HAMPSHIRE FIRE AND RESCUE AUTHORITY

Hampshire Fire and Rescue Authority

Statement of Accounts

2017-18

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Introduction

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

- Understand the overall financial position of the Authority and the outturn position for 2017/18;
- Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Authority is sound and secure.

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

This Narrative Statement has been structured to help enable readers to understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts. The statement provides information about Hampshire, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2018 and is structured as below:

- Statement from the Chairman of Hampshire Fire and Rescue Authority
- Introduction from the Chief Financial Officer
- An Introduction to Hampshire
- The Fire and Rescue Authority's Performance
- Financial Performance of the Authority 2017/18
- Corporate Risks
- Summary Position
- Where you can get further information

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

Statement from the Chairman of Hampshire Fire and Rescue Authority

"As Chairman of the Fire and Rescue Authority, I am delighted to be able to present to you the Statement of Accounts for 2017/18. Despite some challenges during the year we have once again come within budget and our reserves continue to show a healthy position."

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

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

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

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

Councillor Chris Carter – Chairman of Hampshire Fire and Rescue Authority

Introduction from the Chief Financial Officer

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

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

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

The accounts themselves are very complex and technical in nature, but I hope you will take the time to look through them and in particular, read the Narrative Statement which provides an excellent summary of what has happened during the financial year and outlines the financial standing of the Fire and Rescue Authority as at 31 March 2018.

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

Rob Carr – Head of Finance

An Introduction to Hampshire

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

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

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

Key Facts about Hampshire

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

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

Population 1,829,500 (Office for National Statistics Mid Year Estimates 2016)	728,980 households, of which 68% are owner-occupied (2011 Census)	85% of Hampshire is defined as rural and over a third of the County's area is within National Parks or Areas of Outstanding Natural Beauty
Hampshire has 80,000 businesses and a Gross Value Added of £47 billiion, making it the largest 'County area' economy in the UK	The Hampshire economy is worth approximately £44.5 billion (ONS)	Tourism is worth almost £3 billion annually to the Hampshire economy and each year Hampshire is visited by 4.6 million staying visitors and a further 48 million day visitors
There are 51 Fire Stations across Hampshire of which 13 are whole time and 38 are retained	Hampshire has 5,300 miles (8,600 kilometres) of road and 193 miles (310 kilometres) of railway track, incorporating 49 stations	The population aged 65 and over in Hampshire increased by 21% between 2001 and 2011, nearly double the national increase (11%)

Hampshire Fire and Rescue Authority provides a wide range of services which make a difference to residents' lives on a daily basis, including responding to fire incidents, attending road traffic collisions, Safe and Well Visits, working with vulnerable or high risk groups to improve community safety and providing a co-responding service in partnership with South Central Ambulance Service.

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

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

Our service plan for 2015-20

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

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

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

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

Our communities…

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

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

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

Looking towards 2020

The Authority's Medium Term Financial Plan (MTFP) sets out the strategy for balancing the budget over the next four years. Following the local government finance settlement issued in January 2016 (which set out provisional grant figures until 2019/20), together with favourable changes implemented as part of the 2018/19 budget setting process, the Authority was in the very strong position that it was able to largely balance its budgets to 2019/20 based on a strategy of:

- Full delivery of the existing savings programmes
- Council tax increases of 1.99% each year for four years (and the potential for an extra 1% in 2019/20) and
- Development of new savings and income generation which would de-risk the financial plan and potentially provide additional resources for service development and annual contributions for financing the Capital Programme

The setting of the 2018/19 budget in February 2018 generated nearly £1.3m of favourable changes in the budget mainly as a result of :

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

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

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

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

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

Key Facts about Hampshire Fire and Rescue Authority

All of the factors in the section above help to shape the Fire and Rescue Authority's priorities and provide a challenging environment for the organisation to operate in. Providing adequate Fire Risk cover across the County must be balanced with the efficient and effective use of resources and the utilisation of the capacity that we have available to improve all aspects of public safety. Charged with directing the outcomes, priorities and policies of the Authority are the members of the Fire Authority who are nominated to serve on the Authority by Hampshire County Council and Southampton and Portsmouth City Councils.

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

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

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

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

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

Supporting the work of the Fire Authority Members are the Directors which comprise 6 Principal Officers and is led by the Chief Fire Officer. Directors work with, and for, the Authority to maximise the capacity and effectiveness of the organisation in order to protect and build strong, sustainable public services that improve the safety of people across Hampshire.

In addition, there is a partnership arrangement with the Isle of Wight Council whereby Hampshire provides senior leadership to the Fire Service albeit that it remains part of the Isle of Wight Council democratic and financial set up. Public consultation is expected his year to consider the potential option of combining the two services under a new Combined Fire Authority.

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

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

At the end of 2017/18, the Fire and Rescue Authority employed a Full Time Equivalent (FTE) total of 1,468 staff, which takes account of those staff that work part-time. There has been a general trend of reducing employee numbers over the last 4 years across all categories of staff as a result of the savings and transformation programmes that have been in place.

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

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

The Fire and Rescue Authority's Non-Financial Performance

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

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

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

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

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

[Our Performance]

The Fire and Rescue Authority's Financial Performance

Revenue Position

The Authority continued its policy of implementing savings ahead of need and this coupled with favourable changes in the budget and the first council tax increase for a number of years meant that once again Hampshire was able to set a surplus budget in 2017/18 which helped to contribute a further £2m to fund the change programme across the organisation.

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

	2016/17	**2017/18**
	%	**%**
Council tax	55	56
Business rates	19	20
General Government grants	19	15
Fees, charges and interest	5	4
Specific Government grants	2	5
	100	**100**

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

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

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

Report on ICT overspend

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

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

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

Capital

In 2017/18 the Fire and Rescue Authority spent just under £3.3 million on capital projects, which was lower than originally planned. This was mainly as a result of slippage in a number of schemes, together with a planned delay in the purchase of new vehicles due to changes in the type of vehicles to be used within the Service Delivery Re-design project. Key projects in the year were:

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

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

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

The Authority may borrow on a day-to-day basis from internal resources, such as the revenue account and earmarked reserve balances to finance capital expenditure. Total external debt at 31 March 2018 was the same as the previous year at £8.35 million and investments decreased marginally by £1m to £25.7m. Investment levels can fluctuate during the year as a result of changing cashflows, but do tend to track the total value of reserves held by the Authority.

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

Outturn Report

Treasury Management and Prudential Indicators

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

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

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

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

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

Pension Fund Liability

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

This is not a cause of concern for the Authority due to the Local Government Pension Scheme actuary adjusting contributions gradually in order to fully fund the scheme within 19 years and the Fire Fighters and new Fire Fighters pension schemes being fully funded by central government.

Reserves and Balances

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

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

The table below summarises the total level of reserves and balances that the Fire and Rescue Authority holds and compares this to the position reported at the end of 2016/17:

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

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

Corporate Risks

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

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

The impact of the current economic climate on the Fire and Rescue Authority is taken into account when the Fire and Rescue Authority sets its budget, although in general terms, there is not a significant link between the two items. Any significant movements and events in the year were reported to the Full Authority. Monitoring of spend against the budget takes place throughout the year and is reported to Senior Management monthly and to the Authority on a quarterly basis.

Summary Position

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

In 2017/18, the Authority has faced and dealt successfully with significant change, in particular the phased implementation of the Service Delivery Re-design project which fundamentally changes the approach to responding to incidents across the County. This trend will continue and indeed accelerate as grant reductions deepen and the pace of change increases, but the Authority is well placed to adapt to the challenges and to take advantage of the opportunities offered. There are risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, the Authority is in a very strong position as it moves into the last part of this decade.

Changes to the accounts

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

Explanation of the Statement of Accounts

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

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

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

They consist of:

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

Relationship between Accounting Statements

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

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

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

Where you can get further information

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

1 The Authority's responsibilities

The Authority is required to:

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

2 The Chairman's Statement

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

Cllr. XXXX XXXXX
Chairman
Standards and Governance Committee

3 The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

4 The Chief Financial Officer's statement

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

Chief Financial Officer / Section 151 Officer

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

	General Fund Balance*	Capital receipts reserve	Capital grants unapplied reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves	*Note*
				8	*18*		
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 31 March 2016	**(35,394)**	**(2,914)**	**(1,759)**	**(40,067)**	**470,549**	**430,482**	
Movements During 2016/17:							
Total Comprehensive Income and Expenditure	29,108	0	0	**29,108**	94,834	**123,942**	
Adjustments between accounting basis and funding basis under regulations	(24,781)	2,914	1,759	**(20,108)**	20,108	**0**	*2*
Net (Increase)/Decrease in year	**4,327**	**2,914**	**1,759**	**9,000**	**114,942**	**123,942**	
Balance as at 31 March 2017	**(31,067)**	**0**	**0**	**(31,067)**	**585,491**	**554,424**	
Movements During 2017/18:							
Total Comprehensive Income and Expenditure	28,752	0	0	28,752	1,414	30,166	
Adjustments between accounting basis and funding basis under regulations	(28,017)	0	0	**(28,017)**	28,017	**0**	*2*
Net (Increase)/Decrease in year	**735**	**0**	**0**	**735**	**29,431**	**30,166**	
Balance as at 31 March 2018	**(30,332)**	**0**	**0**	**(30,332)**	**614,922**	**584,590**	

* includes earmarked reserves

Balance sheet

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

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

Signed: Chief Financial Officer

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

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

Comprehensive Income and Expenditure Report

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

2016/17 Net Expenditure £'000	2016/17 Gross expenditure £'000	2016/17 Gross Income £'000		2017/18 Net Expenditure £'000	2017/18 Gross expenditure £'000	2017/18 Gross Income £'000
54,426	57,133	(2,707)	Service Delivery	**54,501**	58,364	(3,863)
19,584	21,026	(1,442)	Professional Services	**18,986**	21,341	(2,355)
779	801	(22)	Pensions	**1,359**	1,385	(26)
74,789	78,960	(4,171)	**Fire and Rescue Services**	**74,846**	81,090	(6,244)
519	519	0	Other items not allocated to services	**14**	14	0
75,308	79,479	(4,171)	**Net cost of Fire and Rescue Services**	**74,860**	81,104	(6,244)
			Other income and expenditure:-			
10	10	0	Other operating income and expenditure	**55**	55	0
19,219	19,586	(367)	Financing and investment income and expenditure	**18,142**	18,456	(314)
(65,429)	0	(65,429)	Taxation and non-specific grant income	**(64,305)**	0	(64,305)
(46,200)	19,596	(65,796)	**Total other income and expenditure**	**(46,108)**	18,511	(64,619)
29,108	**99,075**	**(69,967)**	**(Surplus)/deficit on the provision of services**	**28,752**	**99,615**	**(70,863)**
(12,373)			(Surplus) or deficit on revaluation of PPE assets	**(5,896)**		
(143)			(Surplus) or deficit on revaluation of available for sale financial assets	**(22)**		
107,350			Remeasurement of the net defined pension benefit liability/(asset)	**7,332**		
94,834			**Other Comprehensive (Income)/Expenditure**	**1,414**		
123,942			**Total Comprehensive (Income)/Expenditure**	**30,166**		

Contents

1 Expenditure and Funding Analysis

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

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

2 Adjustments between funding and accounting basis

2017/18

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

Continued on next page

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

2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	**Adjustments for Capital Purposes (Note a)**	**Net change for the Pensions Adjustments (Note b)**	**Other Adjustments (Note c)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Service Delivery	6,671	3,826	0	10,497
Professional Services	2,064	357	0	2,421
Pensions	0	(100)	0	(100)
Other items not allocated to services	0	(113)	0	(113)
Net cost of services	**8,735**	**3,970**	**0**	**12,705**
Other income and expenditure from the funding analysis	(7,013)	19,190	(101)	12,076
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	**1,722**	**23,160**	**(101)**	**24,781**

Note a) Adjustments for capital purposes:		
Charges to services for depreciation and impairment	8,735	8,735
Current value of assets disposed	10	10
Statutory minimum revenue provision for capital financing	(570)	(570)
Revenue contributions to capital	(6,132)	(6,132)
Capital grants and contributions applied (note i)	(291)	(291)
Movement in the market value of investment properties	(30)	(30)
Total transferred to capital adjustment account (including note i)	**1,722**	**1,722**
Transfer asset sale proceeds to capital receipts reserve	0	0
Note a) Total	**1,722**	**1,722**

Continued on next page

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

3 Unusable reserves

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

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

3a Revaluation reserve

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

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

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

3b Capital adjustment account

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

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

The movement in the reserve is analysed below:

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

3c Pensions reserve

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

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

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

3d Collection fund adjustment account

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

3e Available for sale financial instruments reserve

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

4 Usable Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate heading within the Comprehensive Income and Expenditure Statement in that year and is included in the Surplus or Deficit on the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

	Balance 1 April 2016 £'000	Movement in 2016/17 £'000	Balance 31 March 2017 £'000	Movement in 2017/18 £'000	Balance 31 March 2018 £'000	note
Revenue Reserves						
A. General Fund Balance	**(2,500)**	**0**	**(2,500)**	**0**	**(2,500)**	
B. Earmarked Revenue Reserves Fully Committed to Existing Spend Programmes						
Designated Underspending Reserve	(107)	(129)	**(236)**	40	**(196)**	*a*
General Capital Reserve	(23,590)	(172)	**(23,762)**	496	**(23,266)**	*b*
Revenue Grants Unapplied	(430)	(121)	**(551)**	(65)	**(616)**	*c*
	(24,127)	**(422)**	**(24,549)**	**471**	**(24,078)**	
Corporate Reserves						
Transformation Reserve	(8,767)	4,749	**(4,018)**	264	**(3,754)**	*d*
	(8,767)	**4,749**	**(4,018)**	**264**	**(3,754)**	
Total Earmarked Revenue Reserves Available	**(32,894)**	**4,327**	**(28,567)**	**735**	**(27,832)**	
Total Revenue Reserves and Balances	**(35,394)**	**4,327**	**(31,067)**	**735**	**(30,332)**	
Capital Reserves						
Capital Grants Unapplied	(1,759)	1,759	**0**	0	**0**	*e*
Capital Receipts Reserve	(2,914)	2,914	**0**	0	**0**	*f*
Total Capital Reserves and Balances	**(4,673)**	**4,673**	**0**	**0**	**0**	
Total Usable Reserves	**(40,067)**	**9,000**	**(31,067)**	**735**	**(30,332)**	

a. The designated underspends reserve enables departments to carry forward specific underspends into the next financial year.
b. The general capital reserve is used to match the timing of available resources with capital payments. The Authority has had the aim for a number of years to increase this reserve given the withdrawal of Government funding for capital.
c. The revenue grants unapplied reserve is required as grants have to be accounted for in the year they are received. This reserve contains the value of grants unspent during the year, where there is no repayment conditions attached, in order for them to be applied when the expenditure is incurred.
d. The Transformation Reserve was established in 2014/15 to fund all transformational projects that will support the re-design of the service over the next few years in order to achieve the financial savings that are required to balance the budget.
e. The capital grants unapplied reserve is the equivalent of the revenue grants unapplied reserve but for capital grants.

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

5 Financing and investment income and expenditure

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

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

6 Government grants and contributions

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

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

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

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

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

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

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

7 Officers' remuneration

Employee benefits

Benefits Payable During Employment

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

Termination benefits

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

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

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

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

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

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

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

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

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

7c Exit Packages

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

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

8 Members' allowances

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

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

9 External audit costs

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

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

10 Nature of expenses

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

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

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

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

c. Depreciation and impairment charges are made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

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

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

12 Related parties

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

Central Government

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

Members

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

Officers

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

3SFire Ltd

The Authority has sole control over a company – 3SFire Ltd. It is a company limited by shares held by the Authority and was formed on 20 February 2013.

There is one Non-Executive Director of the Company, Royston Smith (MP) and two Executive Directors, Councillor Chris Carter and Councillor Roger Price who are also Members of the Authority. Neil Odin, Chief Fire Officer, was a director of the company and was replaced by Andy Bowers, Deputy Chief Fire Officer during the year.

13 Capital financing

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

Capital Financing Requirement

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

Revenue expenditure funded from capital under statute

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

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

Redemption of debt

The Authority's borrowing for capital purposes is determined by the Authority each year in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities. The total borrowing is known as the Capital Financing Requirement which is derived from the opening balance sheet. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 which came into force on 31 March 2008 and affect 2007/08 and subsequent years require the Authority to make provision for the redemption of debt. The Authority has approved the policy that in accordance with requirement a minimum revenue provision is put aside from revenue which will be equal to 4% of the capital financing requirement for capital purposes at the start of the financial year. For unsupported borrowing incurred after 1 April 2008, minimum revenue provision is made on a basis to reflect the life of the assets financed.

14 Leases

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

The Authority as a lessee:

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

The Authority as a lessor:

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

Assets used under operational lease

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

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

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

The Authority as lessor

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

The future minimum lease payments receivable in future years are:

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

15 Property, Plant and Equipment

Property, plant and equipment

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

Recognition

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

Measurement

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

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

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

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

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

Impairment

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

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

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

Depreciation

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

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

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

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

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

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

Disposals and assets held for sale

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

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

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

Heritage Assets

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

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

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

15a Movements

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

2017/18	**Other land and build's £'000**	**Vehicles and equip't £'000**	**Surplus assets £'000**	**Assets under const'n £'000**	**Total £'000**
Cost or Valuation:					
At 31 March 2017	**114,071**	**40,811**	**0**	**5,445**	**160,327**
Adjustment to opening balance					**0**
Revised value as at 31 March 2017	**114,071**	**40,811**	**0**	**5,445**	**160,327**
Additions in year	289	717	0	2,266	**3,272**
Donations	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,627	0	0	0	**4,627**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(565)	0	0	0	**(565)**
Derecognition - Disposals	0	(554)	0	0	**(554)**
Derecognition - Other	0	0	0	0	**0**
Assets reclassified (to)/from held for sale	0	0	0	0	**0**
Other movements in cost or valuation	6,780	(132)	0	(6,648)	**0**
Gross book value as at 31 March 2018	**125,202**	**40,842**	**0**	**1,063**	**167,107**
Accumulated depreciation:					
At 31 March 2017	**(8,346)**	**(24,594)**	**0**	**0**	**(32,940)**
Adjustment to opening balance	0	0	0	0	**0**
Revised value as at 31 March 2017	**(8,346)**	**(24,594)**	**0**	**0**	**(32,940)**
Depreciation Charge	(2,586)	(2,802)	0	0	**(5,388)**
Depreciation written out on revaluation	1,269	0	0	0	**1,269**
Depreciation written out on the Surplus/Deficit on the Provision of Services	60	0	0	0	**60**
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	**0**
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**
Derecognition - Disposals	0	499	0	0	**499**
Derecognition - Other	0	0	0	0	**0**
Assets reclassified (to)/from held for sale	0	0	0	0	**0**
Other movements in cost or valuation	(4)	4	0	0	**0**
Accumulated depreciation as at 31 March 2018	**(9,607)**	**(26,893)**	**0**	**0**	**(36,500)**
Net book value 31 March 2018	**115,595**	**13,949**	**0**	**1,063**	**130,607**
Net book value 31 March 2017	**105,725**	**16,217**	**0**	**5,445**	**127,387**

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

16 Revaluations

The freehold and leasehold properties of the Authority's property portfolio have been valued under a rolling programme by qualified property services staff from Hampshire County Council. Valuations were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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

	Land and buildings £'000	Vehicles, plant and equipment £'000	Total property, plant and equipment £'000
Valued at historic cost		13,949	13,949
Valued at current value in:			
2013/14	14,040		14,040
2014/15	7,180		7,180
2015/16	15,972		15,972
2016/17	59,942		59,942
2017/18	18,462		18,462
Total	**115,596**	**13,949**	**129,545**

17 Financial instruments

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

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The Authority's long term borrowing is mainly with the Public Works Loan Board. For the borrowings that the Authority has this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-Sale Assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments –net present value;

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred, these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Fair Value Measurement

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

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

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

The Authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets and liabilities:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the Fire Authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

17a Financial Instruments – Balances

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

Financial Liabilities	Long Term 31/03/2017 £'000	Long Term 31/03/2018 £'000	Short Term 31/03/2017 £'000	Short Term 31/03/2018 £'000
Loans at amortised cost:				
-Principal sum borrowed	(8,350)	(8,350)	0	0
-Accrued interest	0	0	(65)	(65)
Total borrowing	**(8,350)**	**(8,350)**	**(65)**	**(65)**
Liabilities at amortised cost:				
-Finance leases	0	0	(32)	0
-Trade creditors	0	0	(4,102)	(4,470)
Total other liabilities	**0**	**0**	**(4,134)**	**(4,470)**
Total	**(8,350)**	**(8,350)**	**(4,199)**	**(4,535)**

17b Short term borrowing

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

17c Long- term borrowing

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

17d Creditors

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

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

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

17e Financial Assets

A financial asset is a right to future economic benefits controlled by Hampshire Fire & Rescue Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by Hampshire Fire & Rescue Authority during the year are held under the following classifications:

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- Cash
- Bank current and notice accounts
- Loans to other local authorities

Available for sale financial assets (those that are quoted in an active market or do not have fixed or determinable payments) comprising:

- Money market funds
- Pooled equity and property funds
- Certificates of deposit and covered bonds issued by banks and building societies
- Bonds issued by multilateral development banks and large companies

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

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

17f Long-term investments

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

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

17g Short term investments

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

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

17h Long term debtors

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

17i Debtors

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

The debtors balance incorporates payments in advance. These represent the proportion of leasing payments made that relate to 2018/19 as payments are made annually in advance. As the balance relates to less than a financial year the fair value is equivalent to the proportion of the original invoice that relates to 2017/18.

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

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

17j Cash and cash equivalents

Cash comprises cash in hand and on demand deposits.

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

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

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

18 Financial Instruments – Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumption:

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

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

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

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

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

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

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

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

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

19 Financial Instruments – Risks

Hampshire Fire & Rescue Authority (subsequently HFRA) has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

As part of the adoption of the Treasury Management Code, HFRA approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. HFRA also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government 'Guidance on Local Government Investments.' This guidance emphasises that priority is to be given to security and liquidity, rather than yield. HFRA's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

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

Credit Risk: Investments

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

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

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

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

Liquidity Risk

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

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

Market Risks: Interest Rate Risk

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

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

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

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

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive & Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2018, the entire net principal borrowed (i.e. debt net of investments) was exposed to fixed rates. HFRA’s investments in floating rate notes (£7m at 31 March 2018) and pooled funds (£3.5m at 31 March 2018) are classed as being held at variable rates and exposed to interest rate risk.

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

	£’000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(222)
Impact on (Surplus) or Deficit on the Provision of Services	**(222)**
Decrease in fair value of available for sale financial assets	10
Impact on Comprehensive Income and Expenditure	**10**

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

Market Risks: Price Risk

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

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

20 Provisions

The Authority holds four provisions.

- The first is for uninsurable and other claims. This covers costs which may arise as a result of the Authority being uninsured for a period (the Authority's insurers went into liquidation some years ago), possible employment tribunals (together with their associated costs) and other claims made against the Authority. These cases may take a number of years to settle
- The second relates to estimated pension liabilities relating to temporary promotions that will be funded by the Authority.
- The third related to various tax liabilities the Authority was liable for in respect of current or former employees
- The fourth provision relates to the outstanding amount of appeals on business rate valuations, which may impact on future business rates collected by the Authority.

The movement on these provisions can be summarised as follows:

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

21 Defined benefit pension schemes

21a Participation in pension schemes

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

The Authority participates in a number of pension schemes:

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

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

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

22 Transactions relating to post-employment benefits

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

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

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

23 Liabilities in relation to post-employment benefits

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

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

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

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

24 Assets in relation to post-employment benefits

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

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

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

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

25 Pension Scheme Assets

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

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

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

26 Impact on the Authority's cash flows

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

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

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

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

27 Basis for estimating Assets and Liabilities

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

- Financial assumptions
- Post Retirement Mortality
- Commutation.

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

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

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

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

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

The commutation assumptions used by the independent actuary are:

	31 March 2017	31 March 2018
LGPS	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.
Firefighter schemes	Assumed that 90% of members of the 1992 Scheme commute 25% of their pension. Assumed that 75% of members of the 2006 and 2015 schemes commute 25% of their pension.	Assumed that 90% of members of the 1992 Scheme commute 25% of their pension. Assumed that 75% of members of the 2006 and 2015 schemes commute 25% of their pension.

28 Sensitivity analysis of financial assumptions

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

Baseline:-

Fire Schemes

Present Value of total obligation (excluding injury benefits) @ 31 March 2018 = £684.01m
Projected Service cost 2018/19 = £12.20m

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31 March 2018 = £63.96m
Projected Service cost 2018/19 = £2.38m

	LGPS		Fire Schemes	
	+ 0.1% p.a.	- 0.1% p.a.	+ 0.1% p.a.	- 0.1% p.a.
Adjustment to discount rate				
* Present value of total obligations (£M)	62.66	65.29	670.73	697.56
* % change in present value of total obligations	-2.0%	2.1%	-1.9%	2.0%
* Projected service cost (£M)	2.31	2.45	11.71	12.70
* % change in projected service cost	-3.0%	3.1%	-4.0%	4.1%
Rate of general increase in salaries				
* Present value of total obligations (£M)	64.27	63.65	687.75	680.32
* % change in present value of total obligations	0.5%	-0.5%	0.5%	-0.5%
* Projected service cost (£M)	2.38	2.38	12.46	11.94
* % change in projected service cost	0.0%	0.0%	2.1%	-2.1%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	64.97	62.96	693.78	674.38
* % change in present value of total obligations	1.6%	-50.0%	1.4%	-1.4%
* Projected service cost (£M)	2.45	2.31	12.43	11.98
* % change in projected service cost	3.1%	-3.0%	1.9%	-1.8%

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

29 Contingent liabilities and assets

Contingent liabilities

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

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

Contingent assets

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

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

The Authority is not aware of any contingent liabilities and assets

30 Events after the balance sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of events:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes would have been adjusted in all material respects to reflect the impact of this information.

31 Cash Flow Statement

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

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

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

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

The cash flow from operating activities includes the following items:

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

The cash flow from investing activities comprises the following items:

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

The cash flow from financing activities comprises the following items:

2016/17 £'000		2017/18 £'000
	Cash outflows	
65	Cash payments for the reduction of the outstanding liabilities relating to finance leases	32
0	Repayments of long and short term borrowing	0
0	Other payments for financing activities	0
	Cash inflows	
0	Cash receipts of long and short term borrowing	0
0	Other receipts from financing activities	0
65	**Net cash outflow from financing activities**	**32**

32 Accounting policies

General principles

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of income and expenditure

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

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

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

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

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

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

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

Intangible assets

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

Inventories and long term contracts

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

VAT

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

Interests in Companies and Other Entities

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

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

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

33 Critical judgements in applying accounting policies

In applying accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

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

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

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

The Statement of Accounts contains estimated figures on the Authority's net liability to pay pensions that are based on a number of complex assumptions made by the scheme's actuaries about things such as retirement ages, mortality rates, rate at which salaries will increase and expected returns on pension fund assets. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates. Sensitivity analysis to these assumptions is included in note 28.

Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in earlier financial years in their proportionate share. Therefore, a provision has been recognised this year for the best estimates as provided by the district, borough and unitary authorities in Hampshire of the amount that businesses have been overcharged up to 31 March 2018. In most cases the estimates have been based on the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2018.

35 Accounting Standards Issued, Not Adopted

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

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

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

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

- IFRS 9 Financial Instruments from 1 April 2018

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

36 Pension Fund Account

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

Net Assets statement

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

37 Notes to the Pension Fund Accounting Statement

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

Funding arrangements

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

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

Accounting for future liabilities

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

Temporary borrowing or lending

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

Annual Governance Statement for Hampshire Fire and Rescue Authority

1. Scope of Responsibility

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

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

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

2. The purpose of Corporate Governance

The governance framework comprises the systems and processes, and cultures and values, by which the Hampshire Fire and Rescue Service is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievement of its priorities and to consider whether they have led to the delivery of appropriate, cost effective and efficient services.

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

The governance framework was in place at Hampshire Fire and Rescue Authority for the year ending 31 March 2018 and up to the date of approval of the Statement of Accounts.

3. Core Principles of good governance

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

3.1.1 The Fire Authority took a proactive approach in reviewing its governance arrangements during 2015/16 and has been operating under a new structure and arrangements for a year. The aim of the review was to ensure the Authority is in the best position to continue to lead Hampshire Fire and Rescue Service in delivering excellent quality services to the residents of Hampshire whilst remaining resilient and responsive to challenges in the future. The new shaped Authority, which comprises of 10 members, is more agile and already demonstrating more effective leadership. The Police and Crime Commissioner (PCC) attends Authority meetings and has the ability to speak on items on the agenda. The new structure and arrangements have resulted in a more strategic and business focus from the Authority with improved Member engagement and scrutiny.

3.1.2 The key policies that set out the scope of authority for Members and explain the delegation to Officers is detailed in the Scheme of Delegation, Contract Standing Orders and Financial Regulations which are contained within the Authority's Constitution. Both Members and staff are aware of their responsibilities within these policies.The Scheme of Delegation and Financial Regulations were reviewed as part of the Authority's Governance Review and combined into one single document, "The Constitution". The Authority approved The Constitution at their AGM in June 2017.

3.1.3 The organisation's values are embedded in our ways of working. These values are underpinned by the Leadership Framework and a range of policies and procedures including Codes of Conduct for Members which is included within The Constitution and for staff, the registers of interests, gifts and hospitality and Code of Conduct.

3.1.4 The Authority is committed to the highest ethical standards. A Code of Corporate Governance is included within The Constitution. The Code of Corporate Governance demonstrates a comprehensive commitment on the part of the Authority to accountability, integrity, ethical values and the rule of law.

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

3.1.6 The Service has reviewed its internal governance structures and set up several internal boards to oversee key areas such as performance, risk management, resilience and assurance, our people and physical assets (vehicles and estates). These boards provide extra scrutiny on behalf of the Chief Officer's Group and Executive, to which they report on a regular basis.

3.1.7 A Policy Framework has been developed and approved and is currently being implemented.

3.2 Ensuring openness and comprehensive stakeholder engagement.

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

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

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

3.2.4 The Authority enjoys a constructive relationship with the Trade Unions and Associations representing staff groups within the Service, through which meaningful consultation and negotiation on service issues takes place.

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

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

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

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

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

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

3.3.3 Our priorities and aims are clear and arranged under the themes of 'Making life safer' and 'Making our Service stronger'. They are called our 'Safer, Stronger' aims. These focus our resources to the relevant community risks, and our organisational improvements to support our service delivery to ensure that we are efficient and effective. This Plan is underpinned by detailed plans and our corporate portfolio of projects. Progress against these plans is monitored through regular performance updates to Senior Management and the Authority. A Service Plan refresh was carried during the year. The refresh, which was approved by the Authority, enabled the opportunity to assess the deliverables of the Safer Stronger aims to ensure they reflect the current operating environment.

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

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

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

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

3.4.2 The budget setting process is well established and prioritises budgets and spending to achieve intended outcomes. In recent years, the budget setting process has focussed on the achievement of savings to meet reductions in Government grant funding. However, it is clear that financial resources are focussed to deliver the Authority's aims and priorities which underpinned continuous improvement.

3.4.3 Risks associated with the delivery of plans are detailed in Risk Registers held at strategic and project level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation. The Strategic Risk Register was reviewed during the year and approved in February 2018. The review was carried out to ensure the risks on the register accurately reflect the current operational and organisation environment. The Authority approved the Strategic Risk Register and monitor it regularly through formal reporting.

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

3.5.1 The relationship between Members and Officers is established on a professional culture of mutual respect, trust and co-operation. Both uphold the principles set out in the Leadership Framework. A Member Officer Protocol has been developed to provide clarification around the two roles. The Member Officer Protocol is included within The Constitution.

3.5.2 Members receive thorough induction training and attend regular 'awareness' sessions on current topics which are delivered during the year. The topics are decided by Members with support from officers to ensure that decision-making is based on knowledge and understanding of the issues involved. Members receive copies of key internal staff communications. The Authority has a Member Development champion who supports and oversees the development of Members in a number of ways, such as internal and external briefings and courses.

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

3.5.4 The Service has a People Strategy which describes what is required of our people and provides clarity about what we will achieve to meet the changing needs and expectations of society and future opportunities for the delivery of services to our communities. The Service has also recently approved an Appointments and Promotions Policy to ensure clarity for staff over the process.

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

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

3.5.7 A Corporate Shared Services Workforce Development Learning Brochure has recently been created to deliver a variety of development programmes, tools and resources to help leaders, managers and staff feel supported in their roles.

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

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

3.6.2 Performance management is in place to measure progress against aims and priorities to prompt remedial action where appropriate. Our Service Performance Board adds improved scrutiny of the performance management process. The Authority has a framework for regularly monitoring its performance with timely and relevant information.The Service Management Team review our key performance indicators on a regular basis and the Chief Fire Officer holds Directors to account for performance of their areas of the Service. The Authority holds the Chief Officer to account and receives regular performance reports at its public meetings. It is worthy of note that the internal management structure for the Service will be developed over the following financial year to improve efficiency, effectiveness and improve its ability to make communities safer.

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

3.6.4 The Internal Audit Plan 2017/18 was developed to operate at a strategic level providing a value-adding, and proportionate level of assurance aligned to the

Authority's key risks and objectives. This includes a regular review of the Service's risk management processes.

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

3.6.6 The delivery of the resulting internal audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Service Management Team, having previously been viewed by the Directors group.

3.6.7 The Standards and Governance Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment. This Committee consider the delivery and outcomes of the internal audit plan, along with scrutinising the Services performance in delivering against agreed actions.

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

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

3.6.10 Although financial management across the service continues to deliver effective results in what is essentially a low risk financial environment, there was a single project overspend in excess of £1m during 2017/18 that arose mainly due to lack of proper project management and appropriate escalation within the ICT transformation project. This overspend was investigated and transparently reported to Standards and Governance Committee and an action plan put in place to further strengthen financial management arrangements across the Service.

3.6.11 The Authority has a medium term financial plan to inform its corporate planning. This identifies the likely levels of funding available to the Authority, the cost of its current spending plans and the shortfall we are anticipating in future years resulting from reducing funding received as part of the Fire Funding Formula. It also provides information on the level and use of reserves in transforming and improving the Service. The Authority has established a clear Financial Plan up to 2021 with the specific purpose of closing our predicted funding gap of £3.4m by 2021/22, based on the best information available to it. The medium term financial plan is overseen and monitored by our Service Management Team and is regularly formally reported to the Authority at its public meetings.

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

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

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

3.7.1 The ‘Internal Audit Charter’ is presented annually for approval by the Standards and Governance Committee. The purpose of the Internal Audit Charter is to formally define its purpose, authority, and responsibility. The Chief Internal Auditor has direct access to elected Members of the Authority and those who serve on the Standards and Governance Committee.

3.7.2 The on-going work of internal audit is presented through twice yearly progress reports to the Standards and Governance Committee providing an overview of Service performance. It considers delivery against the plan and the progress made by the Service in the implementation of management actions that have been agreed to mitigate risks identified through internal audit work.

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

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

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

4 Obtain assurances on the effectiveness of key controls

4.1 Key controls relating to risks, internal control (including financial management) and governance processes are identified by senior managers as part of the governance framework and recorded on an annual return (assurance statement). Risks are included in strategic and project risk registers. Internal Audit, as part of its planned review of internal controls, regularly evaluates the key controls to determine their adequacy and carries out tests to confirm the level of compliance. An audit opinion on effectiveness is provided to management and any actions for improvement to be agreed.

4.2 The Service have been preparing for the new General Data Protection Regulations (GDPR) which come into effect in May 2018 and will be ensuring that all staff and Authority Members have appropriate awareness and training sessions.

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

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

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

4.6 Other external reviews include the following:

- ISO27001 Information Security Audit accreditation meaning that HFRS are compliant to the internationally recognised information security standard.
- A Home Office review of arrangements for our Public Sector Network.
- The LGA was used to help with the HFRA Governance Review.
- Hampshire Safeguarding Board's review of our safeguarding arrangements.
- An external independent review, facilitated through the NFCC, was conducted for its ICT Transformation Project.

5 Evaluate assurances and identify gaps in control/assurance

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

- a self-assessment assurance statement being sent every year to members of Senior Management.

- consultation with other relevant officers throughout the Service.

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

6 2017/18 action plan to ensure continuous improvement of the system of corporate governance

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

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

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

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

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

6.5 We will ensure that all of the recommendations contained in the action plan produced following the ICT project overspend are implemented.

6.6 We will ensure the Service is ready for the inspection programme being carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and ensure we learn from the outcomes.

6.7 We will carry out a new Strategic Assessment to inform a new Service Plan.

7 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored.

In response to the Action Plan identified in the 2016-2017 Annual Governance Statement:-

7.1 The Risk, Resilience and Assurance Board has conducted a review of the risks on the Strategic Risk Register and has established a robust process for monitoring risks and mitigating controls. The Risk Resilience and Assurance Board reports to the Service Management Team.

7.2 The Service has employed a Data Protection Officer. Preparations have been made to ensure that the Service have controls in place to meet the requirements of the new General Data Protection Regulations which come into force in May 2018. Preparation includes the training of Authority Members and staff.

7.3 The Service has reviewed its Partnership Policy and framework. A draft has been approved by the Risk, Resilience and Assurance Board. Further approval will be sought from the Service Executive Team within the new governance arrangements for 2018/2019, after which it will be communicated to staff and implemented.

7.4 The Service has reviewed its procurement practices and Contracts Register to ensure they are effective and ensure value for money. The Service now has a comprehensive contracts register and pipeline database with regular dashboards produced and reported. There have been increased levels of governance with reviews at significant milestones during procurement processes.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this Statement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:	Signed:
Chief Officer	Chairman
Date:	Date:

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