This is then repaid by the member as a debit is added to their pension once it comes into payment

By virtue of accruing their pension growth across two rather than one pension scheme, there is an increased likelihood that although the member's total annual pension growth across both schemes may exceed £40,000, the pension growth in any one of the schemes may fall short of the HMRC AA limit. As such, they will not be eligible to use MSP to pay the AA tax charge.

Home Office Proposal

6. At their meeting of 6th March 2017, the Firefighters Scheme Advisory Board considered and agreed an initial proposal from the Home Office to amend the Firefighter Pension Regulations to allow the charge to be met in the circumstances below using Voluntary Scheme Pays (**VSP**)
 - (i) transitional members with pension growth of over £40,000 across both schemes (HMRC AA limit) and a corresponding tax charge, to use the scheme to pay this cost initially, before it is repaid by a pension debit added to the member's pension when it comes into payment
 - (ii) members subject to a tapered AA, to use the scheme to pay their charge initially and then this be repaid via a pension debit. For this option, it is also recommended that the member should be required to make an initial contribution of £2,000 from their own finances towards the resultant AA tax charge.
7. It is now for the Home Office to seek the new administration's views on the proposal after the General Election. Assuming this is taken forward the working assumption is that these changes would be introduced via an amendment to the pension scheme regulations rather than guidance. Legislative amendments take time and therefore will not be introduced in the short term.
8. **It is important to note that this is simply a proposal at this time and is not a guarantee that legislation will change. It will be dependent on a number of factors.**
9. Therefore unless or until that legislation is introduced it is for the FRA to consider their approach to this issue ensuring that what they do is both lawful and appropriate.

Can an FRA operate Voluntary Scheme Pays?

10. This note therefore considers whether FRAs have the ability to offer **Voluntary Scheme Pays 'VSP'** without an amendment to the Firefighter Pension Regulations, and that it is both lawful and appropriate.
11. LGA has recently sought legal advice on behalf of English FRAs, in order to determine whether an FRA can offer voluntary scheme pays, without the need for a change to legislation.
- 12. The legal advice was prepared solely for the Local Government Association ("LGA"). Sharing of this legal advice does not amount to a waiver of legal privilege by Eversheds Sutherland.**
13. To operate voluntary scheme pays there are two different steps.
 1. The first is for the Fire Authority to pay the annual allowance charge on behalf of the scheme member to HMRC
 2. The second is for the Fire Authority to adjust the members benefit to reflect the payment made by the administrator

Step 1 – Can the Fire Authority satisfy a member's annual allowance charge on a voluntary basis?

14. The legal advice we have sought opines 'yes, we consider that it is possible for an FRA to operate voluntary "scheme pays"'.

The instruction to Eversheds Sutherland from LGA was

"Does a FRA have the power to agree to voluntary "scheme pays", taking into account both the relevant provisions of the FPS Regulations and the FRA's general powers, and to pay the member's tax liability from the Firefighters' Pension Fund (the "FPF") maintained under the FPS Regulations?"

15. The short answer was 'yes' the longer answer (paraphrased) was 'yes because they have a power of general competence, which may be exercised reasonably where there are sufficient grounds for doing so'.
16. Extract from the 'executive summary' of the legal advice
 3. In relation to the specific questions posed:
 - 3.1 Yes, we consider that it is possible for a FRA to operate voluntary "scheme pays":
 - 3.1.1 A FRA which is a county council in England can operate voluntary "scheme pays" relying on s.1 of the Localism Act 2011 and reg.2 of the Modification Regulations. It would be possible to construct an argument that the necessary powers are conferred by virtue of s.111 of the Local Government Act 1972, but the position is less clear-cut than under the Localism Act.

3.1.2 For those FRAs which are metropolitan county FRAs or created by Order as a combined FRA the power to operate such a scheme is derived from s.5A of the Fire and Rescue Services Act 2004 which was inserted by s.9 of the Localism Act 2011.

3.1.3 Where a FRA agrees to operate voluntary “scheme pays”, it can properly pay the amount of the tax charge which is due to HMRC from its FPF without contravening the FPS Regulations.

17. Extract from the ‘detailed advice’ of the legal advice

3.2 First, as regards the question of whether a FRA may agree to meet a member’s liability to the annual allowance charge, the arrangements for the administration of the FPS are set out in regulations which are complex in nature and very prescriptive. This is true of many areas of local government activity, and through the Localism Act 2011 the then Government introduced a means by which specific regimes can be supplemented by the exercise of a broad general power of competence for local authorities.

3.3 Those FRAs which are county councils may exercise this power to enter into the necessary arrangements with the member and HMRC. This power cannot be exercised where there is express prohibition of the action proposed. However, since there is no express prohibition of the action proposed here, the FRA may participate in such an arrangement.

3.4 The power of general competence, like all local authority powers, must be exercised reasonably. The FRA must be satisfied that there are sound reasons to make the payments and that the interests of the authority are not harmed by so doing.

3.5 We believe that there are sufficient grounds on which the authority could conclude that there are sound reasons for offering a voluntary “scheme pays” facility, given that (for instance) the effect of the recently introduced tapered annual allowance is that scheme members may now face a substantial tax charge without being able to access the mandatory “scheme pays” facility (because the latter provisions remain based upon the standard annual allowance). Similarly, the interests of the authority will not be harmed, provided that the authority is able to make a consequential adjustment under the Modification Regulations, because the payment will ultimately be met from the member’s benefit entitlement, and because the authority will have discretion as to when to offer voluntary “scheme pays”, meaning that the administrative burden of such arrangements can be retained within manageable bounds.

3.6 It should be noted that the Localism Act 2011 provisions apply only to English local authorities.

3.7 For those English fire and rescue authorities which are not county councils there is power in the Fire and Rescue Services Act 2004 to enter into voluntary “scheme pays” arrangements subject to the same principles and constraints as apply to county councils.

3.8 Section 5A of the Fire and Rescue Services Act 2004 was inserted by s.9 of the Localism Act 2011. This provides as follows:

“Powers of certain fire and rescue authorities

(1) A relevant fire and rescue authority may do—

(a) anything it considers appropriate for the purposes of the carrying-out of any of its functions (its “functional purposes”),

(b) anything it considers appropriate for purposes incidental to its functional purposes,

(c) anything it considers appropriate for purposes indirectly incidental to its functional purposes through any number of removes,

(d) anything it considers to be connected with—

(i) any of its functions, or

(ii) anything it may do under paragraph (a), (b) or (c), and

(e) for a commercial purpose anything which it may do under any of paragraphs (a) to (d) otherwise than for a commercial purpose.

(2) A relevant fire and rescue authority's power under subsection (1) is in addition to, and is not limited by, the other powers of the authority.

(3) In this section “relevant fire and rescue authority” means a fire and rescue authority that is—

(a) a metropolitan county fire and rescue authority,

(b) the London Fire and Emergency Planning Authority,

(c) constituted by a scheme under section 2, or

(d) constituted by a scheme to which section 4 applies.”

[Sections 2 and 4 relate to combined FRAs.]

3.9 Reliance upon s.111 of the Local Government Act 1972 requires the FRA to be satisfied that it is doing something *“which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions”*. The purpose of the incidental power is to enable actions to be taken in support of statutory functions, so it is necessary to identify the function before the authority can be said to be acting incidentally to it. The functions of a local authority acting as a FRA and as scheme administrator (for tax purposes) are defined by statute and regulation, and it can be argued that entry into a voluntary “scheme pays” arrangement is incidental or conducive to the performance of those functions (though the position is necessarily not as clear-cut as with the general power of competence under the Localism Act). Again, the test of reasonableness is to be applied.

‘Exercised reasonably where there are sufficient grounds for doing so’

18. The power of general competence that allows an FRA to satisfy an annual allowance charge on a voluntary basis, must be exercised reasonably and the FRA must be satisfied there are sound reasons for doing so.
19. LGA consider that the circumstances below proposed by the Home Office and agreed by the Scheme Advisory Board should be considered as sound reasons.
 - Transitional members with service in one of the 1992 or 2006 Schemes, and the 2015 Scheme, are able to access a VSP arrangement in the same way that a protected 1992 or 2006 scheme member, or a member with service only in the 2015 Scheme, can do so through Mandatory Scheme Pays.
 - Scheme members with a tapered annual allowance are able to use a VSP arrangement to pay a tax charge in a circumstance where the pension growth in one scheme (or more schemes) is less than the £40,000 general AA limit but more than their own tapered AA limit.
20. Any fire authority wishing to make a Voluntary Scheme Pays arrangement for reasons outside of the two listed are advised to consider whether to do so is a reasonable exercise of their powers and they would have sound reasons for doing so. For example they may not consider allowing a VSP arrangement for a member who would have been eligible for Mandatory Scheme Pays but did not notify the authority within the statutory limit to be a reasonable exercise of their powers.

Step 2 – Can a fire authority adjust a members benefits to reflect the payment made?

21. Having established that the fire authority has the vires in order to satisfy the members charge. The second question for consideration, is does the Fire authority have the power to adjust the members benefit (ie the scheme pays debit) to recover the charge?
22. The Modification of Scheme Rules [SI 2011/1791], Rule 2, Paragraph 2 allows for such an adjustment to be made to the pension (ie the scheme pays debit)

2.—(1) This regulation applies where a scheme administrator of a registered pension scheme (“the scheme”) satisfies all or part of a member’s liability to the annual allowance charge, either on a voluntary basis or pursuant to a liability under section 237B of the Finance Act 2004(1).

(2) The rules of the scheme shall be modified so as to allow for a consequential adjustment to be made to the entitlement of the member to benefits under the scheme on a basis that is just and reasonable having regard to normal actuarial practice. This paragraph is subject to paragraph (3).

(3) Any modification to the scheme’s rules made by virtue of paragraph (2) is subject to section 159 of the Pension Schemes Act 1993(2) or section 155 of the Pension Schemes (Northern Ireland) Act 1993(3) (inalienability of guaranteed minimum pension etc).

23. The intent of this regulation is explicitly laid out in the explanatory memorandum paragraph 2.1

This instrument provides that where a scheme administrator of a registered pension scheme satisfies an annual allowance charge on behalf of a member of the pension scheme from the member’s pension benefits, any rules of the pension scheme which prevent such an adjustment to the member’s pension benefits are modified to allow for such adjustments.

For the avoidance of doubt who is the ‘scheme administrator’?

24. The modification of scheme rules refers to the ‘scheme administrator’ for the avoidance of doubt, LGA sought legal guidance onto whom this refers in the case of a Fire Authority.

Does a FRA count as the “*scheme administrator*” for the purposes of reg.2(1) of The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 (the “**Modification Regulations**”), taking into account the effect of The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (the “**Split Scheme Regulations**”)?

25. The legal advice opines that the FRA in this case is the 'scheme administrator'.

4.1 Yes. The Split Scheme Regulations provide in reg.2(1)(a) that all registered pension schemes listed in Schedule 1 to the regulations are to be treated as "split schemes". Both the 1992 scheme and the 2015 scheme are listed by name, and although the 2006 scheme (the NFPS) is not expressly listed by name, it is clear that the intention is for the reference in Sch.1 to the "Firefighters Pension Scheme" to cover both the 1992 and the 2006 schemes, since reference is made expressly to s.34 of the Fire and Rescue Services Act 2004, which is the enabling legislation for the 2006 scheme.

4.2 On the basis that all three FPS schemes are to be treated as "split schemes", this therefore means that under reg.3(2) of the Split Scheme Regulations, in the provisions referred to in Schedule 3 to those regulations, *"any reference to the scheme administrator shall be read as a reference to the sub-scheme administrator"*. Schedule 3 includes the Modification Regulations.

4.3 Under reg.1, the "sub-scheme administrator" for a split scheme is *"the scheme administrator of a sub-scheme appointed in accordance with the rules of the split scheme to be responsible for the discharge of the functions conferred or imposed on the sub-scheme administrator by or under these Regulations"*.

4.4 In relation to the 2015 scheme, this is clearly the FRA as "scheme manager" for the purposes of the 2014 Regulations. Under reg.177 of the 2014 Regulations:

*"177 Scheme administrator for the purposes of the Finance Act 2004
The scheme manager is appointed to be responsible for all liabilities and responsibilities connected with the functions conferred or imposed on the scheme administrator by or under Part 4 of FA 2004 which the scheme manager assumes as sub-scheme administrator under regulation 3 of, and Schedule 3 to, the Registered Pension Schemes (Splitting of Schemes) Regulations 2006."*

4.5 In relation to the 2006 scheme and the 1992 scheme, there is no explicit statement under either the 2006 Order or the 1992 Order confirming who is to act as scheme administrator for the purposes of the Finance Act 2004. However, given that under both sets of provisions, the FRA is expressly required to deduct tax / lifetime allowance charges which are due on any payments, it can be inferred that the intention was for the FRA also to be the scheme administrator for Finance Act purposes.

4.6 Therefore, a decision by a FRA to operate voluntary "scheme pays" would constitute a "scheme administrator" satisfying *"all or part of a member's liability to the annual allowance charge"* for the purposes of reg.2(1) of the Modification Regulations. As such, it would trigger the operation of reg.(2)(2), which would override the provisions of the FPS to the extent needed to make the *"consequential adjustment"* to the member's benefit entitlement.

Summary

26. In certain circumstances, an individual cannot use Mandatory Scheme Pays 'MSP' to pay a relevant HMRC tax charge. This note considers whether an FRA can satisfy the tax charge on a members behalf using Voluntary Scheme Pays 'VSP'
27. The Home Office is considering amendment to the legislation that would allow an FRA to use 'VSP' in certain circumstances only. However, unless or until that legislation is introduced it is for the FRA to consider their approach to this issue ensuring that what they do is both lawful and appropriate.
28. Having taken Legal advice on behalf of FRA's, LGA can confirm that an FRA (including County Councils, combined Fire Authorities and Metropolitans) can offer Voluntary Scheme Pays arrangements in order to pay the tax bill where a member of the scheme cannot use mandatory scheme pays because they have a power of general competence, which may be exercised reasonably where there are sufficient grounds for doing so'.
29. It is considered that FRAs should consider the test of 'exercised reasonably where there are sufficient grounds for doing so' to be in line with the two circumstances proposed by the Home Office and agreed by the Scheme Advisory Board:
 - Transitional members with service in one of the 1992 or 2006 Schemes, and the 2015 Scheme, are able to access a VSP arrangement in the same way that a protected 1992 or 2006 scheme member, or a member with service only in the 2015 Scheme, can do so through Mandatory Scheme Pays.
 - Scheme members with a tapered annual allowance are able to use a VSP arrangement to pay a tax charge in a circumstance where the pension growth in one scheme (or more schemes) is less than the £40,000 general AA limit but more than their own tapered AA limit.
30. The Fire Authority as the 'scheme administrator' have an express power under Rule 2, paragraph 2 of the Modification of Scheme Regs SI 2011/1791, to allow for an adjustment to be made to the pension (ie in this case a scheme pays debit)

Final Note

31. This note was prepared on 31st May 2017 for Fire Authorities consideration by the Local Government Association. It does not constitute legal advice and should not be treated as so.

APPENDIX B

Contribution rates

Parliamentary Contributory Pension Fund Ministerial Pension Scheme

Rate	Percentage of ministerial pensionable pay	Accrual rate
Standard rate	11.9%	1/40 accrual
Middle rate	7.9%	1/50 accrual
Lower rate	5.9%	1/60 accrual

Ministerial position held	Additional contribution paid
Secretaries of State, Leader of the Opposition in the commons and Speaker in the house of Lords	2.4%
Ministers of State, Government Chief Whip, Leader of the Opposition in the Lords, Chairman of Committees of the House of Lords and Deputy Chairman of Committees of the House of Lords	1.6%
Parliamentary Under Secretaries, Government Whips and Opposition Whips.	1%

Ministers who are not MPs must choose accrual rate, otherwise accrual rate is same as for MPs Pension Scheme.

MPs Pension Scheme

Rate	Percentage of MPs pensionable pay	Accrual rate
Standard rate	13.75%	1/40 th accrual
Middle rate	9.75%	1/50 th accrual
Lower rate	7.75%	1/60 th accrual

New MPs Pension Scheme (CARE scheme from 08/05/2015)

Rate	Percentage of MPs pensionable pay	Accrual rate
Standard rate	11.09%	1/51 accrual

Summary of MPs scheme

Rate	Ministerial Pension Scheme	MPs Pension Scheme	New MPs Pension Scheme
Standard rate	11.9%	13.75%	11.09%
Middle rate	7.9%	9.75%	-
Lower rate	5.9%	7.75%	-

Ministerial position held	Additional contribution paid
Secretaries of State, Leader of the Opposition in the commons and Speaker in the house of Lords	2.4%
Ministers of State, Government Chief Whip, Leader of the Opposition in the Lords, Chairman of Committees of the House of Lords and Deputy Chairman of Committees of the House of Lords	1.6%
Parliamentary Under Secretaries, Government Whips and Opposition Whips.	1%

Civil Service Pension Scheme

Annualised rate of pensionable earnings	Classic, classic plus, premium, nuvos and alpha Member contribution rate
£0.00 to £15,000	4.60%
£15,001 to £21,422	4.60%
£21,423 to £51,005	5.45%
£51,006 to £150,000	7.35%
£150,001 and above	8.05%

Teachers Pensions

Annual salary rate for eligible employment	Member contribution rate
Up to £25,999.99	7.4%
£26,000 to £34,999.99	8.6%
£35,000 to £41,499.99	9.6%
£41,500 to £54,999.99	10.2%
£55,000 to £74,999.99	11.3%
£75,000 and above	11.7%

Local Government Pension Scheme

Actual pensionable pay	Contribution rate	
	Main Section	50/50 Section
Up to £13,600	5.5%	2.75%
£13,601 to £21,200	5.8%	2.9%
£21,201 to £34,400	6.5%	3.25%
£34,401 to £43,500	6.8%	3.4%
£43,501 to £60,700	8.5%	4.25%
£60,701 to £86,000	9.9%	4.95%
£86,001 to £101,200	10.5%	5.25%
£101,201 to £151,800	11.4%	5.70%
More than £151,801	12.5%	6.25%

Fire Pension Schemes

1992 Scheme & Modified Scheme

Whole-time equivalent pensionable pay	Member contribution rate
Up to £15,454	11.00%
£15,454 to £21,636	12.20%
£21,636 to £30,909	14.20%
£30,909 to £41,212	14.70%
£41,212 to £51,515	15.20%
£51,515 to £61,818	15.50%
£61,818 to £103,030	16.00%
£103,030 to £123,636	16.50%
More than £123,636	17.00%

2006 scheme

Whole-time equivalent pensionable pay	Member contribution rate
Up to £15,454	8.50%
£15,454 to £21,636	9.40%
£21,636 to £30,909	10.40%
£30,909 to £41,212	10.90%
£41,212 to £51,515	11.20%
£51,515 to £61,818	11.30%
£61,818 to £103,030	11.70%
£103,030 to £123,636	12.10%
More than £123,636	12.50%

2015 scheme

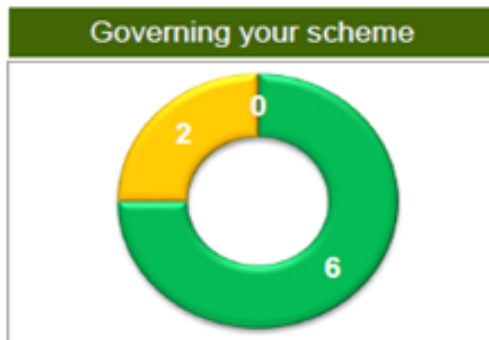
Whole-time equivalent pensionable pay	Member contribution rate
Up to £27,543	10.50%
£27,544 to £51,005	12.70%
£51,006 to £142,500	13.50%
£142,501 or more	14.50%

APPENDIX C

TPR Self assessment tool

Results in February 2017

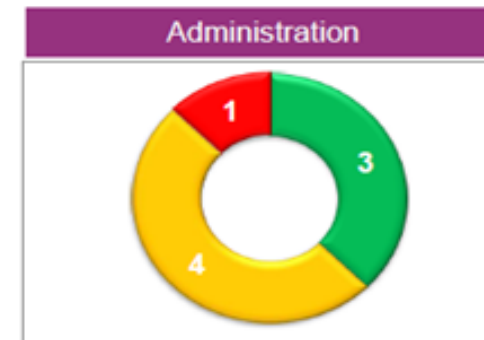
A summary of your results



Percentage of questions answered: **100%**



Percentage of questions answered: **100%**

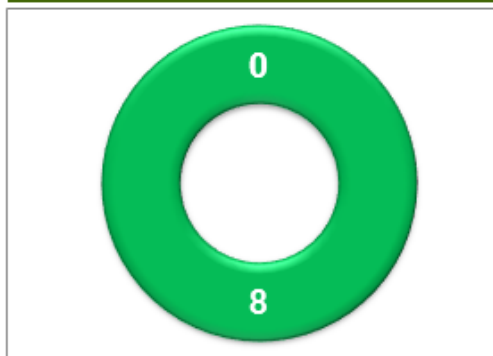


Percentage of questions answered: **100%**

Results in June 2017

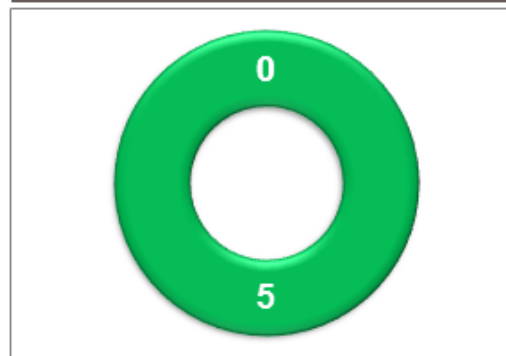
A summary of your results

Governing your scheme



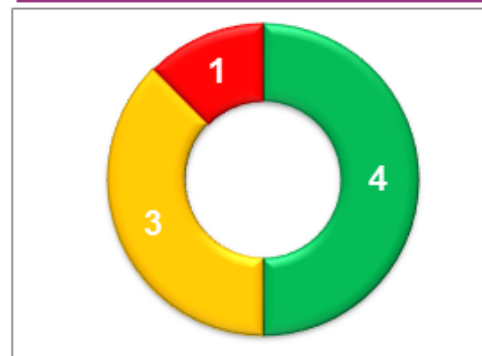
Percentage of questions answered: **100%**

Managing risks and issues



Percentage of questions answered: **100%**

Administration



Percentage of questions answered: **100%**

APPENDIX D

Risk Register

			Impact				
			Negligible	Minor	Moderate	Major	Catastrophic
			1	2	3	4	5
Likelihood	Rare	1	1	2	3	4	5
	Unlikely	2	2	4	6	8	10
	Possible	3	3	6	9	12	15
	Likely	4	4	8	12	16	20
	Almost certain	5	5	10	15	20	25

Risk Register for Fire Pensions

Risk number	Date identified	Risk area	Risk description	Likelihood	Impact	Risk score	Control measure / mitigation	Likelihood after mitigation	Impact after mitigation	Risk score after mitigation	Risk owner
1	12/05/2017	Operations	Failure to administer the pension scheme in a proper and effective manner	2	3	6	<ul style="list-style-type: none"> • Liaison with employer • End of Year • Employer web (UPM access) • Fire Employer Group & Pensions Admin Group • Fire Pension Board • Management oversight and escalation to Rob Carr • Diversification – we run a Shared Services arrangement • Ability to call in temporary staff for peak workloads • Business continuity plan 	1	3	3	Scheme Manager
2	12/05/2017	Financial	Failure to pay the right amounts on time and in line with legislation	3	3	9	<ul style="list-style-type: none"> • Testing software • Internal and External Audits • Standardisation of systems and processes • All processes and calculation have a “doer” and a separate “checker” • Monthly mortality screening for pensions in payment • Declaration of Entitlement forms annually to pensioners and beneficiaries living overseas or upon mail being returned • Participation in National Fraud Initiative reporting 	2	3	6	Pension Administrator
3	12/05/2017	Funding	Failure to adequately account for fund pension contributions	2	4	8	<ul style="list-style-type: none"> • Strong financial plan for HFRA • Planned budget • Aim to complete all Home Office returns on time 	1	4	4	Scheme Manager
4	12/05/2017	Regulatory and Compliance	Failure to identify and interpret and implement legislation correctly	3	4	12	<ul style="list-style-type: none"> • Scheme Advisory Board • Local Government Association (LGA) • Regional Fire Pension Officer Groups • Fire Pension Board • Employer Pension Manager as a dedicated resource liaising between <ul style="list-style-type: none"> o Fire Employer Group & Pensions Admin Group, pulling together o Key Accountabilities for IBC Pensions Admin Team, HR and Hampshire Pension Services 	2	4	8	Scheme Manager

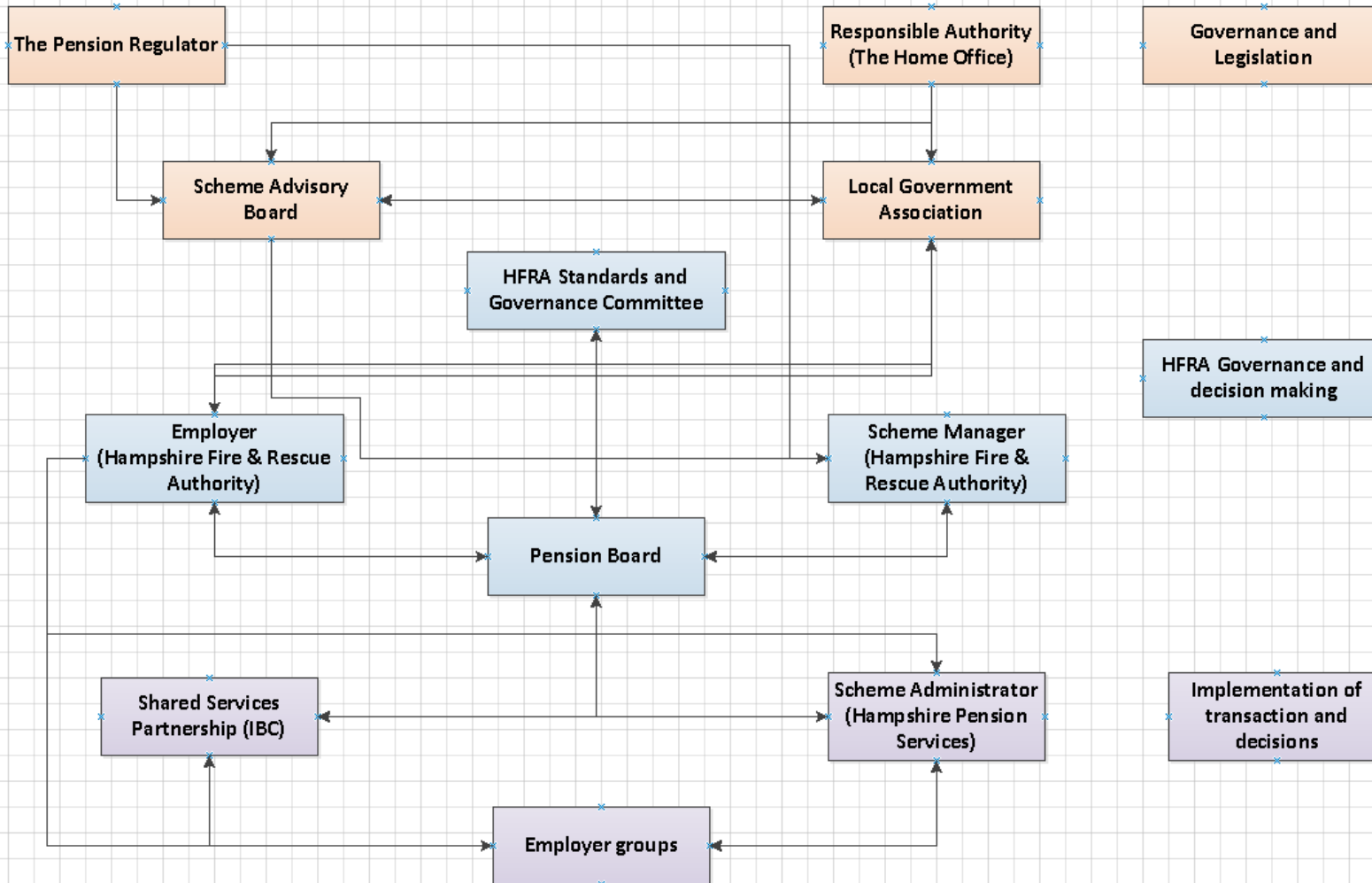
BEFORE MITIGATION		Impact				
		Negligible	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood	Rare	1				
	Unlikely	2			1. Failure to administer the pension scheme in a proper and effective manner	3. Failure to adequately account for fund pension contributions
	Possible	3			2. Failure to pay the right amounts on time and in line with legislation	4. Failure to identify and interpret and implement legislation correctly
	Likely	4				
	Almost certain	5				

AFTER MITIGATION		Impact				
		Negligible	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood	Rare	1			1. Failure to administer the pension scheme in a proper and effective manner	3. Failure to adequately account for fund pension contributions
	Unlikely	2			2. Failure to pay the right amounts on time and in line with legislation	4. Failure to identify and interpret and implement legislation correctly
	Possible	3				
	Likely	4				
	Almost certain	5				

APPENDIX E

Governance

Fire governance and how it works together



Governance - roles and responsibilities

Responsible authority

The responsible authority designs the scheme and determines the scheme regulations, which will specify the Scheme manager and the matters for which the Pension board is responsible. For the Firefighters Pension Schemes (England) the responsible authority is the Home Secretary (Home Office)

The Pensions Regulator

The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK. Working with employers and those running pensions it aims to ensure that people can save safely for their retirement.

TPR is sponsored by the Department for Work and Pensions and works in partnership with a number of government and regulatory bodies, including the Home Office and Local Government Association (LGA) in respect of Fire Pension schemes. TPR directly regulates Scheme managers and pension boards, but will engage with other stakeholders.

Local Government Association (LGA)

The LGA provides pension related guidance to Fire and Rescue authorities on Finance issues, authority discretions, technical advice and best practice.

Works on behalf of councils to ensure local government has a strong, credible voice with national government. LGA aims to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

Scheme advisory board (SAB)

The scheme advisory board is responsible for advising the Responsible authority about possible scheme changes. In some schemes, the board may also advise Scheme managers and/or Pension boards on improving the administration and management of the scheme.

HFRA Standards and Governance Committee (S&GC)

The S&GC oversees the discharge of the Authority's duty to promote and maintain high standards of conduct covering training, protocols adopted by the authority and related matters to enable high standards of conduct to be maintained.

Under the Governance heading the committee reviews and amends the corporate governance framework for the authority, including reports from the treasurer, internal audit, annual statement of accounts, risk management strategy and health & safety.

It approves the annual Operational Assurance statement (part of the requirements of the National Framework for the Fire and Rescue Service 2012).

Employer

Responsible for discretionary policy decisions, implementation of policy and development of local procedures. Deals with appeals and disputes from members in accordance with established best practice.

Scheme manager

The Scheme manager has overall management responsibility for the schemes. For the Firefighters Pension Scheme the administering authority is the Scheme manager.

Pension boards

Pension boards are responsible for assisting the Scheme manager in securing compliance with:

- scheme regulations
- other governance and administration legislation
- any requirements of The Pensions Regulator
- additional matters, if specified by scheme regulations
- Pension boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts.

Scheme administrators

The scheme administrator keeps records, collects contributions from employers, calculates and pays benefits to members, deals with complex pension enquiries.

They provide Annual Benefit Statements to members in the autumn of each year.

Shared Services Partnership (IBC)

The Pension Administration Team in the IBC deal with payroll related pension queries, e.g. pension deductions from salary, opting in or out of the scheme etc.

Annually they provide pay and pension contribution details for all members to the Scheme Administrator; this is an annual reconciliation of amounts paid.

When a member requires an estimate or leaves employment, they provide the necessary pay and service information to the scheme administrator.

Employer Groups

The Employer Pension Manager provides a link between the Employer Groups for each of the partners, HR and all the Pensions administration teams. This enables a clear oversight of pension issues for all pension schemes.

The employer Groups provide a framework to consider an approach, development and provision of a joined up Pensions service for HFRA.

APPENDIX F

Website tree

I want to.....

Request an estimate

Join or opt in

Transfer in another pension

Request a Cash Equivalent Transfer Value (CETV)

Opt out

Leave or retire

Policies

Re-engagement after retirement

Temporary promotions

Contribution holidays

Firefighters pension discretionary policies

Firefighters compensation scheme

Further information on.....

Firefighters contribution rates

Auto enrolment

Pension website and Pension board information

Annual Benefit Statements

When to leave or retire

Getting help



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Meeting: Hampshire Firefighters' Pension Board

Purpose: Noted

Date 17 JULY 2017

Title PENSIONS ADMINISTRATION UPDATE

Report of the Chief Financial Officer

EXECUTIVE SUMMARY

1. The purpose of this paper is to update the local Hampshire Fire Pension Board on administrative performance for October 2016 to March 2017.

BACKGROUND

2. Pensions Services administer the fire pension schemes on behalf of the Chief Fire Officer, under the Joint Working agreement between Hampshire County Council, Hampshire Fire & Rescue Authority (HFRA), the Police & Crime Commissioner for Hampshire and the Chief Constable of Hampshire Constabulary.
3. Responsibility for the fire schemes sits with HFRA as the scheme manager. Pensions Services therefore administer the schemes in accordance with the statutory regulations and any instructions from the HFRA on discretionary matters. HFRA are part of the shared services arrangements so all salary and service information required for pension calculations is provided to Pension by the IBC. Pensions also administer the LGPS for the Hampshire Pension Fund and the Hampshire police pension schemes.

ADMINISTRATION PERFORMANCE

4. Pensions Services' administration performance against service standards for key casework is measured each month. This information is used internally to improve processes and will be reported to the Board in regular administration update reports.

5. The tables below show the performance for Q3 and Q4 2016/17.

Quarter 3

Type of case	Time to Complete						Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days	40 days plus		
Retirement	8	1	0	0	0	0	9	100.00
Deferred Retirement	0	0	0	0	0	0	0	100.00
Estimate	3	8	6	0	0	0	17	100.00
Deferred	7	1	2	0	0	0	10	100.00
Transfers	2	0	0	0	0	0	2	100.00
Divorce	5	0	0	0	0	0	5	100.00
Grand Total							43	

Quarter 4

Type of case	Time to Complete						Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days	40 days plus		
Retirement	7	1	0	0	0	0	8	100.00
Deferred Retirement	2	2	0	0	0	0	4	100.00
Estimate	6	8	5	1	0	0	20	100.00
Deferred	1	15	10	11	0	0	37	100.00
Transfers	2	0	0	0	0	0	2	100.00
Divorce	1	0	0	0	0	0	1	100.00
Grand Total							72	

6. The software supplier, Civica provided the deferment calculation for the 2015 scheme in January and the backlog of 93 deferred retirements were processed by March 2017.
7. Civica are working through a programme to deliver the necessary functionality to administer all the Fire pension schemes. The outstanding calculations are for the 2015 scheme but where possible the work is being done manually as these cases arise.

RECOMMENDATION

8. That the Board note the information contained in this report.

Contact:

Lois Downer, Deputy Head of Pensions, lois.downer@hants.gov.uk, 01962 847600



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Decision

Date **14 NOVEMBER 2017**

Title **FIRE PENSION BOARD STATUS REPORT**

Report of Chief Finance Officer

SUMMARY

1. This report provides an update on the development of key items
2. This report, together with attachments, provides the framework for this meeting agenda.

TRANSITIONAL AUTO ENROLMENT

3. Transitional deferment with regard to auto enrolment was applied to 91 operational HFRA staff. This period of transitional deferment ended on 30 September 2017.
4. Employees that are an eligible jobholder, and have no record of a previous opt out date were auto-enrolled in the scheme on 1 October 2017.
5. The LGA are seeking clarification over what happens if a transitional employee is not an eligible jobholder on 1 October 2017, but becomes one at a later date. This is because the Pension Regulator guidance states that membership would have to be backdated to 1 October 2017 regardless of the date they become eligible.
6. To give you an example, the transitional employee is not an eligible jobholder on 1 October 2017, but becomes one on 1 December 2018. Pension contributions taken in December 2018 would therefore be backdated to 1 October 2017, meaning that 14 months arrears (1 October 2017 to 30 November 2017) would be taken along with the current month.

NEW RECRUIT / TRANSFEREE

7. Where a new recruit to HFRA transfers from another FRA, they are entitled to retain membership of their existing pension scheme where service is continuous.

8. As part of the recruitment process a membership option form is required to be completed to enable
 - The IBC Pensions Administration Team to identify which scheme the member should be a part of, deduct the correct level of contributions and calculate the correct taper date where applicable
 - To enable Pensions Services to apply to the previous FRA for details of service and pension benefits.
9. The IBC Recruitment team were making changes to their processes so that new recruits would be asked to fill in an achieve form version of the membership option form. The submitted form would then automatically be sent to a mailbox that the IBC Pensions Administration team manage.
10. Unfortunately, this process was only put in place for recruitment of Police Officers and Fire was outside the scope of this project. However, IBC recruitment has now agreed that they will incorporate the paper version of the form into their processes.

SUPREME COURT JUDGEMENTS

11. There have been two judgements regarding partner pensions recently.
12. Early in 2017 a judgement was handed down in respect of the requirement for nomination for a survivor's pension to be made in the case of Brewster v NILGOSC.
13. This case was where a nomination form had not been completed for a co-habiting partner.
14. Due to different legislation for each of the schemes, the issue only affects the 2006 scheme for which the majority of the membership transferred to the 2015 scheme under the reforms. Therefore the potentially affected cohort is very small.
15. The approach that is recommended is that as and when a case is known, then legal advice may need to be sought until such time as amended legislation is brought into force. The Board are asked to support this recommendation.
16. In July 2017 the Supreme Court handed down a judgement in respect of benefits payable to a Civil Partner in the case of Walker v Innospec.
17. This case was where benefits payable to surviving spouses / partners differ depending on whether their relationship with the originating member was a civil partnership, same sex marriage or opposite sex marriage.

18. Again, the potentially affected cohort is believed to be relatively small and any impact minimised as the Fire Pension Schemes already base benefits on service from 6 April 1988 in such cases, where as Innospec only based benefits on service from December 2005.
19. Following this judgement, LGA understands that Government lawyers are considering the possible impacts the ruling will have on survivor pension rights offered by public service pension schemes, including the Fire Pension Schemes.

GENERAL DATA PROTECTION REGULATION (GDPR)

20. From 25 May 2018 the EU General Data Protection Regulation (GDPR) introduces new legislation governing the collection, use and processing of personal data.
21. While many of the provisions remain the same as the existing Data Protection Act, some new elements and significant enhancements will impose new responsibilities on schemes by granting a number of additional rights to data subjects.
22. Pensions Services have started working on a plan to determine what this means for them. In addition, the Chief Finance Officer has also contacted the Head of Risk and Information Governance as this will impact the whole of the County Council, and its partners.
23. More information can be found in APPENDIX A. It should be noted that although this has been written for LGPS administering authorities the same regulations will apply to the Fire Pension Schemes and the administrator.

OPT OUTS

24. Details of the historical opt out information between 2013/14 and the current year can be found in APPENDIX B.

PENSION ACCOUNTABILITIES

25. Work has been undertaken to define the boundaries of the pension accountabilities across different departments. There are three main areas
 - Pensions Services
 - IBC Pensions Administration Team
 - HR
26. Pensions Services are responsible for issuing Annual Benefit Statements, providing estimates and calculating retirement benefits, along with dealing with complex enquiries.

27. IBC Pensions Administration Team is effectively the payroll provider for HFRA. They provide the pension information, relating to pay and service to Pensions Services for new starters, leavers and retirements. They deal with those wanting to opt in or opt out of the scheme.
28. HR provides advice on pension policy and deal with any ill health retirements. They will provide instruction to the IBC Pensions Administration Team.
29. In July 2017, HR held two sessions for all HR staff on pensions. The introduction by Rob Carr covered the difference in the teams and started to address the issue of who does what for HR staff.

ANNUAL BENEFIT STATEMENTS

30. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year.
31. The Board will remember that for 2016, this deadline was not met and this subsequently resulted in a breach of law which was reported to the Pension Regulator. The outcome of which was that no further action would be taken as long as there was no repeat.
32. ABS' for members of the Fire Pension Schemes are posted to their home address as there is currently no pension member self service available. Although this is actively being considered at the present time by Pensions Services.
33. As the current home address for each member is held by the employer's payroll provider rather than Pensions Services, some communications were put out a few weeks before the issue of the ABS' to encourage individuals to check and update their home address within Employee Self Service (ESS).
34. The Board will be pleased to hear that the 31 August 2017 deadline was met and that ABS' were issued to home addresses provided by the employer's payroll provider, the IBC Pensions Administration Team.
35. There have only been a small number of queries about ABS' and most of these have been regarding pay, rather than the content of the ABS. It is not known if this is a positive sign or not. For example: -
 - Members do understand their ABS
 - Members have not looked at their ABS or
 - Members do not understand their ABS but have not raised a query
36. The Pension Board may wish to consider whether any additional communication is required to improve ABS statement awareness and whether any amendments to statements would be pertinent for next year to provide extra clarity or explanation.

ANNUAL ALLOWANCE / LIFETIME ALLOWANCE

37. The statutory deadline to provide Pension Savings Statements is 6 October each year.
38. Pension Savings are calculated by assessing the difference in the value of the pension at the start of the Pension Input Period (PIP) and at the end of the PIP. The PIP runs from 6 April to 5 April.
39. This difference is called the Pension Input Amount (PIA) and the value of these Pension Savings, must not exceed the Annual Allowance (AA) limit for the year.
40. A Pension Savings Statement is automatically sent to a member where they have exceeded the Annual Allowance in the year, but can be sent to any member upon request.
41. This letter will inform the member if they have unused allowances from the previous three years that are available to offset any excess. It will also inform them if there is an excess which is taxable.
42. The letter that was issued for 2016/17 can be found in APPENDIX C. This is a complex area and the Board are invited to consider whether this communication could be improved. Although after feedback that Pension Services have received, they are already looking to improve the content of this letter.
43. Given the complexity, the Chief Finance Officer is proposing to hold seminars for those that might be affected by the AA issue and the Board are invited to support this proposal.

PENSION BOARD TRAINING

44. Pension Board members have been invited to attend a tax seminar run by the LGA. Dates and booking instructions have been sent out by email.
45. The last training needs analysis (TNA) were completed in December 2016. Some training was delivered after the Fire Pension Board meetings in both February and July 2017.
46. Pension Board members will therefore be asked to complete a new TNA so that the improvement in knowledge and understanding can be recorded. The results will be collated and included with the Pension Board report in February 2018.

ALLOWANCES

47. A review of allowances is underway. This work is much wider than Pensions, but the aspects mentioned in this report are items that have pension elements. There are various pension strands to this work
 - Those receiving a 10% allowance which is not for training
 - USAR 20% allowance and it's potential change to a 10% allowance (which may or may not be pensionable)
 - A review of the policy handbook including definitions and criteria
 - A review of the governance around awarding an allowance
 - A review of governance when the allowance no longer applies
48. Two workshops are being held on 3 November in order to baseline the allowances issues and start to formulate a robust set of rules and conditions. Area Managers, HR, Finance and other parties have been invited to these workshops.
49. This review is still in the early stages but is due to be completed by April 2018. Further updates will be provided to the Board at the next meeting.
50. Since commencing this review of the allowances, a number of issues have come to light that perhaps give cause to question whether earlier decisions with regard to making Temporary Promotions (TP) pensionable were correct and in the best interest of the membership.
51. There was a legislation amendment that took effect from 1 July 2013 that allowed HFRA to make a decision that temporary allowances (including TP) would be pensionable. This decision was made believing that it was the right thing to do for the firefighter.
52. With effect from 1 July 2013, where an allowance is temporary and pensionable then the firefighter receives an Additional Pension Benefit (APB) in respect of the additional payments. This is an amount that is added to the Annual Pension.
53. However, the APB may not be as beneficial to the member as was initially thought as the amount of APB the member receives is very small when compared to the high level of pension contributions that are paid. In addition to this, the impact of this decision has been far more complex to administer than could have been anticipated.
 - The payroll system is not configured in the most effective way to handle the different variations of schemes and temporary allowances
 - Information has to be extracted from the payroll system for purposes of estimates, leavers, retirements and End of Year data to Pensions Services

- Information has to be captured by Pensions Services and records updated accordingly
 - There is huge complexity around ensuring that when a member receives a temporary allowance, that they are given the correct pension benefit in return
54. The illustrations in APPENDIX D and APPENDIX E show the monetary value that is returned to the firefighter by way of an APB. The Board are invited to discuss their thoughts on this matter.

ILL HEALTH AND INJURY PENSION REVIEWS

55. At the Fire Employer group meetings the issue of ill health pension reviews and injury pension reviews has been discussed.
56. Reviews of ill health pensions are not mandatory, but reviews of injury pensions are required. It would appear that HFRA have never carried out any reviews of pensions.
57. HFRA have a policy in place stating that ill health pensions will be reviewed in the 4th and 8th year of receipt and that injury awards will be reviewed in the 3rd and 5th year of receipt.
58. As an injury award is unlikely to be given without an ill health pension, this means that for a member that has an injury award, the injury award would be assessed in year 3, the ill health pension would be assessed in year 4, the injury award would be assessed again in year 5 and the ill health pension would be reassessed in year 8.
- The review of the injury award would be to determine if the degree of disablement should be increased, decreased or remain the same
 - The review of the ill health pension would be to determine if the ill health pension should continue and that would depend on general health and ability to work
59. HR Shared Services is responsible for managing both these types of reviews and notifying Pensions Services of any amendments affecting the award of benefits.
60. Details of those currently in receipt of Ill Health and Injury Pensions have been provided by Pensions Services and analysis of the numbers involved can be found in APPENDIX F.
61. There are a small number of cases where the ill health pension and the injury pension award are due to be reviewed over the next four years.

62. When an injury pension is awarded, before Pensions Services commence payment, they will ask the member to confirm what, if any, DWP benefits they are receiving in respect of the injury. Any amount of DWP benefits will be deducted from the injury pension.
63. In addition to the review of these cases, there also needs to be a regular exercise to obtain details of DWP benefits that are in payment to assess the amount of the injury pension that can be paid to the member. There are currently 90 injury pensions that are in payment.
64. No further assessment of the amount in payment currently falls under the responsibility of Pensions Services and this is not reviewed unless the member contacts Pensions Services with revised details.

LGA FIRE PENSION CONFERENCE

65. Both the Employer Pension Manager and the Finance Transformation Manager attended the LGA Fire Pension Conference in London on 9 and 10 October 2017. The Employer Pension Manager also attended the Fire Pensions Technical Group meeting on 9 October as a representative from the South East Fire Pensions Officer Group.
66. The first day of the conference had 4 main themes
 - Governance
 - Risk
 - Internal controls
 - Member communications
67. There were presentations from The Pensions Regulator, the chair of the Local Pension Boards Effectiveness Committee, the LGA Pensions Secretary and a Senior Adjudicator from the Pensions Ombudsman's office.
68. The second day saw a presentation from The Home Office and the Government Actuary's Department covering the valuation data at 31 March 2016. The cost cap for the scheme is set at 16.8% of pensionable pay, with a 2% tolerance. This presentation highlighted the fact that the scheme is very close to this. The Board may wish to note that any decisions around pensionable allowances and Temporary Promotions will have an effect on the cost cap.
69. The results of the valuation are expected in spring 2018.
70. There were also presentations from Eversheds Sutherland with a case law update, The Pensions Regulator regarding data and GDPR. There was a presentation from LGA about the ending of Contracting Out and the Guaranteed Minimum Pension (GMP) reconciliation.

71. There were also updates on both days from Clair Alcock LGA and Malcolm Eastwood in his capacity as chair of the Scheme Advisory Board (SAB). One exciting new development is the launch of the SAB website: www.fpsboard.org.
72. It was a very informative conference with really good speakers, presentations, delegate interaction and networking. Board members are encouraged to consider attendance at the 2018 conference.

EMPLOYER PENSION WEB PAGES

73. At the Pension Board meeting in July, the new employer pension pages were launched and following positive feedback they went live on 16 August 2017.
74. The launch was publicised in communications on Yammer and Routine Notice.
75. Despite communicating the launch, the message about the available resources for fire-fighters does not appear to have hit the wider community.
76. Details of the “hits” on the new employer web pages between 1 August and 18 October can be seen in APPENDIX H.
77. The Pension Board may wish to consider obtaining some feedback on the new employer web pages and on pensions in general and whether sending out a survey may be useful.

PRESENTATION FROM LOCAL PENSION PARTNERSHIP (LPP)

78. George Graham, LPP’s Managing Director of the Administration Business visited on 29 September 2017 to present to the Board the LPP pension administrator business model.
79. Those that attended found that the presentation was disappointing both in the delivery and content. However, whilst the presentation did not offer anything new in the way of Pensions Administration, it did provide a framework for the Pension Board members to start to think about how things could be improved.
80. Engagement and communication were two key themes that came out of the meeting and are areas that can be focused on going forward.

PENSION PRESENTATIONS

81. The Employer Pension Manager held the first Fire Pension Schemes pre retirement presentation in July 2017.

82. The presentation included all four schemes, covering how the schemes worked, how benefits are calculated with actual examples, Life Time and Annual Allowances, HMRC maximum benefits, as well as things like the retirement process, and what happens after retirement. This was extremely well received and there were plenty of questions that were asked.
83. All attendees were provided with an individual estimate of their retirement benefits which was distributed after the presentation concluded. The Employer Pension Manager spent additional time after the session speaking to each person about their personal circumstances.
84. The next pre-retirement pension presentation is scheduled on 15 November 2017.
85. The Employer Pension Manager will be attending Gosport Fire Station on 23 November 2017 to give a pension presentation and to hold a Q&A session. There is also another session at Redbridge Fire Station planned for 6 December 2017.

ENGAGEMENT AND COMMUNICATION

86. In the communication that launched the new employer fire pension web pages, reference was made about the available resources that firefighters have access to. The communication that went into routine notice is included in APPENDIX G.
87. The Pension Board should now consider what approach they want to take with regard to engaging individuals and how information about pensions could be more effectively communicated, utilising the resources that are available

RECOMMENDATION

88. That the approach to co-habiting partners, as set out in paragraphs 12-15 be approved by Hampshire Fire Pension Board

APPENDICES ATTACHED

89. APPENDIX A – GDPR – Actions for administering Authorities
90. APPENDIX B – Opt Out historical data summary
91. APPENDIX C – Blank template letter for Annual Allowance
92. APPENDIX D – 1992 Scheme APB example
93. APPENDIX E – 2006 Scheme APB example
94. APPENDIX F – Ill Health and Injury Pension review data summary
95. APPENDIX G – Website communications
96. APPENDIX H – Employer Pension Web page data

Contact:

Claire Neale, Employer Pension Manager, claire.neale@hants.gov.uk,
01962 845481

General Data Protection Regulation Compliance Actions for Administering Authorities in the LGPS

Why Is Data Protection So Important?

Person schemes necessarily hold and process significant amounts of personal data relating to members. As a matter of good governance, it is important that member data is safeguarded. There is already a legal obligation on LGPS fund Administering Authorities to keep member data secure, but new legislation will come into force in May 2018 that will have a significant impact on the obligations of Administering Authorities and the potential financial penalties if they get it wrong.

The GDPR and LGPS Administering Authorities

The General Data Protection Regulation (GDPR) will have direct effect throughout the EU from 25 May 2018. It applies to all EU member states and provides a single EU legal framework for the processing of individuals' data. The maximum potential fine for breaching the GDPR will be €20 million (or 4% of global turnover if higher). The government has confirmed that, despite Brexit, the GDPR will be enforceable in the UK from May next year.

Administering Authorities are responsible for the personal data held by their LGPS funds, meaning the GDPR changes are relevant to them. Every pensions team should be actively planning how to ensure compliance with the GDPR.

Administering Authorities must demonstrate compliance with the GDPR in relation to their LGPS fund. They should be able to show in a meaningful way that both the overall governance structure for data protection compliance and the individual policies and procedures relating to data processing are compliant.

Who Needs to Know?

This document is relevant to anyone working in data protection/compliance or supporting an LGPS fund, and aims to highlight the main steps that Administering Authorities will need to consider in complying with the GDPR in relation to their LGPS funds. Where an authority has already implemented general GDPR compliance processes, or has them in the pipeline, the steps we have set out can be tailored to work in conjunction with or in addition to those processes.



The GDPR – Actions for Administering Authorities

1. Maintain Records of Data Processing

It will become a mandatory requirement for Administering Authorities who employ more than 250 people, or who process sensitive personal data (about members' health or family circumstances), to maintain records of all personal data processing activities. The records may have to be presented to the Information Commissioner's Office (ICO) on demand.

Action for Administering Authorities

- Audit the current position and identify any gaps in compliance.
- Take steps to ensure all personal data processing activities are recorded.

2. Review Data Security Measures and Assess Adequacy

The GDPR retains the current obligation to have appropriate technical and organisational data security measures in place, but also provides that certain specific measures (such as encryption) should be used "where appropriate".

It also requires that processes incorporate "privacy by design and default", i.e. compliance with the GDPR needs to be integrated into all data processing and should be the default setting on all privacy arrangements.

Action for Administering Authorities

- Develop a compliance plan to ensure appropriate technical and organisational data security measures are in place both at the authority and with any third party service provider.
- Review existing applications and processes that involve the use of personal data and ensure they are secure.
- Implement a policy to ensure that data is only stored for the minimum period necessary.
- Consider whether data encryption should be used, especially for sensitive personal data such as health data.
- Default settings (for example, on member portals) must be configured to automatically provide data security.

3. Update Service Provider Contracts

The GDPR requires new content to be inserted into all service and data sharing agreements that govern the use of personal data. It also imposes direct liability on such service providers for data protection compliance.

Action for Administering Authorities

- Work with current service providers and any other third party that receives data from the LGPS fund, e.g. actuaries/auditors, to amend the contractual provisions as necessary to comply with the GDPR.
- Do not agree to any revised contract without first obtaining proper advice that it does not impose additional obligations on the authority/the fund.
- Ensure that the contractual terms applying to all new appointments are compliant with the GDPR.
- Ensure that any third party administrator maintains adequate records.



4. Revise and Update Privacy Notices and Consider Whether Member Consent Is Required

The GDPR requires additional content to be included in all privacy notices regarding how personal data will be used by data controllers. A data controller is any organisation that makes decisions on how personal data is to be processed and for which purposes, so will include the Administering Authorities of an LGPS fund. Data controllers must tell any one whose personal data they collect what information is held, how it is used, who it may be shared with and what safeguards are in place.

The GDPR also makes it more difficult to obtain valid consent for the use of personal data – consents must be fully informed, specific, unambiguous and freely given by way of a statement or clear affirmative action by the member.

In addition, there is a specific obligation to retain proof of consent.

Action for Administering Authorities

- Review and resend all member privacy notices in order to comply with the GDPR.
- Review consents the authority relies on to justify the processing of personal data.
- Consider new or revised consent to data processing by the fund.
New joiner information may need to be updated.
- Clear records of all privacy notices and consents must be kept.

5. Establish a Breach Management Process

The GDPR requires data breaches involving any risk to individuals to be reported to the ICO "without undue delay", and within 72 hours of becoming aware of the breach in any case. The report must contain details of the breach, including the number of individuals affected, the likely consequences and the steps being taken to address/mitigate the breach.

Affected individuals must also be notified directly if the breach is a "high risk" to their rights and freedoms.

Action for Administering Authorities

- Establish an effective data breach response plan that ensures any breach is addressed and assessed for the obligation to notify and that the relevant ICO report and any member notifications can be made in a timely fashion.

6. Appoint a Data Protection Officer (DPO)

As public bodies, Administering Authorities may be required to appoint a DPO. The European data protection authorities recommend that a DPO is appointed even if an organisation is not required to have one under the GDPR. The DPO is expected to be appropriately qualified and should report directly to the senior management at the authority. The DPO will be the contact person in the organisation for questions related to processing of personal data in respect of the LGPS fund, as well as the rest of the Administering Authority's functions.

Action for Administering Authorities

- Appoint a suitably qualified DPO, if your organisation is required to have one. This could be the Authority's appointed general DPO, if there is one, provided that person meets the criteria.
- Where Administering Authorities share pension services, one DPO could be appointed to more than one authority in respect of their LGPS funds.



7. Ensure Processes Are in Place to Cater for the New Individual Rights

The GDPR introduces new rights for individuals, including the right of data portability, the right to restrict processing, the right to object to processing, the right to object to direct marketing and the right to be forgotten – i.e. the right to have one's personal data deleted.

Action for Administering Authorities

- Identify which of the new rights may be exercised by members.
- Establish procedures to ensure that the new rights can be exercised.

8. Carry Out Data Protection Impact Assessments (DPIA)

DPIAs must be carried out in relation to all "high risk" processing. This is where there is a high risk to rights and freedoms, for example, extensive profiling of individuals using automated processing or large scale processing of sensitive personal data (e.g. medical information). The European data protection authorities recommend to carry out DPIAs as good practice and to demonstrate accountability for processing personal data.

Consultation with the ICO may be required prior to processing in relation to high risk processing in certain circumstances.

Action for Administering Authorities

- Assess whether any use of personal data would be classified as "high risk" under the GDPR and, if so, carry out a DPIA.

Checklist

1. Create and maintain records of data processing.
2. Review data security measures and assess compliance.
3. Update service provider contracts.
4. Revise and update privacy notices and consider whether member consent is required. If yes, assess whether it meets the GDPR requirements.
5. Establish or update a data breach management process.
6. Appoint a Data Protection Officer (DPO).
7. Ensure processes are in place to cater for the new individual rights.
8. Consider if a Data Protection Impact Assessment (DPIA) is required and, if so, carry one out.

Contacts



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APPENDIX B

Opt out data

	2013/14	2014/15	2015/16	2016/17*	2017/18**
Total number of opt outs in year	22	25	10	75	29
Age of opt outs					
youngest age of opt out in year	24	22	22	21	22
oldest age of opt out in year	57	55	52	53	58
average age of opt out in year	39	41	35	38	38
Ethnicity of opt out					
ethnicity not known	1	2	2	13	5
mixed Caribbean	0	0	0	1	0
white other	3	2	1	1	0
white / British	18	21	7	60	24
Whole time or Retained					
Retained	21	25	9	16	9
Whole-time	1	0	1	59	20
Opt out - automatic re-enrolment					
Retained	21	23	7	12	6
Whole-time	0	0	0	31	7
Total	21	23	7	43	13
Opt out - new joiner (refund)					
Retained	0	2	2	1	3
Whole-time	1	0	1	25	13
Total	1	2	3	26	16
Opt out - deferred pension					
Retained	0	0	0	3	0
Whole-time	0	0	0	3	0
Total	0	0	0	6	0

*2016/17 year – Automatic re-enrolment date 1 October 2016

**2017/18 year – Only contains data from 1 April to 30 September 2017

APPENDIX C

Personal & Confidential
Mr J Bloggs
The Castle
Winchester
Hampshire



**HAMPSHIRE
FIRE AND
RESCUE
SERVICE**

Pensions Services
The Castle, Winchester
Hampshire, SO23 8UB

Telephone: 01962 845588
Fax: 01962 834537

www.hants.gov.uk/pensions

<i>Enquiries to</i>		<i>My Reference</i>	FIRE/Annual Allowance Notification
<i>Direct Line</i>	01962 845588	<i>Your Reference</i>	AB123456C
<i>Date</i>		<i>Email</i>	pensions@hants.gov.uk

Dear Mr Bloggs

Hampshire Firefighters' Pensions Pension Savings Statement 2016/17

Please find enclosed your Pensions Savings Statement for 2016/17. This statement sets out the increase in your pension savings from the Fire Pension Scheme over 2016/17 for comparison against the HM Revenue & Customs (HMRC) Annual Allowance threshold.

We have sent you this statement for one of the following reasons:

- Our records show that the increase in your pension savings in the Fire Pension Scheme over 2016/17 exceeds the standard Annual Allowance (based on the information we hold on your pension record at the time of the calculation),
- You have requested a statement,
- A third party has requested a statement on your behalf (you will need to forward this to them),
- We have revised a previous statement due to a notification of a data change.

Please refer to our website which gives you more information on how the Annual Allowance works www.hants.gov.uk/pensions/annualallowance.

What should I do with this information?

You will need this statement to work out whether you have to pay a tax charge. If you find that you do need to pay a tax charge, then there are different ways in which you can meet the charge as set out later in this document.

It is your personal responsibility to pay the correct amount of tax and therefore please take your time to read and understand this information. You may need to take independent financial advice in order to ensure you understand your tax position.

You can use the HMRC online calculator to work out if you need to pay a charge <https://www.tax.service.gov.uk/paac>

Members must report any annual allowance excess to HMRC as part of the self reporting process, even if a self assessment return is not ordinarily required by HMRC. The **scheme is not responsible** for informing HMRC on your behalf.

You may wish to refer to HMRC guidance; <http://www.hmrc.gov.uk/pensionschemes/calc-aa>.

Your pension savings

There is a limit to the amount of pension you can build up in a year without paying any tax. This limit is called the Annual Allowance.

HMRC measures your pension savings in a specific way, and over a specific time period:

- The increase in your pensions savings is called the Pension Input Amount (PIA).
- The increase in pensions savings is measured over a period which is called the Pension Input Period (PIP for short).

You may be subject to an Annual Allowance tax charge if your PIA for an input period is more than the Annual Allowance in that period. The tax charge applies only to the amount above the allowance.

However, there is a mechanism to carry forward unused Annual Allowance from the last three PIPs to fully or partially offset a tax charge.

Pensions savings in the Fire Pension Scheme

Your pensions savings for the 2016/17 year in this scheme were £40,952.32 and so have exceeded this year's annual allowance by £952.32 (a).

Assuming that you made no other pensions savings between 1 April 2013 and 31 March 2017, you have the following unused annual allowance from the last 3 tax years to help cover the excess shown above;

Tax Year	Annual Allowance	Unused Allowance
2013/14	£50,000	£22,683.52
2014/15	£40,000	£0.00
2015/16	£40,000	£15,688.85

After using the unused allowances above to cover this year's excess, your remaining unused annual allowance available to carry forward for 2017/18 is £15,688.85.

This information is based solely on your pension benefits in the Fire Pension Scheme,

Scheme Pays option

If your total tax charge exceeds £2,000, then you may elect in writing for us to pay the tax charge and in turn we will apply a pension debit (an amount deducted from your pension

when you retire). You will still need to fill out a Self Assessment tax return to declare the excess.

A Scheme Pays Election form has been enclosed with this letter. We must receive any elections for Scheme Pays in respect of 2016/17 by 31 July 2018.

If you do not use the Scheme Pays option, you will need to notify HMRC of your excess and pay the tax charge to them directly.

Pensions Savings Statement 2016/17

1. Your personal details

We have used the following details to produce the figures in this statement.

Name:	Joe Bloggs
National Insurance number:	AB123456C
Payroll number:	01000000
Date of birth:	1 January 1968

2. Your pension input amounts

The table below sets out:

- your pensions savings in the Fire Pension Scheme over the 2016/17 PIP, and the three previous PIPs,
- the standard Annual Allowance threshold applicable for each PIP
- the amount by which your pension savings have exceeded the annual allowance

Pension Input Period (PIP)	Pension Input Amount (PIA)	Annual Allowance^{a)}	Excess over annual allowance
2016/17: (6 April 2016 to 5 April 2017)	£40,952.32	£40,000	£952.32
2015/16: Second part-year PIP (9 July 2015 to 5 April 2016)	£24,311.15	£0 ^(b)	(£15,688.85)
First part-year PIP (1 April 2015 to 8 July 2015)	£8,881.20	£80,000	
2014/15: (1 April 2014 to 31 March 2015)	£43,051.66	£40,000	£0.00
2013/14: (1 April 2013 to 31 March 2014)	£27,316.48	£50,000	£22,683.52

Note: (a) A lower Annual Allowance may apply to the amount of Money Purchase pension savings you can make if you have accessed any pension savings using the new pension freedoms introduced in April 2015.

(b) Up to £40,000 of the unused £80,000 Allowance from the first part-year PIP (1 April 2015 to 8 July 2016) could be carried forward to the second part-year PIP (9 July 2015 to 5 April 2016).

Underlying data used in the calculations

The figures above are based on the following salary and pension calculations:

Pension Input Period (PIP)	2016/17	2015/16	2014/15	2013/14	2012/13
Pay figures:					
Final Salary pay at end of PIP	£51,458.65	£50,027.51	£55,573.14	£52,518.59	£51,553.01
Pension figures:					
Final Salary 60ths pension at end of PIP	£31,341.27	£28,781.75	£30,103.68	£26,692.26	£24,471.09

If you believe that any of the above data is incorrect, please contact Pensions Services as this may affect your Pension Input Amount calculation.

The values above only take account of this pension scheme. You will also need to consider any other pension savings you have made during this period, and the last three years, to work out any tax charge. You may wish to seek independent financial advice before you make any decisions.

Members must report any annual allowance excess to HMRC as part of the self reporting process, even if a self assessment return is not ordinarily required by HMRC. The **scheme is not responsible** for informing HMRC on your behalf. Members who submit a paper return should use form SA101. Nil tax returns are not required.

Where members do not ordinarily complete a tax return they should now request one from HMRC to report the excess.

APPENDIX D

Example of Additional Pension Benefit (APB) calculation for a member of the 1992 scheme

APB factors dependant on age and scheme	1992 scheme
APB factor at age 30	10.8
APB factor at age 35	12.5
APB factor at age 40	14.5
APB factor at age 45	16.6
APB factor at age 50	19.1

Pay and allowances

Firefighter pay at 01/04/2017	£29,368.00
10% pensionable allowance	£2,936.80
Total annual pensionable pay	£32,304.80

Contribution rates dependant on pay and scheme

Employee contribution rate*	14.70%
Employer contribution rate	21.30%
Notional ill health contribution	1.60%
Total contribution rate	37.60%

* Based on pensionable pay between £30,909 and £41,212

Amount of contributions paid on allowance dependant on scheme

Employee's contributions (£2,936.80 x 14.70%)	£431.71
Employer's contributions (£2,936.80 x 22.90%)	£672.53
Total amount of pension paid on allowance	£1,104.24

Amount of APB to be added to pension dependant on age and scheme

APB awarded if age 30 at relevant date (£1,104.24 / 10.8)	£102.24
APB awarded if age 35 at relevant date (£1,104.24 / 12.5)	£88.34
APB awarded if age 40 at relevant date (£1,104.24 / 14.5)	£76.15
APB awarded if age 45 at relevant date (£1,104.24 / 16.6)	£66.52
APB awarded if age 50 at relevant date (£1,104.24 / 19.1)	£57.81

APPENDIX E

Example of Additional Pension Benefit (APB) calculation for a member of the 2006 scheme

APB factors dependant on age and scheme	2006 scheme
APB factor at age 30	8.3
APB factor at age 35	9.7
APB factor at age 40	11.5
APB factor at age 45	13.3
APB factor at age 50	15.4

Pay and allowances

Firefighter pay at 01/04/2017	£29,638.00
10% pensionable allowance	£2,963.80
Total annual pensionable pay	£32,601.80

Contribution rates dependant on pay and scheme

Employee contribution rate*	10.90%
Employer contribution rate	14.20%
Notional ill health contribution	2.60%
Total contribution rate	27.70%

* Based on pensionable pay between £30,909 and £41,212

Amount of contributions paid on allowance dependant on scheme

Employee's contributions (£2,963.80 x 10.90%)	£323.05
Employer's contributions (£2,963.80 x 16.80%)	£497.92
Total amount of pension paid on allowance	£820.97

Amount of APB to be added to pension dependant on age and scheme

APB awarded if age 30 at relevant date (£820.97 / 8.3)	£98.91
APB awarded if age 35 at relevant date (£820.97 / 9.7)	£84.64
APB awarded if age 40 at relevant date (£820.97 / 11.5)	£71.39
APB awarded if age 45 at relevant date (£820.97 / 13.3)	£61.73
APB awarded if age 50 at relevant date (£820.97 / 15.4)	£53.31

APPENDIX F

Fire Ill Health Pension and Injury Pension review numbers

HFRA		Year review is due				
Ill Health Pensions		2017/18	2018/19	2019/20	2020/21	2021/22
Total ill health pensions over NPA	225	No reviews necessary				
Total ill health pension under NPA	24	Potential reviews necessary				
ill health pension more than 8 years retired	13	No reviews necessary				
Ill Health 8 year review due	7	0	1	0	2	4
ill health pension 4 year review due	4	0	0	2	2	0

Injury Pensions		2017/18	2018/19	2019/20	2020/21	2021/22
Total injury pensions over NPA	81	No reviews necessary				
Total injury pensions under NPA	9	Potential reviews necessary				
Total injury pensions more than 5 years retired	6	No reviews necessary				
injury pension review at 5 years	2	1	1	0	0	0
injury pension review at 3 years	1	0	1	0	0	0

DWP review

Total number of injury pensions in payment that need review of DWP benefits - 90

APPENDIX G

New look for firefighters' pension scheme web pages

If you're a member of a firefighters pension scheme, check out the [new pension web pages](#). These are much more user-friendly and make pension information more accessible. They can be accessed from our [portal](#) by searching for pensions.

There are a range of pensions resources available to firefighters.

- In the new look pages, the 'getting help' section will signpost you according to your query <http://www3.hants.gov.uk/fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/pensionshelp.htm>
- New employer pension groups have been set up with representatives from across the shared partnership from HR, payroll, finance and Pensions Services

Who does what?

- Standards and Governance Committee is the scheme manager and is responsible for setting local policy.
- There is a [Firefighter's Pension Board](#) which scrutinises the actions of the employer and pensions administrator.
- Shared Services HR maintains the policies and is responsible for pursuing things like Ill Health Retirement cases
- Shared Services Payroll and Pensions Administration Team provides information to employees and to Pension Services about pensionable pay. When you raise an IBC query about pensions in ESS, this is the team that deal with your enquiry.
- Pensions Services, who are independent of your employer, administer the pension schemes, providing estimates, Annual Benefit Statements and retirement benefits.

Lots more information can be found on the [new pension web pages](#).

The pension pages for members of the Local Government Pension Scheme will also be updated later this year.

Pages

All Users
100.00% Pageviews

Aug 1, 2017 - Oct 18, 2017

Explorer



This data was filtered using an advanced filter.

Page	Pageviews	Unique Pageviews	Avg. Time on Page	Entrances	Bounce Rate	% Exit	Page Value
	827 % of Total: 0.01% (11,219,618)	596 % of Total: 0.01% (7,874,711)	00:01:13 Avg for View: 00:01:05 (13.18%)	89 % of Total: 0.00% (3,250,066)	38.20% Avg for View: 55.72% (-31.44%)	20.56% Avg for View: 28.97% (-29.04%)	£0.00 % of Total: 0.00% (£0.00)
1. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm	400 (48.37%)	251 (42.11%)	00:00:46	64 (71.91%)	34.38%	18.75%	£0.00 (0.00%)
2. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/requestestimate.htm	76 (9.19%)	58 (9.73%)	00:02:36	5 (5.62%)	40.00%	25.00%	£0.00 (0.00%)
3. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/pensionshelp.htm	67 (8.10%)	53 (8.89%)	00:02:14	11 (12.36%)	54.55%	40.30%	£0.00 (0.00%)
4. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/whe ntoleave.htm	42 (5.08%)	39 (6.54%)	00:01:48	2 (2.25%)	50.00%	26.19%	£0.00 (0.00%)
5. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/opt out.htm	37 (4.47%)	27 (4.53%)	00:01:49	4 (4.49%)	75.00%	24.32%	£0.00 (0.00%)
6. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/leav eoretire.htm	36 (4.35%)	30 (5.03%)	00:01:10	2 (2.25%)	0.00%	13.89%	£0.00 (0.00%)
7. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/opti n.htm	30 (3.63%)	16 (2.68%)	00:01:53	0 (0.00%)	0.00%	13.33%	£0.00 (0.00%)
8. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/ben efitstatements.htm	25 (3.02%)	23 (3.86%)	00:01:27	0 (0.00%)	0.00%	20.00%	£0.00 (0.00%)
9. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/con tributions.htm	24 (2.90%)	18 (3.02%)	00:01:27	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)
10. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/pen sionsinfo.htm	23 (2.78%)	16 (2.68%)	00:00:21	0 (0.00%)	0.00%	21.74%	£0.00 (0.00%)
11. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/tem porarypromotions.htm	14 (1.69%)	14 (2.35%)	00:01:00	0 (0.00%)	0.00%	28.57%	£0.00 (0.00%)
12. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/pen sionsreengagements.htm	13 (1.57%)	12 (2.01%)	00:00:46	1 (1.12%)	0.00%	7.69%	£0.00 (0.00%)
13. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/aut oenrolment.htm	9 (1.09%)	8 (1.34%)	00:02:12	0 (0.00%)	0.00%	11.11%	£0.00 (0.00%)
14. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/tran sferpension.htm	9 (1.09%)	9 (1.51%)	00:00:45	0 (0.00%)	0.00%	33.33%	£0.00 (0.00%)
15. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/req uestcctv.htm	8 (0.97%)	8 (1.34%)	00:00:21	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)
16. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/con tributionholidays.htm	7 (0.85%)	7 (1.17%)	00:00:34	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)
17. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/fpsc ontact.htm	2 (0.24%)	2 (0.34%)	00:00:28	0 (0.00%)	0.00%	50.00%	£0.00 (0.00%)
18. /fire/pensionsfps	1	1	00:00:36	0	0.00%	0.00%	£0.00

		(0.12%)	(0.17%)		(0.00%)			(0.00%)
19. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm	1 (0.12%)	1 (0.17%)	00:00:10	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)	
20. /hampshirecountycouncil/portal-help/hr/pensionsfps	1 (0.12%)	1 (0.17%)	00:00:06	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)	
21. /pensionsfps	1 (0.12%)	1 (0.17%)	00:00:09	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)	
22. /portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm	1 (0.12%)	1 (0.17%)	00:00:10	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)	

Rows 1 - 22 of 22

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**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date **19 FEBRUARY 2018**

Title **FIRE PENSION BOARD STATUS REPORT**

Report of Chief Finance Officer

SUMMARY

1. This report provides an update on the development of key items.
2. This report, together with attachments, provides the framework for this meeting agenda.

ADDITIONAL PENSION BENEFIT'S AND TEMPORARY PROMOTIONS

3. The Board asked for some further analysis on Additional Pension Benefits. This is underway and ongoing and a report will be provided at the next Pension Board meeting.

ILL HEALTH AND INJURY PENSION REVIEWS

4. The HR Department have taken on the ill health and injury pension review work although this has not started as yet due to lack of resources. They plan to start this during the first quarter of 2018/19 and further updates will be provided to the Board as and when details are known.

TRAINING - TRAINING NEEDS ANALYSIS / TAX SEMINARS

5. Pension Board members were asked to complete a new Training Needs Analysis form and the results of this can be found in APPENDIX A.
6. Although no major issues have been highlighted from the TNA, the Board are asked to consider and put forward any suggestions for training topics.
7. Board members were all invited to attend the tax seminars that were organised by SAB and LGA and put on at Barnett Waddington offices, it is hoped that for those that attended that it was found to be useful and informative.

ANNUAL ALLOWANCE FACTSHEET

8. The Pension Board members will be aware of how complex the issue around Annual Allowance (AA) is and that more and more members are being affected by it.
9. In preparation for AA in 2018 a factsheet has been prepared, which could be published / issued to members around the time of Annual Benefit Statements. This can be found in APPENDIX B and the Board are invited to comment on this.

PRESENTATIONS

10. The Employer Pension Manager has given presentations on the pre retirement course on 15 November; the next one is on 20 February.
11. She has also given pension presentations at various Fire Stations, Gosport on 23 November, Redbridge on 6 December and at Fareham on 5 February.
12. For the most part, these have been very well received and well attended, with lots of questions and engagement from those that attended. There is definitely an appetite to have more information about pensions available and to have someone explain the schemes to them; this is also evident on social media.

SURVEYS

13. The TPR issued a survey around governance and administration and this was completed and returned.
14. SAB also issued a survey and although this covered some similar questions to the TPR one, it was necessary to complete as TPR do not share the data with SAB.

ALLOWANCES AND ARA'S PROJECT

15. This is progressing according to the project timeline. A new pay and allowances handbook has been written by HR which clearly defines the criteria to receive payment of any of the pay and allowances paid.
16. A similar style handbook and revised policy has also been drawn up in relation to Additional Responsibility Allowance (ARA).
17. For both the Allowances and the ARA's a new governance process will be put into place with more stringent controls for commencing or ceasing payment of an allowance, along with ongoing audit controls and any pension implications.

18. Both of these new handbooks are going to the Unions and Rep bodies for a consultation period starting in February 2018.

ANNUAL BENEFIT STATEMENTS (ABS')

19. The Employer Pension Manager has been asked to provide feedback on the ABS templates. A number of comments have been raised, including adding some notes about Annual Allowance, and showing the value of any Additional Pension Benefits (APB) separately.
20. Pensions Services will be evaluating all feedback received and final versions of the ABS' will be sent to the Board members when they are available.

MEMBER SELF SERVICE

21. Pensions Services are looking at whether this can be extended to the Fire Pension Schemes.
22. It is hoped that the new software upgrade, due to be installed during February 2018, will provide an enhanced registration process. This should make it easier for users to sign up to the Member Self Service and in addition there should be less manual intervention required from Pension Services.
23. Further work is required to develop this new registration process and Pension Services hope to be able to confirm the likely timeframe for roll out in the next few months.

GMP RECONCILIATION

24. Members that contributed to an Occupational Pension Scheme such as the Fire Pension Scheme between 6 April 1978 and 5 April 2016 were Contracted-Out of the Additional Pension part of the State Pension Scheme (also known as State Second Pension or SERPS). Whilst being in a Contracted Out pension scheme the member and the employer will have paid a reduced rate of National Insurance.
25. An Occupational Pension Scheme has to provide a minimum pension called a Guaranteed Minimum Pension (GMP) to members that were Contracted Out. This is broadly equivalent to the amount the member would have received had they not been contracted out.
26. HMRC ceased Contracting Out from 6 April 2016 with the introduction of the new State Pension. Up to this date, HMRC tracked all movements of GMP liabilities between pension funds. With effect from 6 April 2016 HMRC no longer record this information.

27. HMRC have given all UK Pension Schemes until December 2018 to reconcile their membership with HMRC records.
28. In January 2015, Hampshire Pension Services received the “leaver data” from HMRC. This was anyone that had left Contracted Out service where HMRC had the GMP liability attributed to Hampshire Fire Pensions. Work on this data for Fire Pension Schemes was completed in May 2016.
29. Details of all “active members”, those that were contributing to a scheme on 6 April 2016, were sent to Pensions Services in April 2017. Hampshire Pension Services are now working with Civica and Intellica to find a way forward to enable records to be checked, queried and corrected where applicable.

TIMELINE OF STATUTORY WORK

30. At the last Fire Pension Board meeting, the Pension Board asked for a schedule of activities relating to Pensions. A timeline of statutory pension activities is included in APPENDIX C

OPT OUTS

31. The Board will recall that there was a spike in optant outs for 2016/17 for whole-time firefighters. Further analysis of this data has shown that almost all of the whole-time new joiner optant out employments were a temporary / fixed term contract.
32. At the end of December 2017, there were 1,119 firefighters employed in 1,395 roles, of which 709 were whole-time contracts and 686 were RDS contracts.
 - 129 RDS contracts that are not in any Fire Pension Scheme, this is 19% of the RDS employments
 - 80 whole-time contracts that are not in any Fire Pension Scheme, this is 11% of the whole-time employments
 - 96 firefighters are not in any Fire Pension Scheme at all, this is 9% of people
33. It was agreed that we would contact those that were not in the Fire Pension Scheme to try and establish why they may have chosen to not be a member. A draft letter together with proposed questions can be found in APPENDIX D and the Board are invited to comment on any amendments.

LETTERHEAD TEMPLATES

34. For many years, Hampshire Pension Services have been using the Hampshire Fire and Rescue Authority logo on their letterhead for written communication to operational Fire staff in one of the Fire Pension Schemes.
35. The same logo is used by the IBC and HR and as the employer it makes sense for the IBC and HR departments to use this logo.
36. Confusion can arise as many staff do not appreciate that there is a difference between the employer and Pension Services, this issue is compounded by the fact that they appear to use the same headed paper and are based at the same address. Although we have attempted to provide clarity on these differences it is going to take some time for this message to filter through.
37. Hampshire Pension Services would be willing to change the heading on their letterhead. APPENDIX E has examples of the current letterhead, the letterhead used for Local Government Pension Scheme members and a couple of suggested alternatives. The Board are invited to discuss their opinions on this matter and to make suggestions about what alternative letterhead Pension Services should use.

RECOMMENDATION

38. That the request for training, as set out in paragraphs 5 – 6 and APPENDIX A, be noted by the Hampshire Fire Pension Board
39. That the Annual Allowance factsheet, as set out in paragraphs 8 – 9 and APPENDIX B, be endorsed by the Hampshire Fire Pension Board
40. That the timeline for Statutory pension deadlines, as set out in paragraph 30 and APPENDIX C, be noted by the Hampshire Fire Pension Board
41. That the opt out survey letter, as set out in paragraphs 31 – 33 and APPENDIX D, be endorsed by the Hampshire Fire Pension Board
42. That the letterhead to be used by Pension Services, as set out in paragraphs 34 – 37 and APPENDIX E, be endorsed by the Hampshire Fire Pension Board

APPENDICES ATTACHED

43. APPENDIX A – Training Needs Analysis summary
44. APPENDIX B – Annual Allowance factsheet
45. APPENDIX C – Statutory deadlines for Pension activities
46. APPENDIX D - Draft letter & questions to members not in scheme
47. APPENDIX E – Pension Services letterhead templates

Contact:

Claire Neale, Employer Pension Manager, claire.neale@hants.gov.uk,
01962 845481

Ref	Topic	Familiar (✓)	Almost (?)	Unsure (X)
A	Background and Understanding of the Legislative Framework of the Fire pension scheme			
A1	Differences between public service pension schemes like the Fire Pension Scheme (FPS) and private sector trust- based schemes	5	0	0
A2	Role of the Independent Public Service Pensions Commission (IPSPC) and its recommendations	2	1	2
A3	Key provisions of the 2013 Pension Act	1	3	1
A4	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	3	2	0
A5	An overview of local authority law and how Administering Authorities are constituted and operate	1	3	1
A6	Scheme and connected scheme rules overview (including the Regulations)	2	1	2
A7	The Firefighter Pension Scheme 1992	5	0	0
A8	The Firefighter Pension Scheme 2006 and main changes from the 1992 scheme	5	0	0
A9	The Firefighters Pension Fund	3	1	1
A10	The Firefighters Compensation Scheme	1	2	2
A11	Firefighters (Modified) Pension Scheme	3	2	0
A12	The Firefighters Pension Scheme 2015	4	1	0
		35	16	9
B	General pensions legislation applicable to the FPS - An overview of wider legislation relevant to the FPS including:			
B1	Automatic Enrolment (Pensions Act 2008)	4	1	0
B2	Contracting out (Pension Schemes Act 1993)	3	2	0
B3	Data protection (Data Protection Act 1998)	2	3	0
B4	Employment legislation including anti- discrimination, equal treatment, family related leave and redundancy rights	3	2	0
B5	Freedom of Information (Freedom of Information Act 2000)	3	2	0
B6	Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)	2	2	1
B7	Tax (Finance Act 2004)	3	2	0
		20	14	1

Ref	Topic	Familiar (✓)	Almost (?)	Unsure (X)
C	Role and responsibilities of the Local Pension Board			
C1	Role of the Local Pension Board	4	1	0
C2	Conduct and conflicts	4	0	1
C3	Reporting of breaches	3	2	0
C4	Knowledge and understanding	2	3	0
		13	6	1
D	Role and responsibilities of the Scheme Manager			
D1	Membership and eligibility	3	2	0
D2	Benefits and the payment of benefits	3	2	0
D3	Decisions and discretions	1	4	0
D4	Disclosure of information	1	4	0
D5	Record keeping	2	3	0
D6	Internal controls	1	4	0
D7	Internal dispute resolution	1	4	0
D8	Reporting of breaches	3	2	0
D9	Statements, reports and accounts	2	2	1
		17	27	1
E	Funding and Investment			
E1	Requirement for triennial and other valuations	1	1	3
F	Role and responsibilities of Scheme Employers			
F1	Automatic Enrolment & Opting Out	4	1	0
F2	Deduction and payment of contributions	3	2	0
F3	Special contributions	1	3	1
F4	Employer decisions and discretions	1	3	1
F5	TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Directions 2007)	1	2	2
		10	11	4
G	Tax and Contracting Out			
G1	Finance Act 2004	1	2	2
G2	Role of HMRC	3	1	1
G3	Registration	2	1	2
G4	Role of 'scheme administrator'	2	2	1
G5	Tax relief on contributions	3	1	1
G6	Taxation of benefits	2	2	1
G7	Annual and lifetime allowances	4	1	0
G8	Member protections (primary, enhanced, IP etc)	1	1	3
G9	National Insurance	2	2	1
G10	Contracting out (Pensions Scheme Act 1993)	2	2	1
G11	Impact of abolition of contracting out in 2016	2	0	3
		24	15	16

Ref	Topic	Familiar (✓)	Almost (?)	Unsure (X)
H	Role of advisors and key persons			
H1	Officers of the Fire and Rescue Authority	2	3	0
H2	Auditor	1	3	1
H3	Lawyers	1	3	1
H4	Administrators – in house v. third party	2	2	1
H5	Procurement of services	2	1	2
H6	Contracts with third parties	1	2	2
		9	14	7
J	Key Bodies connected to the Scheme - an understanding of the roles and powers of:			
J1	Courts	1	3	1
J2	HMRC	1	4	0
J3	Information Commissioner	1	3	1
J4	Pensions Advisory Service	1	4	0
J5	Pensions Ombudsman	1	4	0
J6	The Pensions Regulator (including powers in relation to Local Pension Boards)	2	3	0
		7	21	2

Annual Allowance Factsheet

What is Annual Allowance?

The Annual Allowance (AA) is the amount by which the value of your Pension benefits may grow (Pension Savings) in any one tax year without you having to pay a tax charge.

If the total value of your Pension Savings in any one tax year, including all Pension Savings in all pension schemes, is in excess of the AA limit, the excess will be taxed as income at your highest marginal rate of tax.

The standard AA in recent years has been as follows:

Pension Input Period (PIP)	Standard AA
1 April 2011 to 31 March 2012	£50,000
1 April 2012 to 31 March 2013	£50,000
1 April 2013 to 31 March 2014	£50,000
1 April 2014 to 31 March 2015	£40,000
1 April 2015 to 5 April 2016	PIP is split into two part year PIPs <ul style="list-style-type: none"> 1 April 2015 to 8 July 2015 - £80,000 9 July 2015 to 5 April 2016 – Nil (but up to £40,000 of unused allowance from the first part year PIP can be carried forward to this part year PIP)
6 April 2016 to 5 April 2017	£40,000 (unless tapering applies)
6 April 2017 to 5 April 2018	£40,000 (unless tapering applies)

What is the Pension Input Period?

The Pension Input Period (PIP) is the period over which your pension growth is measured and from 2016/17 it aligns with the tax year and runs from 6 April to 5 April.

Up until 2014/15 the PIP in this scheme ran from 1 April to 31 March and special transitional arrangements were introduced for 2015/16 meaning that there were two part-year PIPs in that year, as set out below:

First part-year PIP: 1 April 2015 to 8 July 2015 – the standard AA limit during this period was £80,000

Second part-year PIP: 9 July 2015 to 5 April 2016 - the standard AA limit for this period was nil, however up to £40,000 of unused allowance from the first part-year PIP can be carried forward into this second part-year PIP.

What is tapered Annual Allowance?

From the tax year 2016/17 the AA is tapered for members who have a **Threshold Income** in excess of £110,000 **and** an **Adjusted Income** in excess of £150,000.

- **Threshold Income: limit £110,000**
Broadly this is your taxable income after deducting your pension contributions

You should be aware that Threshold Income includes **all** sources of income that are taxable. For example, property, savings, dividends, pensions, social security benefits (where taxable), state pension and so on.

- **Adjusted Income: limit £150,000**
Broadly this is your Threshold Income plus your Pensions Savings built up over the tax year

The taper reduces the AA by £1 for £2 of Adjusted Income received over £150,000, until a minimum AA of £10,000 is reached. This means that from 6 April 2016 the AA for a high income earner is as follows:

Adjusted Income	Annual Allowance (AA)
£150,000 or below	£40,000
£160,000	£35,000
£170,000	£30,000
£180,000	£25,000
£190,000	£20,000
£200,000	£15,000
£210,000 or above	£10,000

Are you likely to be affected?

Most people will not be affected by the AA tax charge because the value of their pension savings will not exceed the AA during a year, or if they do, they are likely to have unused allowance from previous years that they can carry forward.

You are most likely to be affected if:

- You have a lot of membership or pension build up in the Scheme and you receive a significant pay increase, or promotion, and/or;
- You are a high income earner, and/or;
- You pay a high level of additional contributions towards your pension, and/or,
- You have accessed flexible benefits from another pension scheme on or after 6 April 2015

Getting further advice

If you are unsure about whether you will be affected by the AA, you should seek independent financial advice from an advisor registered with the Financial Conduct Authority (FCA) who has knowledge of the specific scheme that you are a member of.

Will I get a Pension Savings Statement?

Hampshire Pension Services will automatically inform you if your Pension Savings in this scheme exceed the standard AA limit in any tax year by no later than 6 October of the following tax year.

Hampshire Pension Services can only calculate your AA position based on your employment in this scheme. If you have other significant sources of taxable income then you could be affected by Tapered AA (refer to the section "What is tapered Annual Allowance?"). If you think you may be close to or will exceed your AA in any one year you can ask Hampshire Pension Services for a statement.

The AA applies to your total pension savings for all tax registered pension arrangements that you still pay into. This means that you will need to obtain the growth in your pension savings from **each arrangement** you are saving with. You will need to ask Hampshire Pensions Services for a Pension Saving statement if you believe that you may exceed the standard AA limit in any one tax year because you also have Pension Savings in another Pension Scheme.

Working out how much your benefits in this scheme have grown

To work out by how much your Pension benefits in this scheme have grown (that is, your Pension Savings or 'Pension Input Amount'), the value of your benefits at the start and the end of the Pension Input Period (PIP) are compared. This takes account of inflation to keep things fair.

If the pension input amount is more than the AA, there could be a tax charge due.

Example – working out how much your benefits in this scheme have grown

Closing value:

Value of annual pension at end of the PIP x 16 + value of any automatic lump sum¹ provided by the scheme at the end of the PIP (NB: this is **not** your maximum commutation lump sum) + any Additional Voluntary Contributions (AVCs)² paid in the year.

$$£25,000 \times 16 = £400,000 + £0 + £0 = £400,000$$

less

Opening value:

Value of annual pension at start of PIP x 16 + value of any automatic lump sum provided by the scheme at the start of the PIP (NB: this is not your maximum commutation lump sum) x CPI from September prior to PIP start.

$$£20,000 \times 16 = £320,000 + £0 = £320,000 \times 1\% = £323,200$$

The difference between the two values is your Pension Input Amount for the year.

$$£400,000 - £323,200 = £76,800$$

¹ Automatic lump sum applies to: LGPS members with pre 2008 service or to members of the 2006 Police Pension Scheme

² Additional Voluntary Contributions applies to: LGPS members who pay contributions to Equitable Life, Zurich or the Prudential.

What is carry forward?

You will only have a tax charge to pay if your pension savings exceed the AA by more than the amount of unused allowances you can carry forward from the previous three years. You can carry forward unused allowances as long as you have been a member of a registered pension scheme for the relevant previous years.

There are strict rules on how unused allowances from previous years can be applied and how they should be worked out. It is recommended you use [HMRC's online carry forward calculator](#) which will work out your carry forward for you and therefore help you assess whether you have a tax charge to pay.

Example – working out carry forward and using it to offset an excess

Carry forward for the current year:
AA limit less Pension Input Amount

$£40,000 - £76,800 = -£26,800$

Carry forward for current year = £0

Assessing the carry forward available from the previous three years to offset the excess of £26,800:

Carry forward from Year 1 = £8,000

Carry forward from Year 2 = £5,000

Carry forward from Year 3 = £7,000

Carry forward total = £20,000

$£26,800 - £20,000 = £6,800$ excess

Working out the tax charge

You will have a tax charge to pay if your pension savings exceed the AA by more than the amount of unused allowances you can carry forward from the previous three years.

If this applies to you, you must calculate your AA tax charge based on your highest marginal rate. Pension Services cannot do this for you. [Step by step instructions on how to calculate the charge are available from HMRC](#)

Example – working out a tax charge

Taking into account all taxable income (not just from this employment) and using HMRC guidance in the step by step instructions (see link above), in this example the highest marginal rate of tax is 40%.

Tax charge:

Excess after using AA and any carry forward x marginal highest rate of tax

$£6,800 \times 40\% = £2,720$

Reporting the tax charge

If you exceed the AA limit in any year and have a tax charge to pay **you** are responsible for reporting this to HMRC on your Self Assessment tax return. You will need to complete the Additional Information pages of the tax return to show the amount by which your total pension input amount exceeds the annual allowance. The boxes that need to be completed for the annual allowance are in the 'Pensions savings tax charges' section (on the additional information pages (SA101) in the paper return).

If you are using a paper return you will need to ask for the additional information pages (SA101) to report the information.

Further information to help complete this part of the tax return can be found at [GOV.UK - Pension savings - tax charges on any excess over the lifetime allowance and the annual allowance](#).

It is also your responsibility to report your tax charge to HMRC.

The deadline for submitting online tax returns is 31 January after the year in which the tax charge has arisen (or 31 October for paper returns). Online tax returns are completed using a Government Gateway account, it can take a couple of weeks to register and get this set up if you do not already have one.

If you've never completed a tax return (or it's been some time since you did), you will need to complete a registration form at least 20 days before the deadline to let HMRC know what's changed and to get a tax return.

HMRC Pensions Tax Manual – further information on reporting a tax charge to HMRC

If you exceed the AA limit but **do not** have a tax charge to pay (because you have enough carry forward to wipe out the amount by which you exceeded), there is no further action required and you do not need to report anything to HMRC.

You should keep any pension savings statements that you receive in a safe place as you may need to refer to them in future years.

Paying the tax charge

If you have an AA tax charge that is less than £2,000 you must pay the charge direct to HMRC via your Self Assessment tax return by 31 January following the year in which your tax charge arose.

If your tax charge is more than £2,000, and providing certain conditions are met, you may be able to elect for Hampshire Pension Services to pay some or all of your tax charge on your behalf and in return your Pension benefits in this Scheme will be reduced accordingly. This is called the Scheme Pays facility.

Statutory deadlines for Pension activities

	IBC Pensions Admin	Pensions Services	Finance
January			31st deadline to complete HMRC Event Reporting for previous Financial year
February			14th deadline for completion of Accounting for Tax return for Q3 to HMRC
March			
April	30th deadline for submission of EOY return to Pension Services		
May		31st deadline to issue P60s to pensioners / dependants	15th deadline for completion of Accounting for Tax return for Q4 to HMRC
June			
July			
August		10th deadline for submission of valuation data to GAD 31st deadline to issue Annual Benefit Statements for 31 March last	14th deadline for completion of Accounting for Tax return for Q1 to HMRC
September			
October		6th deadline to issue Pension Saving Statements for 6 April last	
November			14th deadline for completion of Accounting for Tax return for Q2 to HMRC
December			

OPT OUT LETTER / SURVEY

Dear colleague,

I am writing to you today regarding the Fire Pension Scheme.

I note from our records that you are not currently a member of the scheme in any of your contracts of employment with Hampshire Fire and Rescue Authority in your capacity as a Firefighter.

To help us understand why you may have chosen to not be a member of the scheme, and provide information about attitudes to pension savings, I would be grateful if you could answer a few questions in a short survey; this can be done anonymously and should take no more than 5 minutes. Please go to www.slido.co.uk and enter a code of (nnnn) to answer the questions.

There is more information about pensions available via the Fire portal and searching for pensions (<http://www3.hants.gov.uk/fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm>). If you want to join the fire pension scheme refer to the “join or opt in” page for more information on how to do this.

The main benefits of the 2015 Fire Pension Scheme are as follows: -

- Your employer contributes 14.3% of what you pay towards the pension fund
- The scheme is a Career Average Revalued Earnings (CARE) scheme with a pension build up (accrual) rate of 1/59.7 of your annual pensionable earnings. This is calculated each year and then added to your pension pot
- Your total pension pot from the 2015 scheme is revalued on 1 April each year until retirement in line with a Treasury index, based on changes in average weekly earnings
- There is no maximum length or service limit on benefits
- The normal pension age (NPA) is 60
- Option to take pension from 55, subject to reductions applied to your pension
- A death grant lump sum is payable of 3 times your final pay if you die in service and are an active member of the scheme
- Survivor’s benefits are payable in the event of your death, whilst a member of the scheme
- At retirement, you can exchange pension for a one off lump sum; for every £1 of pension you give up, you will receive £12 of lump sum. You can exchange a maximum of 25% of your total pension pot
- Immediate pension benefits payable if you are retired on the grounds of ill-health (subject to the criteria of the 2015 scheme regulations and grounds of ill-health retirement)
- Flexibility to pay more – through buying additional pension (up to a maximum of £6,500)

SURVEY QUESTIONS

1	Gender	<ul style="list-style-type: none"> • Male • Female • Prefer not to answer
2	Age	<ul style="list-style-type: none"> • 18-30 • 31-40 • 41-50 • 51-60 • Prefer not to answer
3	Number of contracts held with HFRA as a firefighter	<ul style="list-style-type: none"> • 1 • 2 • 3
4	Do you have a whole-time contract?	<ul style="list-style-type: none"> • Yes • No
5	If Yes to Q4 In respect of your whole time contract why have you chosen not to join the scheme?	<ul style="list-style-type: none"> • Not my main employment • Contribute to a pension elsewhere • Contributions are too expensive • Cannot afford it due to other financial commitments • Other personal reasons • Don't understand the benefits of the pension • Prefer not to answer
6	Do you have an RDS contract?	<ul style="list-style-type: none"> • Yes • No
7	If Yes to Q6 In respect of your whole time contract why have you chosen not to join the scheme?	<ul style="list-style-type: none"> • Not my main employment • Contribute to a pension elsewhere • Contributions are too expensive • Cannot afford it due to other financial commitments • Other personal reasons • Don't understand the benefits of the pension • Prefer not to answer
8	Do you have any other comments?	
9	If you want someone to contact you about pensions, please provide details Contact email address	

PENSION SERVICES
CURRENT FIRE LETTERHEAD

Personal & Confidential



**HAMPSHIRE
FIRE AND
RESCUE
SERVICE**

Pensions Services
The Castle, Winchester
Hampshire, SO23 8UB

Telephone: 01962 845588
Fax: 01962 834537

www.hants.gov.uk/pensions

Enquiries to

My Reference

Direct Line

Your Reference

Date

Email



*Treasurer to the Hampshire Fire and Rescue
Authority*
Carolyn Williamson CPFA

PENSION SERVICES
CURRENT LGPS LETTERHEAD

Personal & Confidential

Hampshire Pension Fund
administered by



Hampshire
County Council

Pensions Services

The Castle, Winchester, Hampshire SO23 8UB

Telephone 01962 845588

Fax 01962 834537

www.hants.gov.uk/pensions

Enquiries to

Direct Line

Date

[

My Reference

Your Reference

Email



Director of Corporate Resources
Carolyn Williamson CPFA

PENSIONS SERVICES
FIRE LETTERHEAD OPTION 1

Personal & Confidential

Hampshire Fire Pensions
administered by



Hampshire
County Council

Pensions Services
The Castle, Winchester,
Hampshire SO23 8UB

Telephone 01962 845588
Fax 01962 834537
www.hants.gov.uk/pensions

Enquiries to

Direct Line

Date

My Reference

Your Reference

Email



Treasurer to the Hampshire Fire and Rescue
Authority
Carolyn Williamson CPFA

PENSION SERVICES
FIRE LETTERHEAD OPTION 2



**HAMPSHIRE
FIRE AND
RESCUE
SERVICE**

Personal & Confidential

**Hampshire Fire Pensions
administered by**



**Hampshire
County Council**

Pensions Services
The Castle, Winchester,
Hampshire SO23 8UB

Telephone 01962 845588
Fax 01962 834537
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Your Reference

Email



*Treasurer to the Hampshire Fire and Rescue
Authority*
Carolyn Williamson CPFA

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