



# Statement of Accounts

2022/23



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

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- This document can be viewed on computers, laptops and mobile devices
- Our finance team can be contacted at: [budget@hants.gov.uk](mailto:budget@hants.gov.uk)

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**NARRATIVE REPORT**

# NARRATIVE REPORT

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

- Understand the overall financial position of the Authority and the outturn position for 2022/23;
- Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Authority is sound and secure.

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

This Narrative Statement has been structured to help enable readers to understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts. The statement provides information about Hampshire and the Isle of Wight, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2023 and is structured as below:

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

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

As Chairman of the Fire and Rescue Authority, I am delighted to be able to present to you the Statement of Accounts for 2022/23. This year we have seen the impact of the Covid-19 pandemic followed by several shocks to the national economy, which have impacted the Fire and Rescue Service as well as individuals and organisations across Hampshire and the Isle of Wight.

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

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

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

### **Cllr Rhydian Vaughan MBE**

**Chairman**

**Hampshire & Isle of Wight Fire & Rescue Authority**



## Introduction from the Chief Financial Officer

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

The accounts themselves are very complex and technical in nature, but I hope you will take the time to look through them and, read the Narrative Statement which provides an excellent summary of what has happened during the financial year and outlines the financial standing of the Fire and Rescue Authority as of 31 March 2023. If you would like more information on the accounts or have any questions on the content, then contact information is contained within this Narrative Statement.

### **Catherine Edgecombe**

**Chief Financial Officer**



## Introduction to Hampshire & Isle of Wight Fire and Rescue Authority

These accounts cover the year to 31 March 2023 for the Hampshire and Isle of Wight Fire and Rescue Authority. The Authority covers the whole of the geographic area of Hampshire (including the two unitary authorities of Portsmouth and Southampton) and the Isle of Wight. The Fire Authority itself is made up of Councillors from Hampshire County Council and Southampton, Portsmouth and the Isle of Wight Unitary Councils.

There are several factors which affect the Authority's services and its finances. Detailed below are some of the key facts and figures having a major impact on the Authority's financial position in both the short and medium-term. Further background information about the Authority can be found at: <http://www.hantsfire.gov.uk/about-us/>

## Key Facts about Hampshire

Hampshire is a large county based in the South of England which covers an area of more than 1,400 square miles. The county is home to a population of 1.85 million people dispersed across rural, urban and coastal areas.

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

Hampshire is rich in history with national parks, significant places of interest and heritage sites of international importance.

The cities of Southampton and Portsmouth are urban areas of growing populations with universities that are seeing significant growth in student numbers and accommodation requirements. The growth in industry around Winchester and Basingstoke highlights the changing landscape. Balanced with this are large numbers of remote villages with many thatched and listed buildings.

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

## Key facts about the Isle of Wight

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

The Isle of Wight's economy is primarily based around light industry, tourism and service sectors, with its natural landscape, coastline and buildings of historical importance. It is a popular tourist attraction. The Island is sparsely populated with 80% of the population based in 20% of the land mass.

## The Fire and Rescue Service

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

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

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

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

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

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

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

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

**Learning & Improving.** We have the support of policy and guidance with the freedom to use our discretion to do the right thing, learning from ourselves and others.

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

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



## Looking towards 2023/24

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

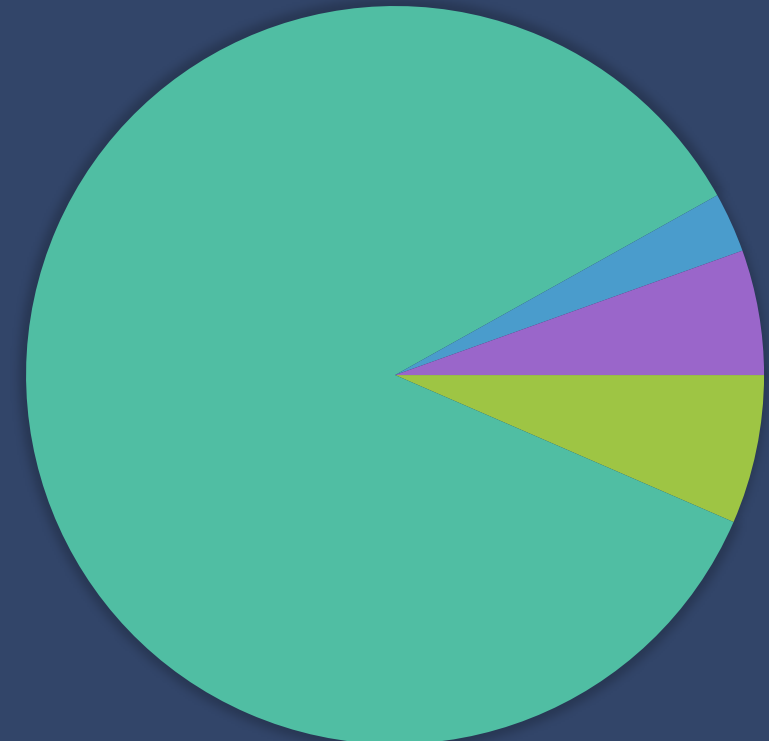
This increased council tax revenue plus a commitment to deliver further efficiencies meant that a balanced budget could be set for 2023/24. The Authority will complete the second of a two-year efficiency plan to deliver £1.3m of cashable savings in 2023/24, with directors also tasked as part of the Year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

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

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

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

Useable reserves at 31 March 2023



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

## Financial sustainability

The Chief Financial Officer has a statutory obligation to keep the financial position of Hampshire and Isle of Wight Fire and Rescue Authority under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate.

The Authority regularly reviews and updates its Medium-Term Financial Strategy (MTFS), incorporating known factors that will have a positive or negative impact upon its financial strategy and making realistic assumptions to allow for the inevitable risk and uncertainty that accompanies any financial forecast.

This is underpinned by the Authority's well established reserves policy. Annual contributions to reserves in excess of £6m per annum to fund future expenditure are built into the Authority's budget. In the event of an adverse financial settlement, these reserve contributions would be temporarily reduced to give the Authority time to appropriately plan for and deliver savings.

Quarterly financial updates are prepared by budget managers across the service and, with support from the finance team, are presented and discussed quarterly at Executive Group.

The medium-term strategy and current assumptions on funding, priorities and pressures inform the annual budget setting process, with outcomes monitored throughout each financial year taking a risk-based approach with the escalation of issues through senior officers and elected members as appropriate.

At the end of 2022/23, reserves stood at £38.3m of which 6.5% comprised the General Fund balance. The Authority's significant reserves balance ensures that it can conduct its Treasury Management activity to make sure sufficient cash is available to meet its operational obligations whilst also taking a longer-term view to investments where appropriate. This approach enables greater returns to be made in support of the revenue budget, whilst also adhering to the CIPFA Treasury Management Code in prioritising the security of its investment balances.

The Authority's financial forecast for 2023/24 has been reviewed alongside assumptions to 2025/26 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2025.

The reserves balance coupled with the anticipated timing of cash flows and the liquidity profile of its investments means that that the Authority can meet its operational obligations over the period, with the option to sell longer-term investments and make use of its borrowing headroom as a short-term solution to any unforeseen liquidity pressures, although this would have an impact on the longer-term financial sustainability of the Authority.

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

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

## Key Facts about the Fire and Rescue Authority

All of the factors in the section above help to shape the Fire and Rescue Authority’s priorities and provide a challenging environment for the organisation to operate in.

Providing adequate fire risk cover across Hampshire and the Isle of Wight in 2023/24 must be balanced with the efficient and effective use of resources and the utilisation of the capacity that we have available to improve all aspects of public safety.

Charged with directing the outcomes, priorities and policies of the Authority are the members of the Fire Authority who were nominated to serve on the Authority by Hampshire County Council, Southampton and Portsmouth City Councils and Isle of Wight Council during 2022/23.

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

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

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

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



## Structure and responsibility for decision making

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

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

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

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

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

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

## The Executive Group

Supporting the work of the Fire Authority is the Executive Group comprised of 5 Directors led by the Chief Fire Officer. Directors work with, and for, the Authority to maximise the capacity and effectiveness of the organisation in order to protect and build strong, sustainable public services that improve the safety of people across Hampshire.

The members of the Executive Group during the 2022/23 financial year are set out below:

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

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

## The Fire and Rescue Authority's Non-financial Performance

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

### Overview from the Director of Corporate Services

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

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

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

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

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

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

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

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

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

### **Matt Robertson**

#### **Director of Corporate Services**



## The approach to performance

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

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

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



 <p><b>OUR COMMUNITIES</b></p> <p>We work together to understand different community needs and deliver accessible, local services which build safer places.</p>	 <p><b>OUR PEOPLE</b></p> <p>We look after each other by creating great places to work and promoting the health, wellbeing and safety of our people.</p>	 <p><b>PUBLIC VALUE</b></p> <p>We plan over the longer-term to ensure our decisions and actions deliver efficient and effective public services.</p>	 <p><b>HIGH PERFORMANCE</b></p> <p>Our diverse teams are trusted, skilled and feel equipped to deliver a leading fire and rescue service today and into the future.</p>	 <p><b>LEARNING &amp; IMPROVING</b></p> <p>We have the support of policy and guidance with the freedom to use our discretion to do the right thing, learning from ourselves and others.</p>
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## Safety Plan improvements

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

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

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

## Non-financial performance metrics

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

This report covers:

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

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

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

[Annual Performance Report](#)

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

## The Fire and Rescue Authority's Financial Performance

### Funding the Authority's revenue budget

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

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

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

### How the budget is spent

The costs of the day-to-day operations of the Fire and Rescue Authority are known as revenue expenses. Due to the nature of the services that the Fire and Rescue Authority provides, much of the cost of services relate to staffing. Other running expenses relate mainly to the cost of vehicles, property and IT and the cost of borrowing money for financing capital expenditure.

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

### Full Time Equivalent (FTE) Employees

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

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



## End of year revenue budget outturn

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

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

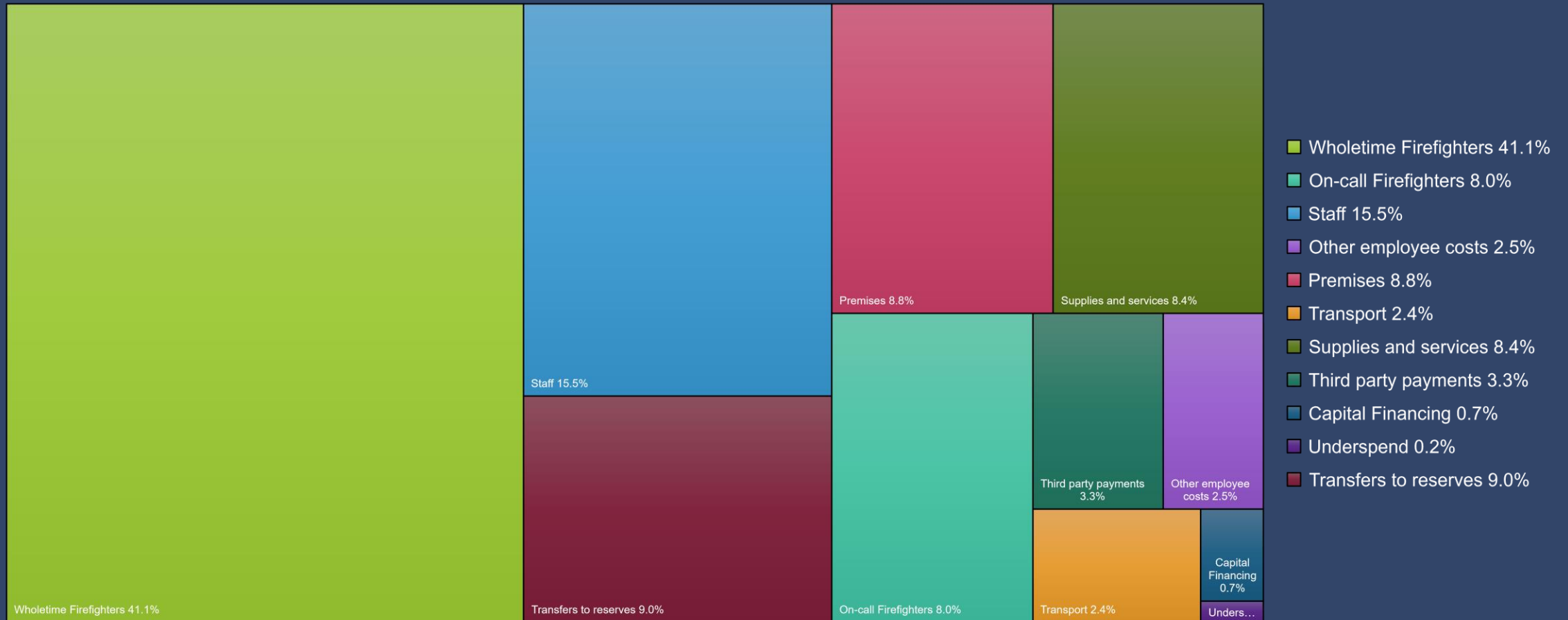
The Authority was also able to deliver the £0.8m of efficiency savings built into the budget, which were achieved through a strong focus on financial management within the Operations directorate and the removal of an Assistant Chief Officer role from the structure.

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

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

## How the revenue budget is spent

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



## Reconciliation to Comprehensive Income & Expenditure Statement

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

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

## Capital expenditure

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

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

The total capital expenditure was financed in the following way:

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



## Capital financing

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

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

## Treasury Management

Treasury Management is about managing the Authority's long-term borrowing and lending activity and managing cash flows on a day-to-day basis to ensure that sufficient funding exists to meet operational obligations like paying staff and suppliers throughout the year. The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Chief Financial Officer to make decisions on the management of the Authority's debt and investment of surplus funds.

All treasury activity has complied with the Fire and Rescue Authority's Treasury Management Strategy and Investment Strategy for 2022/23, and all relevant statute, guidance and accounting standards. Further information is provided in the Treasury Management Appendix to the outturn report for 2022/23.

## Pension Fund Liability

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

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

## Reserves and Balances

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

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



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

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

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

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

## Corporate Risks

The Authority has an embedded process to manage risks and assist the achievement of its objectives. The Organisational Risk Register plays an integral role to support production of the Safety Plan and is subject to regular review by the Standards and Governance Committee. Directors and other relevant senior officers oversee the management of risk in the Authority and continually assess risks as part of their day-to-day activities.

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

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

## Summary Position

It is clear that the Fire and Rescue Authority's financial and non-financial performance in 2022/23 continues to be good. The revenue underspend of £0.165m is a strong position following a challenging year given the impact in particular of high inflation on the budget. This amount will be contributed to reserves to fund essential future capital spend. Capital spend was lower than initially planned but is expected to increase significantly over the coming years. The Authority has sufficient reserves and balances to provide financial resilience for 2023/24 although the impact of inflation and the lack of multi-year funding settlement mean that there is a great deal of uncertainty.

There are potential risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, this puts the Fire Authority in a good position to face future risks and challenges.

## Changes to the Accounts

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

## Explanation of the Statement of Accounts

The Financial Statements bring together all the financial activities of the Authority for the year and its financial position as at the 31 March 2023. They detail both revenue and capital elements for the General Fund and separately provide detail for the Pension Fund.

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

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

The accounts consist of:

- **Statement of Responsibilities for the Statement of Accounts** – Outlines the key responsibilities in respect of the accounts, together with statements from the Chief Financial Officer and Chairman of the Standards and Governance Committee.
- **Movement in Reserves Statement** – Analyses the change in net worth between the general fund, other useable reserves and unusable reserves.
- **Balance Sheet** – This sets out assets and liabilities at 31 March 2023.
- **Cash Flow Statement** – This summarises the movement in cash and cash equivalents during the year.
- **Comprehensive Income and Expenditure Statement** – Shows the accounting cost in the year of providing services measured in accordance with international accounting standards rather than based on the costs that are required to be financed from taxation.
- **Notes to the Accounts** – Which explain some of the key items and disclosures in the accounts.
- **Pension Fund Accounting Statement** – Shows the contributions receivable and payable and the Government funding in respect of firefighter pension schemes.

## Relationship between Accounting Statements

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

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

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

## Where you can get further information

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



## 1 The Authority's responsibilities

The Authority is required to:

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

## 2 The Chairman's Statement (*to be completed for the final accounts*)

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

*Signature not required for draft accounts*

Cllr Derek Mellor

Chairman

Standards and Governance Committee

## 3 The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

## 4 The Chief Financial Officer's statement

4.1 I certify that the Statement of Accounts gives a true and fair view of the position of the Hampshire Fire and Rescue Authority as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Catherine Edgecombe

Chief Financial Officer / Section 151 Officer

31 May 2023





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

## CORE FINANCIAL STATEMENTS



# MOVEMENT IN RESERVES STATEMENT

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

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

The 'Total Comprehensive Income and Expenditure' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amount required to be charged to the General Fund Balance for Council tax setting purposes.

The General Fund Balance includes earmarked revenue reserves held for specific purposes.

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

\* includes earmarked reserves



# BALANCE SHEET

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

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

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

## Certification by the Chief Financial Officer

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

Signed

Catherine Edgecombe

Chief Financial Officer / Section 151 Officer

31 May 2023

# CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

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



# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

The Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and Expenditure and Funding Analysis.

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

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



Hampshire  
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FIRE & RESCUE AUTHORITY

## NOTES TO THE CORE FINANCIAL STATEMENTS



# NOTE 1. EXPENDITURE AND FUNDING ANALYSIS

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

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



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

2022/23				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Fire & Rescue Services	7,089	7,933	803	15,825
<b>Net cost of services</b>	<b>7,089</b>	<b>7,933</b>	<b>803</b>	<b>15,825</b>
Other income and expenditure from the funding analysis	(8,728)	24,721	(1,637)	14,356
<b>Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit</b>	<b>(1,639)</b>	<b>32,654</b>	<b>(834)</b>	<b>30,181</b>

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

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

Note c) Other adjustments:		
	Other Adjustments (Note c) £'000	Total Adjustments £'000
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account	823	823
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account	(1,657)	(1,657)
<b>Note c) Total</b>	<b>(834)</b>	<b>(834)</b>
<b>Total adjustments</b>		<b>30,181</b>
<b>Total adjustments between accounting and funding basis under statute</b>		<b>30,181</b>



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

2021/22				
2021/22 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Fire & Rescue Services	5,831	16,641	91	22,563
<b>Net cost of services</b>	<b>5,831</b>	<b>16,641</b>	<b>91</b>	<b>22,563</b>
Other income and expenditure from the funding analysis	(335)	20,341	(3,372)	16,634
<b>Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit</b>	<b>5,496</b>	<b>36,982</b>	<b>(3,281)</b>	<b>39,197</b>

Note a) Adjustments for capital purposes:			
			Total Adjustments £'000
Charges to services for depreciation and impairment	6,265		6,265
Current value of assets disposed	21		21
Statutory minimum revenue provision for capital financing	(434)		(434)
Revenue contributions to capital	(551)		(551)
Movement in the market value of investment properties	195		195
Total transferred to capital adjustment account (including note i)	<b>5,496</b>		<b>5,496</b>
<b>Note a) Total</b>	<b>5,496</b>		<b>5,496</b>

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

	Other Adjustments (Note c) £'000	Total Adjustments £'000
<b>Note c) Other adjustments:</b>		
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account	(731)	(731)
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account	(2,550)	(2,550)
<b>Note c) Total</b>	<b>(3,281)</b>	<b>(3,281)</b>
<b>Total adjustments</b>		<b>39,197</b>
<b>Total adjustments between accounting and funding basis under statute</b>		<b>39,197</b>

## NOTE 2. UNUSABLE RESERVES AND NOTE 3. REVALUATION RESERVE

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

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

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority, arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

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

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

## NOTE 4. CAPITAL ADJUSTMENT ACCOUNT

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

## NOTE 5. PENSIONS RESERVE

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changes in actuarial assumptions and investment returns on any resources set aside to meet the costs.

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

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



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

## Collection Fund Adjustment Account

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

## Pooled Investment Fund Adjustment Account

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



## NOTE 8. USABLE RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate heading within the Comprehensive Income and Expenditure Statement in that year and is included in the Surplus or Deficit on the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

- The Designated Underspending Reserve enables departments to carry forward specific underspends into the next financial year.
- The Capital Payments Reserve is used to match the timing of available resources with capital payments. The Authority makes annual contributions to this reserve from the revenue budget. The Government does not provide capital funding to the Authority.
- The Revenue Grants Unapplied Reserve contains the value of grants unspent during the year that have no repayment conditions attached, for them to be applied in future years when the expenditure is incurred.
- The IT Services Reserve holds funds set aside for IT refresh programmes.
- The Equipment Replacement Reserve holds funds available to offset the impact of large-scale equipment replacement.
- The HQ Maintenance Reserve is used to fund large repairs and maintenance projects at the headquarters building.
- The Prince's Trust Reserve holds any surplus from Prince's Trust activities and is ring-fenced for future Prince's Trust activities.
- The Transformation Reserve is used to fund all transformational projects that will support the re-design of the service in order to achieve the financial savings required to set a balanced budget.
- The Budget Equalisation Reserve (redesignated from the Grant Equalisation Reserve in 2022/23) is held to mitigate funding and cost risks.
- The Capital and Investment Risk Reserve was introduced in 2022/23 in response to inflationary and interest rate risks associated with the capital programme.

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

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

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

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

**Other Service Expenses:** Includes costs relating to premises, transport, supplies and services. An accounting adjustment is made so that the charge to the CIES also includes revenue expenditure charged to capital under statute (REFCUS).

**Depreciation and Impairment charges:** Are made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

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

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



## NOTE 10. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

Grants and contributions which have outstanding conditions are carried in the Balance Sheet as creditors, specifically as receipts in advance. When grant conditions are satisfied, the Authority has reasonable assurance that the monies will be received, and that the expenditure for which the grant has been given has been or will be incurred, the income is credited to the Comprehensive Income and Expenditure Statement as follows:

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

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

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

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





# NOTE 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

## Financing and Investment Income and Expenditure

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

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

## External audit costs

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

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

## NOTE 12. OFFICERS' REMUNERATION

### Employee benefits

#### Benefits Payable During Employment

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

#### Exit Packages

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

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

## NOTE 12(A). OFFICERS' REMUNERATION CONTINUED

### Officers' Remuneration

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

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

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

# NOTE 13. SENIOR OFFICERS' REMUNERATION

## Senior Officer Remuneration

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

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

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

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

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

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

## NOTE 14. EXIT PACKAGES

### Exit Packages

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

2022/23				
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 to £20,000	0	6	6	£37,832
	<b>0</b>	<b>6</b>	<b>6</b>	<b>£37,832</b>
2021/22				
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 to £20,000	0	4	4	£24,557
	<b>0</b>	<b>4</b>	<b>4</b>	<b>£24,557</b>

## NOTE 15. MEMBERS' ALLOWANCES

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

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



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

## NOTE 16. RELATED PARTIES

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

### Central Government

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

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances is shown in note 15. During 2022/23 there were no potential conflicts of interest involving Members of the Authority.

### Officers

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

### 3SFire Community Interest Company (CIC)

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

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

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

## NOTE 17. CAPITAL FINANCING

The Authority's borrowing for capital purposes is determined by the Authority each year in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities (2021). The total borrowing is expressed as the Capital Financing Requirement and is derived from the opening Balance Sheet.

### Capital Financing Requirement (CFR)

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

### Revenue Expenditure Funded from Capital Under Statute

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

### Minimum Revenue Provision

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

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

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



## NOTE 18. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Authority does not have any material finance leases.

### The Authority as a lessee

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

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

### The Authority as a lessor

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

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

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

# NOTE 19. PROPERTY, PLANT AND EQUIPMENT

## Property, plant and equipment

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

## Recognition

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

## Measurement

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

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

- Vehicles, Plant and Equipment are measured at depreciated historical cost (as this is not materially different from the fair value).
- Assets under construction are measured at historic cost.

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

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

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

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

## Impairment

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

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

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

## Depreciation

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

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

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

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

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

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

### Disposals and assets held for sale

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

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

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

### Capital Commitments

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



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

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

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



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

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

## NOTE 20. FINANCIAL INSTRUMENTS

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

### Financial assets

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

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

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

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

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

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

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

## NOTE 20(A). FINANCIAL INSTRUMENTS (CONTINUED)

### Financial Instruments - Assets

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

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

### Long-term investments

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

### Short-term investments

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

### Cash and Cash Equivalents

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

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



## NOTE 20(B). FINANCIAL INSTRUMENTS (CONTINUED)

### Short-term Debtors

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

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

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

### Long-term debtors

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

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

## NOTE 20(C). FINANCIAL INSTRUMENTS (CONTINUED)

### Financial liabilities

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

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

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

### Long-term borrowing

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

### Short-term borrowing

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

### Creditors

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

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

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

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

## NOTE 20(D). FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

The fair value of long-term loans and receivables and borrowings are included in disclosure note 20(F).

## Basis of valuation

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

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

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

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

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

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

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

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

Fair values for the Authority's financial instruments are shown in the table, split by their level in the fair value hierarchy:

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

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

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

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

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

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

## NOTE 21. NATURE AND EXTENT OF RISK

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

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

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

The Capital & Investment Strategy and Treasury Management Strategy include details of the Authority's Investment Strategy in compliance with Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. HIWFRA's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

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

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

### Credit Risk

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

A limit of £6m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £3m applies. HIWFRA also sets limits on investments in certain sectors. No more than £12m in total can be invested for a period longer than one year.

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

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

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

### Liquidity Risk

HIWFRA has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies.

There is no perceived risk that HIWFRA will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

This risk is managed by maintaining a spread of fixed rate loans, which limits the amount of HIWFRA's borrowing that matures in any one financial year. The maturity analysis of the principal sums borrowed is summarised in the table.

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





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

### Market Risks: Interest Rate Risk

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

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

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

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

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

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

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

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

### Market Risks: Price Risk

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

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

## NOTE 22. PROVISIONS

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that payments will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement. The Authority holds the following provisions:

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

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



## NOTE 23. PENSION SCHEMES

### Participation in Pension Schemes

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

The Authority participates in a number of pension schemes:

- the Local Government Pension Scheme (LGPS) for support staff which is administered by Hampshire County Council. This is a funded defined benefit scheme meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Benefits earned up to 31 March 2014 are linked to final salary and benefits after 31 March 2014 are based on a Career Average Revalued Earnings (CARE) scheme. Discretionary arrangements for the award of post retirement benefits upon early retirement can be made. These are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due;
- the 1992 Firefighters' Pension Scheme (FPS); (closed as of 31 March 2022)
- the 2006 New Firefighters' Pension Scheme (FPS). This scheme was opened to new members from 1 April 2006; (closed as of 31 March 2022)
- the 2015 Firefighters' Pension Scheme (FPS); and
- the Modified 2015 Firefighters' Pension Scheme (FPS) for retained firefighters.

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

The 2015 scheme is a career average scheme (CARE), and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme.



## NOTE 23(A). PENSION SCHEMES

### Transactions relating to post-employment benefits

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

The table summarises the transactions that have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year.

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

## NOTE 23(B). PENSION SCHEMES

### Net Pensions Liability

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

2021/22	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	94,927	900,550	43,985	1,039,462
Current service cost	5,116	21,704	744	27,564
Interest cost	1,977	18,687	911	21,575
Contributions by scheme participants	686	3,698	0	4,384
Actuarial (gains) and losses	(9,666)	(61,792)	(2,443)	(73,901)
Net benefits paid out	(2,304)	(25,057)	(1,245)	(28,606)
Past service costs	0	83	0	83
<b>31 March</b>	<b>90,736</b>	<b>857,873</b>	<b>41,952</b>	<b>990,561</b>
2022/23	LGPS	Firefighters' Pension Schemes	Injury	Total
	£'000	£'000	£'000	£'000
1 April	90,736	857,873	41,952	990,561
Current service cost	4,883	13,742	531	19,156
Interest cost	2,429	22,876	1,115	26,420
Contributions by scheme participants	790	3,802	0	4,592
Actuarial (gains) and losses	(31,006)	(250,520)	(9,906)	(291,432)
Net benefits paid out	(2,258)	(25,134)	(1,304)	(28,696)
Past service costs	0	127	0	127
<b>31 March</b>	<b>65,574</b>	<b>622,766</b>	<b>32,388</b>	<b>720,728</b>

## NOTE 23(C). PENSION SCHEMES

### Local Government Pension Scheme Assets

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

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

Fair value means:

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

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

The actual return on assets in the year was a loss of £2.9m.

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

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

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

## NOTE 23(D). PENSION SCHEMES

### Impact on the Authority's cash flows

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

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

The deficit on the LGPS will be made good by increased contributions over the remaining life of employees, as assessed by the actuary. The objectives of the LGPS are to keep the employer's contribution rate as constant as possible. The aim is to achieve a 100% funding level over a period of 19 years from 1 April 2017. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

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

## NOTE 23(E). PENSION SCHEMES

### Basis for estimating assets and liabilities

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

- Financial assumptions
- Post Retirement Mortality
- Commutation.

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

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

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

31 March 2022		31 March 2023
2.9%	Rate of Inflation (CPI) (LGPS)	2.7%
3.0%	Rate of Inflation (CPI) Firefighter Schemes)	2.7%
3.9%	Rate of increase in salaries (LGPS)	3.7%
4.0%	Rate of increase in salaries (Firefighter Schemes)	3.7%
2.9%	Rate of increase in pensions (LGPS)	2.7%
3.0%	Rate of increase in pensions (Firefighter Schemes)	2.7%
2.7%	Rate for discounting scheme liabilities (LGPS)	4.7%
2.7%	Rate for discounting scheme liabilities (Firefighter Schemes)	4.7%
	Longevity at 65 for current Pensioners (years):	
22.9	Men (LGPS)	23.3
25.4	Women (LGPS)	25.7
21.5	Men (Firefighter Schemes)	21.6
23.6	Women (Firefighter Schemes)	23.7
	Longevity at 65 for future Pensioners (years):	
24.7	Men (LGPS)	23.8
27.1	Women (LGPS)	26.7
23.2	Men (Firefighter Schemes)	23.3
25.4	Women (Firefighter Schemes)	25.5



## NOTE 23(E). PENSION SCHEMES

### Basis for estimating assets and liabilities (continued)

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

The commutation assumptions used by the independent actuary for the year ending 31 March 2023 are:

<b>Local Government Pension Scheme</b>	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 70% of the permitted maximum
<b>Firefighter pension Schemes</b>	1992/2006/2015 schemes: 90% of members commute 25% of their pension

# NOTE 23(F). PENSION SCHEMES

## Basis for estimating assets and liabilities (continued)

### Sensitivity analysis of financial assumptions

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

#### Baseline:-

##### Fire Schemes

Projected Service cost 2023/24 = £4.884m

##### Local Government Superannuation Scheme

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

Projected Service cost 2023/24 = £2.068m

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

	-1 year	+1 year	-1 year	+1 year
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## NOTE 24. CONTINGENT LIABILITIES AND ASSETS

### Contingent liabilities

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

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

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

### Contingent assets

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

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

There are no contingent assets.



## NOTE 25. EVENTS AFTER THE REPORTING PERIOD

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





## NOTE 26. CASH FLOW STATEMENT NOTES

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

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

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

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

## NOTE 26. CASH FLOW STATEMENT NOTES (CONTINUED)

The cash flow from operating activities comprises the following items:

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

The cash flow from investing activities comprises the following items:

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

The cash flow from financing activities comprises the following items:

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



## General principles

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

## Going Concern

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

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

## Financial sustainability

The Chief Financial Officer has a statutory obligation to keep the financial position of the Authority under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate. The Authority regularly reviews and updates its Medium-Term Financial Strategy (MTFS), incorporating known factors that will have a positive or negative impact upon its financial strategy and making realistic assumptions to allow for the inevitable risk and uncertainty that accompanies any financial forecast.

This is underpinned by the Authority's reserves policy where annual contributions to reserves in excess of £6m per annum to fund future expenditure are built into the Authority's budget. In the event of an adverse financial settlement, these reserve contributions would be temporarily reduced to give the Authority time to appropriately plan for and deliver savings. Quarterly financial updates are prepared by budget managers across the service and with support from finance these are presented and discussed quarterly at the Executive Group. The MTFS and current assumptions on funding, priorities and pressures informs the annual budget setting process, with outcomes monitored throughout each financial year taking a risk-based approach with the escalation of issues through senior officers and elected members as appropriate.

At the end of 2022/23 reserves stood at £38.5m of which 6.5% comprised the General Fund balance. The Authority's significant reserves balance ensures that it can conduct its Treasury Management activity to make sure sufficient cash is available to meet its operational obligations whilst also taking a longer-term view to investments where appropriate, enabling greater returns to be made in support of the revenue budget, whilst also adhering to the CIPFA FM Code in prioritising the security of its investment balances.

The Authority's financial outturn for 2022/23 has been reviewed alongside assumptions for 2023/24 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2024. The reserves balance coupled with the anticipated timing of cash flows and the liquidity profile of its investments means that that the Authority can meet its operational obligations over the period, with the option to sell longer-term investments and make use of its borrowing headroom as a short-term solution to any unforeseen liquidity pressures, although this would have an impact on the longer-term financial sustainability of the Authority.



## Accounting policies

Accruals of income and expenditure

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

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

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

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

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

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

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

## Intangible assets

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





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

### Inventories and long-term contracts

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

### VAT

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

### Interests in Companies and Other Entities

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

Disclosures of material involvement with other entities are provided under note 16.

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



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

### Critical judgements in applying accounting policies

In applying accounting policies set out in note 27, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events including the following:

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

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

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

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

In the case of 3SFire Ltd they have been judged to be a subsidiary of the Authority and therefore group accounts will be required when their turnover becomes material. However, for 2022/23 this has been judged immaterial as their turnover is less than 1% of the Authority's total income.

## NOTE 28. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

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

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

- Definition of Accounting Estimates (Amendments to IAS 8)
  - The International Accounting Standards Board (IASB) has revised its definition of “accounting estimate” to make it clearer. We do not expect it to result in any changes to how we make accounting estimates, so no impact on the accounts is foreseen.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
  - This change relates to how assets and liabilities should be accounted for when an organisation acquires or obtains control of another organisation. We are not planning to take over any other organisations so do not expect this change to have any impact.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
  - The IAS 1 amendment slightly changes the criteria for which accounting policies an organisation should disclose in its accounts. Policies should now be disclosed if they are “material”, rather than the previous criteria of being “significant”. The changes to the IFRS Practice Statement 2 are intended to help organisations identify if an accounting policy is material. We will review our policies but do not expect it to result in any major changes to what we publish in the accounts.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
  - These amendments clarify how organisations should account for deferred tax on transactions such as leases and decommissioning obligations. Local authorities are exempt from corporation tax. Trading companies we own are liable for corporation tax, so may be affected by this change. However, any impact would be immaterial to our accounts.

## NOTE 29. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Authority commissions a 5 year rolling programme of PPE valuations, unless events indicate that a valuation is required ahead of the next planned valuations. Valuations are undertaken by qualified valuers within Hampshire County Council's Property department in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. These take account of current trends in building costs, local planning policies and other relevant factors. For assets not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices. However, because valuations cannot be determined with complete certainty, actual results could be different from the assumptions and estimates. A 1% change in valuations equates to £1.8m.





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

# **FIREFIGHTER PENSION FUND ACCOUNT**

# FIREFIGHTER PENSION FUND ACCOUNT

The accounting policies for the Pension Fund Account are the same as those of the main Authority and can be found in note 27 of the main Authority's financial statements.

## Funding arrangements

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

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

## Accounting for future liabilities

These accounts do not take into account the liabilities to pay pensions and other benefits after the end of the financial year. As this liability rests with the Authority, it is included in the Authority's own Income and Expenditure Account and Balance Sheet. Further details can be found in notes 27 to the main Authority accounts.

## Temporary borrowing or lending

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

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



**ANNUAL GOVERNANCE STATEMENT**

## 1. Scope of responsibility

1.1 Hampshire & Isle of Wight Fire and Rescue Authority (the Authority) is responsible for ensuring that:

- its business is conducted in accordance with the law and to proper standards.
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- pursuant to the Local Government Act 1999, it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy; and
- pursuant to the Accounts and Audit Regulations 2015, there is a sound system of internal control which facilitates the effective exercise of the Authority's functions, and which include arrangements for the management of risk.

1.2 This Annual Governance Statement (AGS) is a retrospective statement for the previous financial year. On 1 April 2021 Hampshire and the Isle of Wight combined to create Hampshire and the Isle of Wight Fire and Rescue Authority (HIWFRA).

1.3 The Authority has delegated to the Standards and Governance Committee (S&GC), as per its terms of reference, to consider and approve the Annual Governance Statement, and once approved, the AGS will be signed by the HIWFRA Chairman and the Chief Fire Officer.

1.4 This AGS explains how the Authority meets the requirements of The Accounts and Audit (England) Regulations 2015 and complies with the principles contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) and Delivering Good Governance in Local Government Framework 2016 edition. The AGS is also a key piece of evidence that the Authority has sought to comply with the new CIPFA Financial Management (FM) Code. The Service has undertaken an assessment of its compliance with all of the financial management standards in the FM Code and has assessed that it is compliant with the Code.

1.5 The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

## 2. The purpose of corporate governance

2.1 Governance comprises the arrangements put in place to ensure the intended outcome of stakeholders are defined and achieved. Good governance will enable fire and rescue authorities (FRAs) to:

- set strategic policy agenda that meets the needs of communities and discharges its statutory responsibilities efficiently and effectively.
- ensure that the policy agenda and defined outcomes are delivered on time, on budget, and to the required standard.

2.2 The Service's Corporate Governance Framework comprises the systems and processes, cultures and values by which the Service is directed and controlled. It enables the Authority to monitor the achievement of its priorities and to consider whether they have led to the delivery of appropriate, cost effective and efficient services.

2.3 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve its aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Authority's priorities. It evaluates the likelihood of those risks being realised and the impact should they be realised, to manage them efficiently, effectively and economically.



2.4 The Authority sets strategic direction, monitors, scrutinises and ensures delivery of services, whilst accountability for the achievement of the Authority's priorities sits with the Service. The Service's Corporate Governance Framework demonstrates and enables the ability to deliver its core purpose of making life safer through cohesive working and clear routes of governance.

2.5. The Corporate Governance Framework is designed to provide a robust governance process, streamline decision making and support efficient and effective operations for the Service. The effectiveness of the framework is evaluated throughout the year.

2.6. The Executive Group is chaired by the Chief Fire Officer and its purpose and responsibilities are clearly defined within its terms of reference. The Executive Group considers reports identified on the organisation's Forward Plan (a tool that supports the effective operation of the Corporate Governance Framework identifying agenda, report topics and the responsible Directors). The Forward Plan supports a robust planning and control cycle for strategic and operational plans, ensuring informed decision making and transparency of decisions being recorded.

### **3. Core principles of good governance**

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

3.1.1 The role of scrutiny in good governance is reflective of the decisions about the values and associated behaviours that will guide the organisation.

3.1.2 The Authority operates with 11 Members. The Police and Crime Commissioner (PCC) can attend Authority meetings and has the ability to speak on items on the agenda. The structure and the related arrangements have resulted in a strategic and business focus from the Authority with good Member engagement and scrutiny. The Authority is in the best position to continue to lead the Service in delivering excellent quality services to the residents of Hampshire and the Isle of Wight, whilst remaining resilient and responsive to challenges in the future.

3.1.3 The Authority has a Constitution, the purpose of which is to set out in a single place and in clear language how Hampshire and Isle of Wight Fire and Rescue Authority ("the Authority") works and how it makes decisions. The Constitution sets out the roles and responsibilities of the Authority, its committees and Members. The key policies that set out the scope of responsibilities for Members and delegation to officers are detailed within the Scheme of Delegation, Contract Standing Orders and Financial Regulations. Members and officers are aware of their responsibilities within these policies.

3.1.4 The Authority reviews and approves amendments to the Constitution at their annual Authority General Meeting (AGM) and as needed throughout the year.

3.1.5 The Authority is committed to the highest ethical standards. A code of corporate governance is included within the Constitution, which demonstrates a comprehensive commitment on the part of the Authority to accountability, integrity, ethical values and the rule of law.

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

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

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

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

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

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

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

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

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

3.1.14 Senior Management have the relevant professional external networks and expertise to identify the impacts of new legislation and legal advice is also provided to ensure the Authority continues to comply with legislation and regulations. The statutory roles of Chief Fire Officer, Monitoring Officer and Chief Financial Officer are set out to provide robust assurance and ensure that expenditure and decisions are lawful.

3.1.15 Within the Corporate Governance Framework to underpin the Executive Group, there are four Directorate Boards to oversee key areas: the Policy, Planning and Assurance Board, the Operations Management Board, the People and Organisational Development Board, and the Corporate Services Management Board. These boards provide cohesive working, clear routes of governance and extra scrutiny on behalf of the Executive Group. The Directorate Boards review their terms of reference regularly, with the support of the Governance Team. Furthermore, these Directorate Boards are supported by other forums and Groups, such as the Integrated Performance and Assurance Group (IPAG) and Operations Financial Management Team (FMT), to support good governance across the Service.

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

3.1.17 A policy, procedure and guidance (PPG) framework has been implemented across the organisation. The PPG are documents that capture and define the way the organisation operates and how it delivers its services and functions. The framework establishes how to manage those documents in a robust and sustainable way. The PPG framework includes Authority owned Policies.

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

## **3.2 Ensuring openness and comprehensive stakeholder engagement.**

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

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

3.2.3 The Safety Plan incorporates the Community Risk Management Plan (CRMP) requirement and the annual Service Plan into a single document. The Safety Plan 2020-2025 is a live document which is updated annually. This approach to managing risk in our communities will ensure the organisation is able to report on how effective its risk reduction activities are. The Safety Plan is on the website and available to stakeholders electronically and in paper format (upon request). In the Summer of 2022, HIWFRS agreed a business case to produce the next Safety Plan 2025-2030. Every Fire Authority must have a CRMP as outlined in the Fire and Rescue National Framework for England, for HIWFRA, this is called the Safety Plan. The Authority's next CRMP will be produced by carrying out a two stage approach. Stage one, which commenced in September 2022 and will run until the summer 2023, involves gaining a clear understanding of, and identification of, the risks HIWFRS face in our communities. This will involve discussion with our staff, communities and local partners, as well as using qualitative and quantitative data. Stage two will begin shortly thereafter and will develop control measures and mitigations to meet the risks identified in stage one. Stage two will include consulting with partners, staff and the public on the nature of our proposals.

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

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

3.2.6 The Authority, through the Service, enjoys a constructive relationship with the trade unions and associations representing staff groups across the organisation, through which meaningful consultation and negotiation on Service issues takes place. The Service regularly monitors Trades Union Facilities Time and publishes information in line with reporting requirements for public sector organisations outlined in The Trade Union (Facility Time Publication Requirements) Regulations 2017.

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

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

3.2.8 The Authority has a long history of collaborative working with partner agencies. In particular, with Hampshire County Council as part of the Shared Services Partnership and blue light collaboration with South Central Ambulance Service (SCAS) and Hampshire and Isle of Wight Constabulary which continues as business as usual. The COVID-19 pandemic has really demonstrated the need for collaboration, all working together towards the same goal. The Service has continued to work closely with the Local Resilience Forum (LRF), Local Authorities and the National Health Service (NHS) as well as our blue light partners, to ensure good governance and robust frameworks in the collaborative environment. The Authority receives an annual update which explains the collaborative work that has taken place and demonstrates how we are effectively complying with the Policing and Crime Act 2017 and the Fire and Rescue Services National Framework for England.

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

3.3.1 The role of scrutiny in good governance is reflective of the decisions on outcomes to be achieved.

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

3.3.3 In February 2020, the Authority approved the Hampshire and Isle of Wight Safety Plan 2020-2025. It sets out our five-year strategy that establishes a long-term approach to achieving our purpose of 'Together We Make Life Safer' and to ensure we constantly provide a service to our communities that makes life safer and that our staff are proud to deliver.

3.3.4 The Safety Plan sets out our approach, and that we are keen to consider how we make life safer and have therefore taken a wider view of risk and safety in our approach.

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

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

3.3.7 Our Safety Plan is underpinned by our strategic assessment of risk, which is a detailed and constantly updated analysis, developed by:

- Identifying risk
- Assessing the risk
- Prioritising the risk
- Mitigating the risk
- Reviewing the risk.

3.3.8 To achieve our purpose, we must fully understand the risks that our communities face. By engaging with those most affected by the risks identified, we can create the most effective services to protect them. On this basis we have developed five priorities that we are committed to for the life of the Safety Plan:

- Our communities
- Our people
- Public value
- High performance
- Learning and improving

3.3.9 These focus our resources to the relevant community risks, environmental risks and economic risks, as well as other risk identified through an ongoing Political, Economic, Social, Technological, Environmental, Legal and Organisational (PESTELO) analysis that forms part of our live strategic assessment of risk. It also provides focus on organisational improvements to support our service delivery to ensure that we are efficient and effective. We must constantly reassess our communities to make sure our assessment of risk is still accurate.

3.3.10 The Safety Plan is underpinned by detailed Directorate plans and our Service change portfolio of projects and programmes which is monitored through the Policy, Planning Assurance Board and its Integrated Performance and Assurance Group. Progress against these plans is monitored through regular performance updates to assess the deliverables reporting to the Executive Group and the Authority on an exceptions basis when required.

3.3.11 The Directorate Plans provide the link from the Safety Plan through to an individual's objectives and goals and enables everyone to see how the work they do contributes to the bigger picture and the Safety Plan.

3.3.12 People Impact Assessments (PIAs) are used to identify any significant impact on people and those who share a characteristic which is protected under equality law. Impact Assessments also identify any environmental, economic and legislative risks. Impact Assessments are carried out prior to implementing a policy, procedure, change or decision with a view to ascertaining its potential impact. Impact Assessments are also carried out during formal report writing to identify any impact on the recommendations within reports, with a screening tool developed to help our people understand when supplementary (Stage 2) impact assessments are required.

3.3.13 The Service's Change Management Framework and its supporting procedure has a core focus on the outcomes and benefits achieved by projects and programmes (change activity) – with these being considered throughout the lifecycle of change activity. In 2021, the Change Management Framework was independently audited by our internal auditors who concluded it provided 'substantial' assurance with: *"A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited."*

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

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

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

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

3.4.1 The role of scrutiny in good governance is reflective of the decisions on interventions/services necessary to achieve the outcomes.

3.4.2 There are clear guidance and protocols for decision making. The involvement of legal and finance officers in all significant decisions of the Authority ensures that decisions are only made after relevant options have been weighed and associated risks assessed. The Organisational Risk Register captures current operational and organisational risks that could affect delivery of the Safety Plan. The Organisational Risk Register is reviewed quarterly with reports going to Executive Group. The Authority, delegated to the Standards and Governance committee, regular monitoring of the Organisational Risk Register through formal reporting. During 2022, the Service reviewed and updated its Risk Management Procedure to action the observations from SIAP’s audit of our risk management arrangements.

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

3.5.1 The role of scrutiny in good governance is reflective of the decisions to ensure that the organisation has the human and financial resources it needs.

3.5.2 The relationship between Members and officers is established on a professional culture of mutual respect, trust and cooperation. Within the Constitution, the Member officer Protocol is included providing clarification around the two roles.

3.5.3 The role of scrutiny by Members to holding officers to account is central to exercising effective governance. Members provide constructive challenge to officers, it is this ‘critical friendships’ that tests the reliability and consistency of advice, information and quality decision making.

3.5.4 The Authority holds pre-authority meetings which supports awareness and preparations. Effective questioning is a crucial component of constructive challenge offered by ‘critical friends’ and achieved through combination of good preparation, knowing which questions to ask and when to ask them; pre-meetings are helpful to determine how the meetings will be conducted.

3.5.5 A Member’s Champion scheme is operated in support of an effective and professional relationship between Members and officers in which both understand each other’s role. Officers engage proactively to provide information and in support of scrutiny activity, using their professional expertise to help Members better understand the context within which the organisation is operating and make robust judgements about performance. The current focus areas for Member Champions are Governance, Effectiveness & Performance, People, Community Safety and Carbon reduction.

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

3.5.7 Members receive copies of key internal staff communications.

3.5.8 Members' knowledge and understanding is developed through the delivery of an induction programme and periodic training and awareness sessions. A Members Induction session was held in June 2022 with ongoing training and awareness sessions held throughout the year. Both Members and officers enjoy Local Government Association (LGA) membership that entitles them to attendance at training and conferences, targeted at raising awareness of national themes and in development of their leadership and scrutiny roles.

3.5.9 Members attend the Authority Policy Advisory Group (APAG) meetings which are delivered during the year. The meetings are chaired by the Chief Fire Officer and facilitate the two-way exchange and update of information between Members and officers. It is a forum providing the opportunity for Members and officers to informally discuss and shape policy. The Group receives updates on matters of interest and considers the future strategic direction of the Authority and Service business.

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

3.5.11 The Authority, its committees and the Chief Fire Officer have access to a full range of professional advisers to enable them to carry out their functions effectively and in compliance with statutory requirements. Some legal and democratic services are provided through service level agreements with Hampshire County Council (HCC). The shared service partnership with HCC and Hampshire Constabulary provides a wide pool of professional advice for areas such as human resources, finance and procurement.

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

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

3.5.14 We use insights from our wellbeing survey, internal and external data analysis, HMICFRS inspections, internal audits and peer reviews alongside feedback from our staff network groups and management forums to inform our POD Directorate plan. This seeks to make our organisation a great place to work for everyone whilst delivering excellent services to our communities through a professional, well equipped and agile workforce.



3.5.15 Our priorities are captured within the Safety Plan and include the importance that our staff at all levels are skilled and feel equipped to undertake their responsibilities. We align the skills and capabilities of our teams to ensure they can perform at the highest levels, based on our priorities. Our Leadership Development Framework supports the growth of our staff in their capacities as both leaders and managers.

3.5.16 It is vital that we have the right people in the right roles to be effective. We must focus on our recruitment to find and retain talented people who embody the values we feel are central to representing our organisation. Embedding our values throughout our recruitment processes continues to help us to build a great working environment of which our workforce will be proud.

3.5.17 HIWFRS regularly reviews the shape of its workforce against the context of its capacity and capability requirements to meet the needs of communities. This then informs a range of strategies such as recruitment, retention and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of the service.

3.5.18 HIWFRS is developing a culture of on-going coaching style conversations which focus upon high performance in all aspects of our work. Staff take personal responsibility for their own performance and how this contributes to the overall performance of their team. They are encouraged to use the range of learning opportunities that are available across the organisation.

3.5.19 The Service is committed to driving high performance by unlocking the potential of all employees. There is a revised Personal Development Review (PDR) system, with personal goals and objectives to link back to the objectives within directorate plans, priorities within the Safety Plan and behaviours linked to the organisational values. This focus on performance will ensure we deliver the best possible service to the communities we serve.

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

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

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

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

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

3.6.4 The Executive Group reviews key performance indicators (KPIs) on a regular basis and the Chief Fire Officer holds Directors to account for performance of their areas across the organisation.

3.6.5 The Authority has a framework for regularly monitoring its performance with timely and relevant information. The Authority holds the Chief Fire Officer to account and receives regular performance reports at its public meetings.

3.6.6 The internal management structure operates under a structure that promotes improved efficiency, effectiveness and improvement of its ability to make communities safer.

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

3.6.8 The Internal Audit Plan was developed to operate at a strategic level, providing a value-adding and proportionate level of assurance aligned to the Authority's key risks and priorities. This includes a regular review of the organisation's risk management processes.

3.6.9 The Internal Audit Plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an Anti-Theft, Fraud, Corruption and Bribery Policy. The Service's approach is to identify areas that could present greatest risk or where managers have identified indicators that improvement is needed.

3.6.10 The delivery of the resulting Internal Audit Plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Authority, and later published within the Annual Statement of Accounts in compliance with statute.

3.6.11 The Authority's Standards and Governance Committee (S&GC) has a clear terms of reference, to provide an effective source of scrutiny, challenge, and assurance regarding the arrangements for managing risk and maintaining an effective control environment. The S&GC considers the delivery and outcomes of the Internal Audit Plan, along with scrutinising the Service's performance in delivering against agreed actions.

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

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

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

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

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

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

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

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

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

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

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

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

3.7.1 The role of scrutiny in good governance is reflective of the decisions on what will be reported to the public in order to ensure transparency and practice accountability.

3.7.2 The Authority meetings are open to the public and reports are written in an understandable style appropriate to the audience and published on the website ensuring that they are easy to access and interrogate. Authority meetings remained open to the public during the Coronavirus Pandemic, ensuring transparency and accountability.

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

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

3.7.5 Members provide performance oversight and bring a mixture of experience and expertise from their professional backgrounds as well as their time in politics. It is also important to have access to requisite knowledge regarding the subject matter, so Members are supported by officers for any knowledge needs. It is also necessary to co-opt independent expertise to support scrutiny so that constructive challenges are taking place from well-informed positions.

3.7.6 The 'Internal Audit Charter' is presented annually for approval by the S&GC. The purpose of the Internal Audit Charter is to formally define its purpose, authority, and responsibility. The Chief Internal Auditor has direct access to elected Members of the Authority and those who serve on the S&GC.

3.7.7 The on-going work of Internal Audit is presented routinely through the progress reports to the S&GC, providing an overview of Service performance. It considers delivery against the plan and the progress made by the Service in the implementation of management actions that have been agreed to mitigate risks identified through internal audit work.

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

3.7.9 Representatives of External Audit routinely attend S&GC meetings and present external audit reports. Any recommendations for corrective action detailed within internal or external audit reports are highlighted to Members.

3.7.10 Financial reporting complies with relevant statute, codes and good practice guidance. Financial and performance information are reported consistently throughout the year. Where relevant and appropriate, performance comparisons are made to other organisations.

3.7.11 The Authority has a community interest company, 3SFire. The company operates under the governance of a Board of Directors and the 3SFire CIC Stakeholder Committee. The 3SFire CIC Stakeholder Committee ensure appropriate controls and scrutiny are in place for the trading company.

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

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

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

## **4 Obtain assurances on the effectiveness of key controls.**

4.1 Key controls relating to risks, internal control (including financial management) and governance processes are identified by senior managers as part of the governance framework.

4.2 Senior managers complete the annual Certificate of Assurance which is a self-assessment and declaration that they and their teams are familiar and operate within policy and internal control mechanisms.

4.3 The Authority receives an Annual Assurance Statement which is published on the website. The Annual Assurance Statement provides an accessible way in which communities, local authorities and other partners may make a valid assessment of their local fire and rescue authority's management of performance and key controls on financial, governance and operational matters and show how they have due regard to the expectations set out in the IRMP.

4.4 Risks are managed as determined by the Risk Management Policy and progress monitored through risk registers.

4.5 Internal Audit, as part of its planned review of internal controls, regularly evaluates the key controls to determine their adequacy and carries out tests to confirm the level of compliance. An audit opinion on effectiveness is provided to management and any actions for improvement to be agreed.

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

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

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

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

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

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

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

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

4.13 Other external reviews include the following:

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

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

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

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

- a self-assessment assurance statement (certificate of assurance) being sent every year to members of senior management.
- consultation with other relevant officers throughout the organisation.

5.2 The Certificate of Assurance covers a range of corporate governance and assurance issues, and they refer to the existence, knowledge and application within departments of governance policies generally.

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

## 6 Action Plan ensuring continuous improvement of the system of governance.

6.1 There is a requirement for the AGS to include an agreed action plan showing actions taken or proposed to deal with significant governance issues.

6.2 The HIWFRS Corporate Governance Framework provides a robust mechanism to ensure significant governance issues are identified, and an appropriate action plan is agreed to continue improvement of the system of governance.

6.3 The following identifies the actions to ensure continuous improvement of key governance issues that will be carried out over the next year 2023-2024:

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

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

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

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

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

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

## 7 In response to the Action Plan outlined in the 2022/23 Annual Governance Statement:

7.1 There is a requirement for the AGS to include reference to how issues raised in the previous year's AGS been resolved.

7.2 The following identifies the actions resolved in 2022/2023:

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

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

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



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

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

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

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

## Declaration

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

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

Signed:

Neil Odin - Chief Fire Officer

Date: 25 July 2023

Signed:

Rhydian Vaughan - HIWFRA Chairman

Date: 25 July 2023



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

# GLOSSARY



## Accruals basis

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

## Actuary

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

## Actuarial gains and losses

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

## Amortisation

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

## Asset held for sale

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

## Budget requirement

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

## Capital adjustment account

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

## Capital expenditure

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

## Capital receipt

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

## Chartered Institute of Public Finance and Accountancy (CIPFA)

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

## Comprehensive Income and Expenditure Statement (CIES)

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

## Contingent asset

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

## Contingent liability

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

## Council tax

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

**Creditor**

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

**Current asset**

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

**Current liability**

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

**Current service costs**

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

**Debtor**

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

**Deferred liability**

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

**Defined benefit pension scheme**

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

**Deposit**

Receipt held that is repayable in prescribed circumstances.

**Depreciated historical cost**

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

**Depreciated replacement cost**

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

**Depreciation**

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

**Discretionary increase in pension payments**

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

**Earmarked reserve**

See Reserve.

**Exceptional item**

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

**Expected credit loss**

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



# GLOSSARY

## Expected loss allowance

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

## Fair value

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

## Finance lease

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

## Financial instruments

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

## Fixed asset

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

## General Fund

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

## Gross book value (GBV)

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

## Gross expenditure

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

## Historical cost

The amount originally paid for a fixed asset.

## Impairment loss

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

## Internal trading account

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

## International Financial Reporting Standards (IFRS)

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

## Inventories

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

## Investment property

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

## Lessee

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

## Lessor

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

## Local Government Pension Scheme (LGPS)

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

## Long-term asset

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

## Long-term borrowing

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

## Long-term debtor

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

## Minimum revenue provision (MRP)

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

## Net assets

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

## Net book value (NBV)

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

## Net current liabilities

The amount by which current liabilities exceed current assets.

## Net worth

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

## Non-ringfenced government grants

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

## Operating lease

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

## Operational asset

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

## Past service cost

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

## Payment in advance

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

## Precept

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

## Provisions

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

## Public Works Loan Board (PWLB)

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

## Receipt in advance

A receipt that is attributable to a future financial year.

## Related party

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

## Reserve

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

## Revaluation reserve

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

## Revenue contributions to capital

The use of revenue funds to finance capital expenditure.

## Revenue expenditure

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

## Revenue expenditure funded from capital under statute (REFCUS)

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

## Short-term investments

An investment that is readily realisable within one year.

## Specific grants

Central Government grants provided for a specific purpose.

## Straight-line basis

Dividing a sum equally between several years.

## Surplus assets

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

## Transfer value

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

## Useful life

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

## Write-off

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







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

# INDEPENDENT AUDITORS REPORT



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Held for Independent Auditors Report