



HAMPSHIRE  
**FIRE AND  
RESCUE**  
AUTHORITY

# Statement of Accounts 2012-2013

**HAMPSHIRE FIRE AND RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2012/13**

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## **Explanatory Foreword**

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### **1 Introduction**

1.1 This document contains Hampshire Fire and Rescue Authority's Annual Governance Statement and Statement of Accounts for the year ended 31 March 2013. The pattern of presentation of the statement is laid down by a code of practice, which the Authority is legally required to follow.

1.2 This foreword gives:

- a summary of the various statements which make up the 2012/13 accounts
- a broad picture of where the money comes from and what it is spent on
- a summary of the revenue expenditure on services and capital expenditure on new assets over the course of the year.

### **2 Summary of Statement of Accounts**

2.1 The accounts for 2012/13 are set out from page 6.

2.2 They consist of the following:

- Statement of accounting policies – sets out the policies adopted by the Authority in preparing the Accounts. They are largely determined by the Code of Practice.
- Statement of responsibilities for the statement of accounts – records the respective responsibilities of the Authority, Treasurer and Chairman of the Authority.
- Movement in reserves statement – analyses the change in net worth between the general fund, other usable reserves and unusable reserves.
- 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.
- Balance Sheet – this sets out the financial position on 31 March 2013.
- Cash flow statement - this summarises cash coming in or going out from transactions with others for revenue and capital purposes.
- Pension Fund Accounts – reflects the payments made to pensioners and those retiring, transfers between pension funds by employees joining and leaving the Authority and employer contributions. These costs are met by a specific Government grant.

### **3 Annual Governance Statement**

3.1 The Annual Governance Statement, which reviews the effectiveness of the system of internal control, is included on pages 80 to 82.

## **Explanatory Foreword**

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### **4 Where the money comes from**

4.1 The Authority's income comes from general Government grants, a share of national business rates and the council tax. In addition specific Government grants are received for certain services and fees are charged to customers for some services. Interest is also earned on day to day balances.

4.2 The proportion of the Authority's income from these sources is as follows:

	2011/12	2012/13
	%	%
Council tax	53	53
National business rates	30	41
General Government grants	10	1
Fees, charges & interest	1	2
Specific Government grants	6	3
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

### **5 What the money is spent on**

5.1 The Authority spent its money as follows:

	2011/12	2012/13
	%	%
Firefighters' pay and allowances	55	58
Pensions	1	1
Other employee costs	15	17
Other costs	29	24
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

## Explanatory Foreword

### 6 Overview of the year – revenue account

6.1 The main components of the 2012/13 budget and actual income and expenditure are set out below:

	Original Budget	Actual	Variation
	£'000	£'000	£'000
<b>Net Cost of services</b>	<b>74,403</b>	<b>62,504</b>	<b>-11,899</b>
Interest payable	440	442	2
Interest receivable	-30	-177	-147
Gain(-) / loss (+) on sale of fixed assets	0	20	20
Pensions interest cost and expected return on pensions assets	26,120	23,090	-3,030
<b>Net operating and financing expenditure</b>	<b>100,933</b>	<b>85,879</b>	<b>-15,054</b>
Income from council tax	-39,406	-39,374	32
General Government grant	-591	-591	0
National business rates	-30,471	-30,471	0
Council tax freeze grant	-1,173	-1,175	-2
Capital grants & contributions	0	-2,083	-2,083
<b>Surplus (-) or deficit for the year on the provision of services</b>	<b>29,292</b>	<b>12,185</b>	<b>-17,107</b>
Capital accounting and pension cost adjustments	-34,212	-21,084	13,128
<b>General fund surplus (-) or deficit (+) for the year</b>	<b>-4,920</b>	<b>-8,899</b>	<b>-3,979</b>
Contribution to/from (-) from earmarked reserves	4,920	8,899	3,979
<b>Transfer to (+) /from (-) the general fund</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>General fund balance:</b>			
Brought forward 1 April 2012	-2,500	-2,500	0
Carried forward 31 March 2013	-2,500	-2,500	0

## **Explanatory Foreword**

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### **Overview of the year – capital expenditure**

6.2 In 2012/13 the Authority spent £2,668,000 on capital projects:

Scheme	£'000
Vehicles	1,815
Control refurbishment works	431
Major building repairs	352
Basingstoke Fire Station	49
Purchase of land adjoining Havant FS	21
Total	2,668

6.3 The capital expenditure was financed as follows:

Source of funding:	£'000
Budgeted revenue contributions	1,266
Capital grant funding - government	1,402
Total	2,668

6.4 The Authority recognises the importance of its capital assets. Given the uncertainty of Government support it has over recent years built up reserves to finance the future capital programme. It is intended that the planned capital programme for the four years until 2016/17 will be financed without the need of any long term borrowing.

## **7 Pension Fund Liability**

7.1 The estimated future pension liability of the Authority has increased by £67m. This is mainly due to a reduction in the assumed discount rate used to estimate future pension liabilities.

## **Explanatory Foreword**

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### **8 Changes**

- 8.1 The Authority set up a trading company in February 2013 – 3SFire Ltd. Further details are set out in note 25 to the accounts.
- 8.2 There were no major changes to the Authority's responsibilities, unusual charges or credits in the Accounts, significant change in accounting policies or changes to the Code of Practice on Local Authority Accounting that had any major impact in 2012/13.

### **9 Impact of the current economic climate and significant movements and events in the year.**

- 9.1 The impact of the current economic climate on the Authority is taken into account when the Authority sets its budget in the February preceding the start of the financial year. The significant movements and events in the year are reported to the Finance and General Purposes Committee in the Final Accounts report in the July after the end of the financial year.

### **10 Further information**

- 10.1 Further information can be obtained about the accounts from the Treasurer to the Fire and Rescue Authority at Hampshire County Council, The Castle, Winchester, Hampshire, SO23 8UB, telephone (01962) 847518, or e-mail [jane.lovett@hants.gov.uk](mailto:jane.lovett@hants.gov.uk).

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'useable 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 net increase/decrease before transfers to earmarked reserves line shows the statutory amounts required to be charged to the General Fund Balance before any discretionary transfers to or from earmarked reserves.

	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Capital receipts reserve £'000	Capital grants unapplied reserve £'000	Total Usable Reserves (Note 9) £'000	Total Unusable Reserves (Note 19) £'000	Total Reserves £'000
<b>Balance as at 31 March 2011</b>	<b>-2,500</b>	<b>-5,969</b>	<b>0</b>	<b>0</b>	<b>-8,469</b>	<b>366,586</b>	<b>358,117</b>
<b>Movements During 2011/12:</b>							
Surplus on provision of services	24,928	0	0	0	24,928	0	24,928
Other comprehensive income and expenditure	0	0	0	0	0	-3,165	-3,165
<b>Total Comprehensive Income and Expenditure</b>	<b>24,928</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,928</b>	<b>-3,165</b>	<b>21,763</b>
Adjustments between accounting basis and funding basis under regulations (note 8)	-33,359	0	-1,042	0	-34,401	34,401	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>-8,431</b>	<b>0</b>	<b>-1,042</b>	<b>0</b>	<b>-9,473</b>	<b>31,236</b>	<b>21,763</b>
Net transfer to/(from) earmarked reserves (note 9)	8,431	-8,431	0	0	0	0	0
<b>Net (Increase)/Decrease in 2011/12</b>	<b>0</b>	<b>-8,431</b>	<b>-1,042</b>	<b>0</b>	<b>-9,473</b>	<b>31,236</b>	<b>21,763</b>
<b>Balance as at 31 March 2012</b>	<b>-2,500</b>	<b>-14,400</b>	<b>-1,042</b>	<b>0</b>	<b>-17,942</b>	<b>397,822</b>	<b>379,880</b>
<b>Movements During 2012/13:</b>							
Surplus on provision of services	12,185	0	0	0	12,185	0	12,185
Other comprehensive expenditure and income	0	0	0	0	0	40,920	40,920
<b>Total Comprehensive Income and Expenditure</b>	<b>12,185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,185</b>	<b>40,920</b>	<b>53,105</b>
Adjustments between accounting basis and funding basis under regulations (note 8)	-21,084	0	-12	-681	-21,777	21,777	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>-8,899</b>	<b>0</b>	<b>-12</b>	<b>-681</b>	<b>-9,592</b>	<b>62,697</b>	<b>53,105</b>
Net transfers to or from earmarked reserves (note 9)	8,899	-8,899	0	0	0	0	0
<b>Net (Increase)/Decrease in 2012/13</b>	<b>0</b>	<b>-8,899</b>	<b>-12</b>	<b>-681</b>	<b>-9,592</b>	<b>62,697</b>	<b>53,105</b>
<b>Balance as at 31 March 2013</b>	<b>-2,500</b>	<b>-23,299</b>	<b>-1,054</b>	<b>-681</b>	<b>-27,534</b>	<b>460,519</b>	<b>432,985</b>

## Comprehensive Income and Expenditure Statement

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

2011/12			2012/13		
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000
3,732	62	3,670	3,764	80	3,684
2,134	27	2,107	2,090	39	2,051
<b>Community Fire Safety :</b>					
Statutory inspection, certification & enforcement					
Prevention and education					
<b>Firefighting and Rescue Operations :</b>					
56,211	2,144	54,067	54,556	2,030	52,526
2,431	2,015	416	3,291	257	3,034
223	2	221	181	1	180
477	0	477	427		427
333	0	333	364		364
8,824		8,824	90		90
496		496	148		148
<b>74,861</b>	<b>4,250</b>	<b>70,611</b>	<b>64,911</b>	<b>2,407</b>	<b>62,504</b>
<b>Cost of Services</b>					
<b>Other operating expenditure:</b>					
	175	10			20
	25,791	12			23,355
<b>Taxation and non-specific grant income:</b>					
	-39,261	19.11			-39,374
	-6,926				-591
	-22,406				-30,471
	-973				-1,175
	-2,083				-2,083
	<b>-71,649</b>				<b>-73,694</b>
	<b>24,928</b>				<b>12,185</b>
<b>Surplus (-) or deficit on provision of services</b>					
<b>Other comprehensive income and expenditure:</b>					
	-10,605				-4,871
	7,440	30			45,790
	<b>-3,165</b>				<b>40,919</b>
	<b>21,763</b>				<b>53,104</b>
<b>Total Comprehensive income and expenditure</b>					

## Balance Sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves 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 2012	See note		31 March 2013
£'000			£'000
113,865	13	Property, plant and equipment	117,863
1,250	14.4	Long term investments	1,500
29	14.7	Long term debtors	34
<b>115,144</b>		<b>Total long term assets</b>	<b>119,397</b>
3,700	17	Assets held for sale	2,445
594	16	Inventories	780
3,481	14.8	Short term debtors	4,135
5,028	14.11	Short term investments	15,296
6,076	14.12	Cash and cash equivalents	4,754
<b>18,879</b>		<b>Total current assets</b>	<b>27,410</b>
-3,935	14.22	Short term creditors	-4,197
-66	14.21	Short term borrowing	-65
<b>-4,001</b>		<b>Total current liabilities</b>	<b>-4,262</b>
<b>14,878</b>		<b>Net current assets</b>	<b>23,148</b>
<b>130,022</b>		<b>Total assets less current liabilities</b>	<b>142,545</b>
-523	14.1	Long term creditors	-252
-914	18	Provisions	-440
-8,375	14.17	Long term borrowing	-8,368
<b>-9,812</b>			<b>-9,060</b>
-500,090	30	Net Liabilities relating to defined benefit pension schemes	-566,470
<b>-379,880</b>		<b>Net Liabilities</b>	<b>-432,985</b>
		<b>Financed by :</b>	
		<b>Usable reserves</b>	
-2,500	9	Revenue account	-2,500
-12,259	9	Earmarked reserves	-21,519
-1,042	9	Usable capital receipts reserve	-1,054
0	9	Capital grants unapplied reserve	-681
-2,141	9	Revenue grants unapplied reserve	-1,780
<b>-17,942</b>		<b>Total usable reserves</b>	<b>-27,534</b>
<b>397,822</b>	19	<b>Unusable reserves</b>	<b>460,519</b>
<b>379,880</b>		<b>Total reserves</b>	<b>432,985</b>

## Cash Flow Statement

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

	Note	2011/12 £'000	2012/13 £'000	
Net surplus (-) or deficit (+) on provision of services		24,928	12,185	12,185,000 from I&E
Adjustments to net surplus or deficit on the provision of services for non cash movements	31.1	-37,656	-24,419	- 24,419,634 see Non-Cash Movement Note
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	31.2	3,939	2,095	2,095,196 see Non-Cash Movement Note
<b>Net cash inflow from Operating Activities</b>	31.3	<b>-8,789</b>	<b>-10,139</b>	<b>- 10,139,438</b> Note gives details of interest payments as required by Code
Investing Activities	31.4	5,794	11,092	11,091,250 see Investing Activities Note
Financing Activities	31.5	352	369	368,000 see Financing Activities Note
<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>		<b>-2,643</b>	<b>1,322</b>	<b>1,319,811</b>
Cash and cash equivalents at the beginning of the reporting period		-3,433	-6,076	-6,076,000 Balance Sheet
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>-6,076</b>	<b>-4,754</b>	<b>- 4,756,189</b> Balance Sheet

## Notes to the core financial statements

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## **Notes to the core financial statements**

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### **1 Accounting policies**

#### **General principles**

- 1.1 The Statement of Accounts summarises the Authority's transactions for the relevant financial year and its position at the relevant year end of 31 March. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is based on International Financial Reporting Standards (IFRS) and the Best Value Accounting Code of Practice for the relevant year.
- 1.2 The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### **Accruals of income and expenditure**

- 1.3 Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
  - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
  - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
  - 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.

#### **Cash and cash equivalents**

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

## **Notes to the core financial statements**

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### **Exceptional items**

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

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

- 1.7 Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
- 1.8 Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
- 1.9 Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **Employee benefits**

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

- **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual would be made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year if it proved to be material. The accrual would be made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual would be charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Analysis has proven that this is currently immaterial so no adjustment is made.

- **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the cost of services in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

- **Post Employment Benefits**

Employees of the Authority are members of three separate pension schemes:

- The Firefighters' Pension Scheme for firefighters (closed to new members on 31 March 2006) (FPS)
- The New Firefighters' Pension Scheme (open to new members from 1 April 2006) (NFPS)
- The Local Government Pensions Scheme, administered by Hampshire County Council (LGPS)

All three schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority where:

- The liabilities attributable to the Authority are included in the Authority's Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees).
- Liabilities are discounted to their value at current prices using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.
- The assets of the LGPS pension fund attributable to the Authority are included in the Authority's Balance Sheet at their fair value: for quoted securities this means the current bid price; for unquoted securities this is based on a professional estimate; for unitised securities this means the current bid price; for property this means an estimate of the market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

## **Notes to the core financial statements**

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Hampshire County Council pension fund and pension fund account – cash paid as employer’s contributions to the LGPS pension fund and firefighter schemes pension fund account in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Discretionary benefits**

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

## **Notes to the core financial statements**

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### **Events after the balance sheet date**

1.12 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.

### **Financial instruments – financial liabilities**

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

1.14 The Authority's long term borrowing is mainly with the Public Works Loan Board. Any short term borrowing is with Hampshire County Council. 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 instruments – financial assets**

1.15 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.

## **Notes to the core financial statements**

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### **Government grants and contributions**

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

### **Intangible assets**

- 1.21 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.

## **Notes to the core financial statements**

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### **Inventories and long term contracts**

- 1.22 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 Long Term Assets.

### **Leases**

- 1.23 Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
- 1.24 Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### **The Authority as a lessee**

- 1.25 **Finance Leases** - Where the Authority leases a material asset under a finance lease (such as the front-line appliances) it is recognised in the accounts as if it were the Authority's asset. The arrangement is treated as borrowing and rentals payable are treated partly as capital expenditure (for the principal element) and partly as revenue expenditure (for the interest element).
- 1.26 **Operating Leases** - Where the Authority leases an asset under an operating lease (such as support vehicles) the asset is not recognised in the balance sheet. Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense on a straight line basis.

### **Overheads and support services**

- 1.27 The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of the Corporate and Democratic Core (costs relating to the Authority's status as a democratic organisation) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale). These two cost categories are defined in the SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the cost of services.

## **Notes to the core financial statements**

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### **Property, plant and equipment**

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

### **Recognition**

- 1.29 Expenditure on the acquisition, creation or enhancement of Property Plant and Equipment assets is capitalised on an accruals basis, provided that it benefits the Authority and the services that it provides are for more than one financial year. Spending on IT assets and intangible assets (such as software licences) typically yields benefits for a period of less than five years. Such expenditure is capitalised only if it yields benefits of five years or more which is not in accordance with recommended practice. This does not have a material effect in the accounts. Expenditure that maintains, but does not extend, the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to the relevant service area within the Comprehensive Income and Expenditure Statement as it is incurred.

### **Measurement**

- 1.30 PPE assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:
- Land and Buildings are measured at fair value. For land and buildings this means Existing Use Value (EUV) for non-specialised properties or Depreciated Replacement Cost (DRC) for specialised properties such as fire stations.
  - Vehicles, Plant and Equipment are measured at depreciated historical cost (as this is not materially different from the fair value).
  - Assets under construction are measured by historic cost
- 1.31 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 loss previously charged to a service.]
- 1.32 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)

## **Notes to the core financial statements**

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- 1.33 The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

- 1.34 Decreases in value (due to either physical impairment or market prices) are either charged to the Asset Revaluation Reserve (to the extent that it has any balance relating to the specific asset) or to the relevant service area within the Comprehensive Income and Expenditure Statement.
- 1.35 Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.
- 1.36 However, revaluation losses and subsequent reversals are not permitted by statutory arrangements to have an impact on the General Fund Balance and therefore any gains or losses are reversed out of the General Fund Balance (in the Movement in Reserves Statement) and are transferred to the Capital Adjustment Account.

### **Depreciation**

- 1.37 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.
- 1.38 Depreciation commences in the year after the year of acquisition and a full year's depreciation is charged in the year of disposal, except for vehicles disposed of in the first six months of a financial year when no depreciation is charged in the final period. Depreciation is calculated on the following bases:
- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer. The useful life of a building is the weighted average of all its components. When one or more components are replaced or enhanced incurring capital expenditure in excess of £350,000, all assets on the site are revalued and the useful life of each asset is reassessed to ensure an appropriate rate of depreciation.
  - Furniture and equipment - 10 years.
  - Vehicles - between five and 10 years.

## **Notes to the core financial statements**

- 1.39 Depreciation is charged to the relevant revenue service area within the Comprehensive Income and Expenditure Statement. However, depreciation charges are not permitted by statutory arrangements to have an impact on the General Fund Balance and therefore any gains or losses are reversed out of the General Fund Balance (in the Movement in Reserves Statement) and are transferred to the Capital Adjustment Account.
- 1.40 Where assets have been re-valued, the revaluation gains held in the Asset Revaluation Reserve are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged, based on their historic cost, being transferred each year from the Asset Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and assets held for sale**

- 1.41 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 non-distributed costs. Assets that are being abandoned or scrapped are written out without being reclassified.
- 1.42 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.
- 1.43 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).

### **Provisions**

- 1.44 Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

## **Notes to the core financial statements**

- 1.45 Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
- 1.46 When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that payments will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

### **Contingent liabilities**

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

### **Contingent assets**

- 1.49 A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.
- 1.50 Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Reserves**

- 1.51 The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.
- 1.52 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.
- 1.53 Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

## **Notes to the core financial statements**

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### **Revenue expenditure funded from capital under statute**

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

### **VAT**

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

### **Redemption of debt**

- 1.58 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.

### **Heritage Assets**

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

## **Notes to the core financial statements**

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### **Group Accounts**

- 1.61 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 under IAS8, the Authority will not produce group accounts unless the turnover of the Company becomes material.

### **2 Accounting Standards Issued, Not Adopted**

- 2.1 A revised IAS 19 will come into force for accounting periods beginning on or after 1 January 2013. In particular, the revised accounting standards implements a change to the way that expected return on assets is calculated. If this revised IAS 19 were adopted for the accounting period ended 31 March 2013 then this would increase the expenses recognised for in respect of the Local Government Pension Scheme (which has funded benefits) from £1.68m to £2.06m. The effect on the Firefighter schemes (which has unfunded benefits) will be to marginally change the allocation of expenses between the current service cost and the interest cost, leaving the total expense recognised in the Surplus or Deficit on the Provision of Services unchanged. There will be no effect on the balance sheet.
- 2.2 IAS 1 was amended in 2011 and relates to the presentation of financial statements. The changes relate to the gains and losses on revaluations currently shown within Other Comprehensive Income and Expenditure. As these changes are presentational there is no impact on the reported amounts.
- 2.3 Changes to other standards including IFRS 7 - Financial Instruments and IAS12 - Income Taxes are unlikely to have any impact on the accounts.

### **3 Critical judgements in applying accounting policies**

- 3.1 In applying accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:
- There is a high degree of uncertainty about future levels of funding for local government. The Authority has made decisions as to how much it should be adding to both the capital payments and grant reduction reserve 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.

## **Notes to the core financial statements**

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

4.1 The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. 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.

There is one item in the Authority's Balance Sheet at 31 March 2013 for which there is a risk of adjustment in the forthcoming financial year as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liabilities of £46m.</p> <p>However the assumptions interact in complex ways. During 2012/13, the Authority's actuaries advised that the net pension liabilities had increased by £0.15m as a result of estimates being corrected as a result of experience and increased by £46m attributable to updating of the assumptions.</p>

### **5 First time adoption of Accounting Standards**

5.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 did not introduce any changes in accounting policy which required adoption by this Authority from 2012/13.

### **6 Material Items of income and expense**

6.1 There were no material items of income or expenditure in 2012/13.

### **7 Events after the balance sheet date**

7.1 The Statement of Accounts was authorised for issue by the Treasurer on 27 June 2013. 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 2013, the figures in the financial statements and notes would have been adjusted in all material respects to reflect the impact of this information but there were none.

## **Notes to the core financial statements**

- 7.2 When the new arrangements for the retention of business rates comes into effect on 1 April 2013, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.
- 7.3 This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have transferred to the DCLG.
- 7.4 When this Authority recognises it's share of these liabilities on 1 April 2013 a provision will need to be recognised. This sum is estimated to be £583,000.

### **8 Adjustments between accounting basis and funding basis under regulations**

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

## Notes to the core financial statements

2011/12	-----Usable reserves-----			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	-8,230			8,230
Revaluation losses on Property Plant and Equipment				
Capital grants and contributions applied	2,083			-2,083
Revenue expenditure funded from capital under statute				
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	-2,000			2,000
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,003			-1,003
Capital expenditure charged against the General Fund balances	530			-530
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,856	-1,856		
Use of the Capital Receipts Reserve to finance new capital expenditure		814		-814
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-41,070			41,070
Employer's pensions contributions and direct payments to pensioners payable in the year	12,550			-12,550
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-81			81
<b>Total Adjustments</b>	<b>-33,359</b>	<b>-1,042</b>	<b>0</b>	<b>34,401</b>

## Notes to the core financial statements

2012/13	-----Usable reserves-----			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	-4,764			4,764
Capital grants and contributions applied	1,402			-1,402
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	-32			32
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	973			-973
Capital expenditure charged against the General Fund balances	1,266			-1,266
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12	-12		0
Use of the Capital Receipts Reserve to finance new capital expenditure		0		0
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-34,810	0		34,810
Employer's pensions contributions and direct payments to pensioners payable in the year	14,220	0		-14,220
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-32	0		32
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and expenditure Statement	681		-681	0
<b>Total Adjustments</b>	<b>-21,084</b>	<b>-12</b>	<b>-681</b>	<b>21,777</b>

## Notes to the core financial statements

### 9 Transfer to/from Usable Reserves

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

2011/12	See note	Balance 1 April £000	Transfers out £000	Transfers in £000	Balance 31 March £000
Capital payments reserve	a	-1,188	0	-5,820	-7,008
Improvement and sustainability reserve	b	-2,295	0	-558	-2,853
Grant reduction reserve	c	-1,447	+76	-440	-1,811
Designated underspending reserve	d	-637	+637	-587	-587
Revenue grants unapplied reserve	e	-402	+402	-2,141	-2,141
<b>Total earmarked revenue reserves</b>		<b>-5,969</b>	<b>+1,115</b>	<b>-9,546</b>	<b>-14,400</b>
Capital receipts reserve	f	0	0	-1,042	-1,042
<b>Total capital reserves</b>		<b>0</b>	<b>0</b>	<b>-1,042</b>	<b>-1,042</b>
General fund balance		-2,500	0	0	-2500
<b>Total usable reserves</b>		<b>-8,469</b>	<b>+1,115</b>	<b>-10,588</b>	<b>-17,942</b>
2012/13	See note	Balance 1 April £000	Transfers out £000	Transfers in £000	Balance 31 March £000
Capital payments reserve	a	-7,008	0	-7,651	-14,659
Improvement and sustainability reserve	b	-2,853	0	-1000	-3,853
Grant reduction reserve	c	-1,811	+46	-384	-2,149
Designated underspending reserve	d	-587	+375	-646	-858
Revenue grants unapplied reserve	e	-2,141	+399	-38	-1,780
<b>Total revenue reserves</b>		<b>-14,400</b>	<b>+820</b>	<b>-9,719</b>	<b>-23,299</b>
Capital receipts reserve	f	-1,042	0	-12	-1,054
Capital grants unapplied reserve	g	0	0	-681	-681
<b>Total capital reserves</b>		<b>-1,042</b>	<b>0</b>	<b>-693</b>	<b>-1,735</b>
General fund balance		-2,500	0	0	-2,500
<b>Total usable reserves</b>		<b>-17,942</b>	<b>+820</b>	<b>-10,412</b>	<b>-27,534</b>

## **Notes to the core financial statements**

- a The capital payments 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 uncertain future over Government funding for capital.
- b This is used to help deliver in-year value for money improvements and to pump-prime environmental initiatives. To date the level of the reserve has been largely maintained through recycling of underspends achieved in the year as a result of the efficiency measures facilitated by its use.
- c This was established to help ease pressures anticipated through Government grant reductions in future years.
- d This reserve enables departments to carry forward specific underspendings into the next financial year.
- e 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 the grants unspent during the year in order that it can be applied when the expenditure is incurred, where there are no repayment conditions attached to the grant.
- 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.
- g The capital grants unapplied reserve is the equivalent of the revenue grants unapplied reserve (e) above but for capital grants. It was established in 2012/13 as this was the first year that this Authority had unspent capital grants remaining at the end of the financial year.

## **Notes to the core financial statements**

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### **10 Other Operating Expenditure**

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

	2011/12	2012/13
	£000	£000
Sale proceeds	-1,856	-12
Less net book value of assets sold	2,000	32
Costs of sale	31	0
Gain(-) / loss(+) on sale charged to the Comprehensive Income and Expenditure Account	<b>175</b>	<b>20</b>

### **11 Non distributed costs**

11.1 This represents the impairments of assets held for sale of £50,000 (£3.4m in 2011/12) and past pension costs of £40,000 (£5.4m in 2011/12).

### **12 Financing and investment income**

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

	2011/12	2012/13
	£000	£000
Interest payable	478	442
Interest receivable	-35	-29
Interest from short-term investments	-42	-148
Pensions interest cost and expected return on pensions assets	25,390	23,090
Total	<b>25,791</b>	<b>23,355</b>

## Notes to the core financial statements

### 13 Property, plant and equipment

#### Movements

13.1 The movements in property, plant and equipment were as follows:

2011/12	Other land and buildings £000	Vehicles and equipment £000	Surplus assets £000	Assets under const'n £000	Total £000
<b>Cost or Valuation:</b>					
<b>At 1 April 2011</b>	<b>101,113</b>	<b>28,726</b>	<b>0</b>	<b>1,887</b>	<b>131,726</b>
Additions	418	1,135	0	1,902	3,455
Disposals	0	-547	0	0	-547
Reclassifications (to)/from other classes	0	1,887	0	-1,887	0
Reclassifications (to)/from Assets held for sale	0	0	0	0	0
Revaluations	4,097	0	0	0	4,097
Asset adjustment re prior years	0	0	0	0	0
<b>Gross book value as at 31 March 2012</b>	<b>105,628</b>	<b>31,201</b>	<b>0</b>	<b>1,902</b>	<b>138,731</b>
<b>Accumulated depreciation:</b>					
<b>At 1 April 2011</b>	<b>12,043</b>	<b>15,157</b>	<b>0</b>	<b>0</b>	<b>27,200</b>
Charge for 2011/12	1,507	2,221	0	0	3,728
Disposals	0	-547	0	0	-547
Reclassifications (to)/from AHFS	0	0	0	0	0
Revaluations	-6,634	0	0	0	-6,634
Impairments	1,119	0	0	0	1,119
Asset adjustment re prior years	0	0	0	0	0
<b>Accumulated depreciation as at 31 March 2012</b>	<b>8,035</b>	<b>16,831</b>	<b>0</b>	<b>0</b>	<b>24,866</b>
<b>Net book value 1 April 2011</b>	<b>89,070</b>	<b>13,569</b>	<b>0</b>	<b>1,887</b>	<b>104,526</b>
<b>Net book value 31 March 2012</b>	<b>97,593</b>	<b>14,370</b>	<b>0</b>	<b>1,902</b>	<b>113,865</b>

## Notes to the core financial statements

	Other land and build's	Vehicles and equip't	Surplus assets	Assets under const'n	Total
2012/13	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation:</b>					
<b>At 1 April 2012</b>	<b>105,628</b>	<b>31,201</b>	<b>0</b>	<b>1,902</b>	<b>138,731</b>
Additions	85	1733	0	850	2,668
Disposals	0	-262	0	0	-262
Reclassifications (to)/from other classes	0	1902	0	-1902	0
Reclassifications (to)/from Assets held for sale	0	0	1480	0	1480
Revaluations	4,391	0	0	0	4,391
Asset adjustment re prior years	0	0	0	0	0
<b>Gross book value as at 31 March 2013</b>	<b>110,104</b>	<b>34,574</b>	<b>1480</b>	<b>850</b>	<b>147,008</b>
<b>Accumulated depreciation:</b>					
<b>At 1 April 2012</b>	<b>8,035</b>	<b>16,831</b>	<b>0</b>	<b>0</b>	<b>24,866</b>
Charge for 2012/13	1,748	2,398	0	0	4,146
Disposals	0	-230	0	0	-230
Reclassifications (to)/from AHFS	0	0	280	0	280
Revaluations	-485	0	0	0	-485
Impairments	568	0	0	0	568
Asset adjustment re prior years	0	0	0	0	0
<b>Accumulated depreciation as at 31 March 2013</b>	<b>9,866</b>	<b>18,999</b>	<b>280</b>	<b>0</b>	<b>29,145</b>
<b>Net book value 1 April 2012</b>	<b>97,593</b>	<b>14,370</b>	<b>0</b>	<b>1,902</b>	<b>113,865</b>
<b>Net book value 31 March 2013</b>	<b>100,238</b>	<b>15,575</b>	<b>1,200</b>	<b>850</b>	<b>117,863</b>

## Notes to the core financial statements

### Capital commitments

13.2 As at 31 March 2013 the Authority had entered into a number of contracts for the construction or enhancement of property and the purchase of vehicles. Commitments as at 31 March 2013 totalled £637,066 (£1,546,000 on 31 March 2012).

13.3 Major commitments were:

	£'000
<b>2011/12:</b>	
2011/12 vehicle replacement programme	1,501
<b>2012/13:</b>	
2012/13 vehicle replacement programme	426

### Revaluations

13.4 Land and buildings are required to be valued every five years, or sooner when there are material changes. The Authority undertakes a rolling programme for valuing its assets.

13.5 The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations were carried out by qualified personnel from the Estates Practice, Hampshire County Council except for vehicles, plant and equipment which are held at historic cost.

	Land and buildings £000	Vehicles, plant and equipment £000	Surplus assets £000
Valued at historic cost	0	15,575	0
Valued at current value in:			
2008/09	18,783	0	0
2009/10	5,135	0	0
2010/11	21,387	0	0
2011/12	51,822	0	0
2012/13	3,111	0	1,200
<b>Total</b>	<b>100,238</b>	<b>15,575</b>	<b>1,200</b>

### Heritage assets

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

## **Notes to the core financial statements**

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

### **14 Financial Instruments**

#### **Types of Instrument**

- 14.1 The following categories of financial instrument are held in the balance sheet:

	Long-term		Short-term	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£000	£000	£000	£000
Investments	1,250	1,500	5,028	15,296
Debtors	29	34	3,481	4,135
Cash and cash equivalents	-	-	6,076	4,754
<b>Total financial assets</b>	<b>1,279</b>	<b>1,534</b>	<b>14,585</b>	<b>24,185</b>
Borrowing	8,375	8,368	66	65
Creditors *1	523	252	3,935	4,197
<b>Total financial liabilities</b>	<b>8,898</b>	<b>8,620</b>	<b>4,001</b>	<b>4,262</b>

\*1 Long term creditors are finance lease liabilities, further details on which can be found under section 25.

#### **Reclassifications**

- 14.2 There are no reclassifications for the financial year 2012/13.

#### **Fair values of assets and liabilities**

- 14.3 Financial liabilities and assets, represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. The following paragraphs set out details of each of these and the assumptions made about each.

## **Notes to the core financial statements**

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### **Long term investments**

14.4 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.

14.5 The fair value and carrying amount of the Authorities long term investments is as follows:

	31 March 12	31 March 13
	£000	£000
Accrued interest	5	6
Principal	1,250	1,500
Carrying amount	1,255	1,506
Fair value	1,256	1,508

14.6 The fair value is more than the carrying amount as the Authority's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates that would be achieved on the balance sheet date.

### **Long term debtors**

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

### **Debtors**

14.8 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 2011/12 or 2012/13.

14.9 The debtors balance incorporates payments in advance. These represent the proportion of operational leasing payments made that relate to 2012/13 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 2012/13.

## **Notes to the core financial statements**

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14.10 The debtors balance on the balance sheet can be further analysed as amounts due to:

	2011/12 £000	2012/13 £000
Central government bodies	22	1,351
Other local authorities	1,503	1,598
Other debtors	1,956	1,186
Total	<b>3,481</b>	<b>4,135</b>

### **Short term investments**

14.11 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.

### **Cash and cash equivalents**

14.12 Cash comprises cash on hand and demand deposits.

14.13 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.

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

	2011/12 £000	2012/13 £000
Call account (same day access funds)	4,000	1,900
Call account (same day access funds placed with Hampshire County Council)	2,068	2,848
Other	8	6
	<b>6,076</b>	<b>4,754</b>

### **Bank overdraft**

14.15 Any balance here would represent the money borrowed from Hampshire County Council. Although during the year the Authority has borrowed from the County

## **Notes to the core financial statements**

Council, as at 31 March 2012 and 31 March 2013 surplus funds were invested with the County Council and are categorised as cash and cash equivalents on the balance sheet.

14.16 Any temporary borrowing is on a daily basis and therefore the amortised value in the balance sheet would also be reasonable assessment of fair value.

### **Long term borrowing**

14.17 The Public Works Loan Board (PWLB) has assessed fair values by calculating the amounts the Authority would have had to pay to extinguish the loans on these dates. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the loan, using premature interest rates from the PWLB.

14.18 The Authority has fixed rate long-term loans all from the PWLB. The interest rates payable range from 3.97% to 5.875%.

14.19 The fair values of loans are as follows:

	31 March 2012	31 March 2013
	£000	£000
PWLB Principal amount	8,350	8,350
PWLB Accrued Interest	66	65
SALIX Loan	25	17
Total carrying amount	<b>8,441</b>	<b>8,432</b>
PWLB Fair value	10,432	10,806
SALIX Loan fair value	25	17
Total Fair Value	<b>10,457</b>	<b>10,823</b>

14.20 The fair value is more than the carrying amount as the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates that would be applied to calculate the premiums if the loans were repaid on the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if it repaid the loans early.

### **Short term borrowing**

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

### **Creditors**

14.22 The creditors balance on the balance sheet can be further analysed as amounts due from:

## Notes to the core financial statements

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	2011/12 £000	2012/13 £000
Central government bodies	933	1,011
Other local authorities	1,434	1,387
Other creditors	1,568	1,799
Total	<b>3,935</b>	<b>4,197</b>

14.23 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.

### 15 Nature and extent of risks arising from financial instruments

15.1 The Authority's activities expose it to a variety of financial risks, details of which are set out in the following paragraphs.

#### Credit risk

15.2 The Authority manages credit risk by ensuring that investments are placed with the UK Government's Debt Management Office, other local authorities or banks and building societies having sufficiently high credit worthiness as set out in the Fire Authority's Annual Investment Strategy for 2012/13, approved by the Authority on 9 February 2012.

15.3 A maximum investment limit of £5 million is placed on the amount of money that can be invested with a single counterparty (bank or building society meeting the Fire Authority's investment criteria, which includes a minimum long term credit rating of A- for commercial entities). No more than £5 million in total can be invested for a period longer than 364 days (these limits were increased to the figures stated in the Authority's Annual Investment Strategy for 2013/14, approved by the Authority on 14 February 2013, which came into effect immediately).

15.4 The Authority's maximum expose to credit risk in relation to its investments in banks and building societies of £15.65m at 31 March 2013, cannot be assessed generally as the risk of any one institution failing to make interest payments or repay the principle sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2013 that this was likely to crystallise.

15.5 The table below summarises the nominal value of the Authority's investment portfolio at 31 March 2013, and confirms that all investments were made in line with the Authority's approved credit rating criteria:

## Notes to the core financial statements

Counterparty	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31 March 2012?	Balance Invested as at 31 March 2013				Total £000's
			Up to 1 month £000's	> 1 month and < 6 months £000's	> 6 months and < 12 months £000's	> 12 months and < 24 months £000's	
Banks	Yes	Yes	1,902	7,765	3,008		12,675
Building Societies	Yes	Yes			3,008		3,008
Other Local Authorities	Yes	Yes		503	1,004	1,506	3,013
Hampshire County Council	Yes	Yes	2,848				2,848
<b>Total</b>			<b>4,750</b>	<b>8,268</b>	<b>7,020</b>	<b>1,506</b>	<b>21,544</b>

15.6 The above analysis shows that all deposits outstanding at 31 March 2013 met the Authority's credit rating criteria on the 31 March 2013.

### Liquidity risk

15.7 Liquidity risk is the possibility that the Authority will be unable to raise funds to meet its payment commitments as they fall due. As the Authority has ready access to borrowing through the Public Works Loan Board, local authorities and commercial banks, there is no perceived risk that the Authority will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

15.8 The Authority lessens this risk by its strategy of taking out its long-term borrowing requirements reasonably evenly from one year to the next.

### Loans and other long term liabilities

15.9 The nominal value of the Authorities loans and other long term liabilities are as follows:

	31 March 2012 £'000	31 March 2013 £'000
Long term borrowing	8,375	8,368
Temporary borrowing	66	66
Finance leases	523	252
Provisions	914	440
<b>Total</b>	<b>9,878</b>	<b>9,126</b>

## Notes to the core financial statements

15.10 The maturity analysis of the nominal value of the Authority's PWLB debt at 31 March 2013 was as follows:

	31 March 2012 £'000	Portfolio %	31 March 2013 £'000	Portfolio %
Less than 5 years	0	0	0	0
Between 5 and 10 years	1,700	20	2,450	29
Between 10 and 15 years	1,550	19	800	10
Between 15 and 20 years	500	6	1,600	19
Between 20 and 25 years	4,100	49	3,500	42
More than 25 years	500	6	0	0
Total	<b>8,350</b>	<b>100</b>	<b>8,350</b>	<b>100</b>

### Market risk - Interest rate risk

15.11 Market risk is the possibility that the value of a financial instrument will fluctuate because of changes in interest rates. The Authority is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of £18.4m on external debt that can be subject to variable interest rates. At 31 March 2013, all the PWLB loans, temporary borrowing (PWLB interest due within 1 year) and finance lease liabilities were fixed rate instruments. No variable rate instruments were held.

15.12 Investments are also subject to movements in interest rates. Investment durations range from overnight to up to two years. For investments made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

15.13 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 borrowing	0
Increase in interest receivable on variable rate investments	-201
Net cost (+)/saving (-)	<b>-201</b>

15.14 The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'fair value' disclosure note.

### Foreign exchange risk

15.15 The Authority has no financial assets or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

## Notes to the core financial statements

### 16 Inventories

<b>2011/12</b>	Opening balance £'000	Purchases £'000	Recognised as an expense in the year £'000	Written off balances £'000	Reversal of write offs in previous years £'000	Closing balance £'000
Uniforms	202	569	-498	0	0	273
Equipment	59	1,104	-1,079	0	0	84
Workshops	98	277	-276	0	0	99
Fuel	90	508	-502	0	0	96
Foam	44	0	-2	0	0	42
<b>Total</b>	<b>493</b>	<b>2,458</b>	<b>-2,357</b>	<b>0</b>	<b>0</b>	<b>594</b>

  

<b>2012/13</b>	Opening balance £'000	Purchases £'000	Recognised as an expense in the year £'000	Written off balances £'000	Reversal of write offs in previous years £'000	Closing balance £'000
Uniforms	273	523	-356	0	0	440
Equipment	84	576	-547	0	0	113
Workshops	99	297	-299	0	0	97
Fuel	96	449	-460	0	0	85
Foam	42	7	-4	0	0	45
<b>Total</b>	<b>594</b>	<b>1,852</b>	<b>-1,666</b>	<b>0</b>	<b>0</b>	<b>780</b>

## Notes to the core financial statements

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### 17 Assets held for sale

	31 March 12 £000	31 March 13 £000
Balance outstanding at start of year	9,209	3,700
Property, plant and equipment assets newly classified as held for sale	0	0
Revaluation losses	-125	-5
Revaluation gains	0	0
Impairment losses	-3,384	-50
Property, plant and equipment assets declassified as held for sale	0	-1,200
Assets sold	-2,000	0
Transfers from non-current to current	0	0
Balance outstanding at year-end	<b>3,700</b>	<b>2,445</b>

### 18 Provisions

18.1 The Authority holds three provisions.

18.2 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.

18.3 The second is for the estimated payments that will have to be made to retained firefighters as a result of the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. As a result of these regulations retained firefighters will be entitled to compensation payments for annual leave etc.

18.4 The third is for various potential tax liabilities that the Authority may be liable for.

## Notes to the core financial statements

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

	Uninsurable and other claims £000	Part Time Workers Regulations £000	Tax liabilities £000	Total £000
Balance as at 1 April 2012	91	669	154	914
Payments made in the year	(46)	(576)	0	(622)
Increase (+) /decrease (-) made during the year	18	110	20	148
Balance as at 31 March 2013	<b>63</b>	<b>203</b>	<b>174</b>	<b>440</b>

## 19 Unusable reserves

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

	31 March 12 £000	31 March 13 £000
Revaluation reserve	-23,772	-28,092
Donated assets account	-1,716	-1,467
Capital adjustment account	-76,255	-75,899
Pensions reserve	500,090	566,470
Collection fund adjustment account	-525	-493
Total unusable reserves	<b>397,822</b>	<b>460,519</b>

### Revaluation reserve

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

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

## **Notes to the core financial statements**

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

	2011/12 £000	2012/13 £000
Balance as at 1 April	<b>-14,035</b>	<b>-23,772</b>
Upward revaluation of assets	-10,605	-4,870
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the cost of services	0	0
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the cost of services	<b>-10,605</b>	<b>-28,642</b>
Difference between fair value depreciation and historic cost depreciation	325	550
Write down of revaluation reserve on assets sold	543	0
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the capital adjustment account	<b>868</b>	<b>550</b>
Balance as at 31 March	<b>-23,772</b>	<b>-28,092</b>

### **Donated assets account**

19.4 In 2010/11 the Authority took ownership of the New Dimensions assets previously owned by the Department of Communities and Local Government. This account represents the net book value of those assets.

	31 March 2012 £000	31 March 2013 £000
Opening balance 1 April	2,396	1,716
Less: Depreciation	-680	-249
Closing balance 31 March	<b>1,716</b>	<b>1,467</b>

## **Notes to the core financial statements**

### **Capital adjustment account**

- 19.5 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.
- 19.6 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.
- 19.7 The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
- 19.8 Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Notes to the core financial statements

19.9 The movement in the reserve is analysed below:

	2011/12 £000	2012/13 £000
<b>Balance as at 1<sup>st</sup> April</b>	<b>-80,507</b>	<b>-76,255</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
<ul style="list-style-type: none"> <li>• Depreciation</li> <li>• Adjustment to prior period depreciation</li> <li>• Impairments</li> <li>• Revaluation losses on property, plant and equipment</li> <li>• Revenue expenditure funded from capital under statute</li> <li>• 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</li> </ul>	3,728 0 4,502 0 0 2,000	4,146 0 618 0 0 32
	<b>10,230</b>	<b>4,796</b>
Adjusting amounts written out of the revaluation reserve:		
<ul style="list-style-type: none"> <li>• Excess of current value depreciation over historic cost depreciation</li> <li>• Write out disposed assets</li> </ul>	-325 -543	-550 0
	<b>-868</b>	<b>-550</b>
Net written out amount of the cost of non-current assets consumed in the year	<b>9,361</b>	<b>4,246</b>
Capital financing applied in the year:		
<ul style="list-style-type: none"> <li>• Use of the Capital receipts Reserve to finance new capital expenditure</li> <li>• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing</li> <li>• Application of grants to capital financing from the Capital Grants Unapplied Account</li> <li>• Statutory provision for the financing of capital investment charged against the general fund</li> <li>• Capital expenditure charged against the general fund</li> </ul>	-814 -2,083 0 -1,003 -530	0 -1,402 0 -973 -1,266
	<b>-4,430</b>	<b>-3,641</b>
Movement in the donated assets account	-680	-249
<b>Balance as at 31 March</b>	<b>-76,255</b>	<b>-75,899</b>

## Notes to the core financial statements

### Pensions reserve

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

	2011/12 £000	2012/13 £000
Balance 1 April	464,130	500,090
Actuarial gains or losses on pensions assets and liabilities	7,440	45,790
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	41,070	34,810
Employer's pension contributions and direct payments to pensioners in the year	-12,550	-14,220
Balance 31 March	<b>500,090</b>	<b>566,470</b>

## **Notes to the core financial statements**

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### **Collection fund adjustment account**

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

	2011/12 £000	2012/13 £000
Balance 1 April	-606	-525
Income from council tax charged to the Comprehensive Income and Expenditure Statement	-39,261	-39,374
Less precept received in the year	39,342	39,406
Balance 31 March	<b>-525</b>	<b>-493</b>

### **20 Amounts reported for resource allocation decisions**

20.1 The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice for Local Authorities*. However, budget monitoring decisions are taken by the Authority's Finance and General Purposes Committee on the basis of budget reports analysed in a different format. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- no account is taken of any asset revaluations or impairments during the year expenditure (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

20.2 The income and expenditure of the Authority in the format that would be received by the Finance and General Purposes Committee for the year is as follows:

## Notes to the core financial statements

	2011/12	2012/13
	£000	£000
<b>Service area</b>		
Community Response		
- Employees	37,028	36,468
- Premises	2,640	2,907
- Transport	848	478
- Supplies and services	3,410	2,928
	<u>43,926</u>	<u>42,781</u>
- Less Income	-3,799	-1,874
Net expenditure	<u>40,127</u>	<u>40,907</u>
Community Safety		
- Employees	4,271	4,213
- Premises	18	36
- Transport	235	269
- Supplies and services	213	165
	<u>4,737</u>	<u>4,683</u>
- Less Income	-48	-75
Net expenditure	<u>4,689</u>	<u>4,608</u>
Management and Support Services		
- Employees	7,949	7,934
- Premises	1,104	1,118
- Transport	799	1,018
- Supplies and services	3,487	3,962
- Support services	476	470
	<u>13,815</u>	<u>14,502</u>
- Less Income	-403	-457
Net expenditure	<u>13,412</u>	<u>14,045</u>
Pensions	526	531
Revenue contributions to capital – budget	530	1,266
Gain/loss on fixed assets & cost of selling	31	20
Depreciation	3,728	4,146
<b>NET COST OF SERVICES</b>	<u>63,043</u>	<u>65,523</u>
Interest receivable	-77	-176
Interest on external loans	394	392
Finance lease interest payable	84	50
Council tax freeze grant	-973	-1,175
Capital grants and contributions	-2,083	-1,402
Contribution to Capital Payments reserve	5,820	7,651
Contribution from/to Earmarked Underspendings reserve	-51	272
Contribution from Unearmarked Underspendings reserve	364	337
Contribution from/to Revenue Grant Unapplied reserve	1,740	-361
Contribution to Capital Grants Unapplied Reserve	0	681
Contribution from Investment & Sustainability reserve	558	1,000
Contribution from Capital Adjustment Account	-5,144	-2,389
<b>Total Budget/Projected Outturn</b>	<b>63,675</b>	<b>70,403</b>

## Notes to the core financial statements

### Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

20.3 This reconciliation shows how the figures in the service analysis relate to the amounts in the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2012/13 £000
Net expenditure in the Service Analysis	<b>63,675</b>	<b>70,403</b>
Amounts in the Comprehensive I&E Statement not reported to management in the Analysis	8,655	-1,202
Amounts included in the Analysis not included in the Comprehensive I&E Statement (net cost of services)	1,719	6,698
Cost of Services in Comprehensive Income and Expenditure Statement	70,611	62,503

### Reconciliation to Subjective Analysis

20.4 This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

2011/12	Analysis £000	Amounts not reported to Authority £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	-5,223			-5,223		-5,223
Interest and investment income	-77		77	0	-1,657	-1,657
Income from council tax Government grants and contributions	-2,083		3,056	973	-32,388	-31,415
Total income	-7,383	0	3,133	-4,250	-73,306	-77,556
Employee expenses	49,773	3,656	-526	52,903		52,903
Other service expenses	13,262		-31	13,231		13,231
Dep'n, amortisation and impairment	3,728	4,503		8,231		8,231
Interest payments	478		-478	0	27,448	27,448
Gain or loss on disposal of fixed assets				0	175	175
Total expenditure	67,241	8,159	-1,035	74,365	27,623	101,988
Transfers to / from(-) reserves or provisions	3,817	496	-3,817	496		496
Surplus(-) or deficit on the provision of services	63,675	8,655	-1,719	70,611	-45,683	24,928

## Notes to the core financial statements

<b>2012/13</b>	Analysis £000	Amounts not reported to Authority £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	-3,581			-3,581		-3,581
Interest and investment income	-176		176	0	-1,716	-1,716
Income from council tax Government grants and contributions	-1,402		2,577	1,175	-34,320	-33,145
<b>Total income</b>	<b>-5,159</b>	<b>0</b>	<b>2,753</b>	<b>-2,406</b>	<b>-75,410</b>	<b>-77,816</b>
Employee expenses	49,146	-1,968	-532	46,646		46,646
Other service expenses	13,371		-20	13,351		13,351
Depreciation, amortisation and impairment	4,146	618		4,764		4,764
Interest payments	442		-442	0	25,072	25,072
Gain or loss on disposal of fixed assets				0	20	20
<b>Total expenditure</b>	<b>67,105</b>	<b>-1,350</b>	<b>-994</b>	<b>64,761</b>	<b>25,092</b>	<b>89,853</b>
Transfers to / from(-) reserves or provisions	8,457	148	-8,457	148		148
Surplus(-) or deficit on the provision of services	70,403	-1,202	-6,698	62,503	-50,318	12,185

### 21 Members' allowances

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

	2011/12 £000	2012/13 £000
Allowances	130	128
Expenses	6	6
	<b>136</b>	<b>134</b>

## Notes to the core financial statements

### 22 Officers' remuneration

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

2011/12	Salary	Benefits in kind (e.g. car allowance)	Pension contributions	Total remuneration
	£	£	£	£
Chief Officer - John Bonney	143,823	0	30,634	174,457
Director of Service Delivery	115,058	1,772	24,507	141,337
Director of Corporate Services (until 15 January 2012)	83,545	24	10,944	94,513
Director of Corporate Services (from 5 December 2011)	34,100	0	4,467	38,567
Director of Human Resources	105,710	2,071	13,848	121,629

2012/13	Salary	Benefits in kind (e.g. car allowance)	Pension contributions	Total remuneration
	£	£	£	£
Chief Officer - John Bonney	144,182	0	30,711	174,893
Director of Service Delivery	115,346	887	24,569	140,802
Director of Corporate Services	105,974	0	13,882	119,856
Director of Human Resources	105,974	2,255	13,882	122,111

22.2 The statutory roles of Treasurer and Clerk to the Authority are provided by Director of Corporate Resources and the Chief Executive of Hampshire County Council. Their respective remuneration packages are disclosed by the County Council.

## **Notes to the core financial statements**

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

Total remuneration	Number of Employees	
	2011/12	2012/13
£50,000 - £54,999	35	40
£55,000 - £59,999	15	16
£60,000 - £64,999	6	11
£65,000 - £69,999	6	7
£70,000 - £74,999	1	1
£75,000 - £79,999	0	1
£80,000 - £84,999	1	1
£85,000 - £89,999	1	0
£90,000 - £94,999	0	1
£100,000 - £104,999	1	0
£105,000 - £109,999	1	0
£110,000 - £114,999	0	1
£115,000 - £119,999	0	1
<b>Total</b>	<b>67</b>	<b>80</b>

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

<b>2011/12</b>				
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 £50,000	0	21	21	£55,812
£50,000 to £70,000	0	0	0	0
<b>2012/13</b>				
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 £50,000	0	5	5	£51,207
£50,000 to £70,000	0	0	0	0

22.5 The departures in 2011/12 included 17 relating to the emergency catering team.

## **Notes to the core financial statements**

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### **23 External audit costs**

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

	2011/12 £000	2012/13 £000
External audit services	74	45
Statutory inspection	0	0
Grant claims and returns	0	0
Other services	0	0
<b>Total</b>	<b>74</b>	<b>45</b>

## **Notes to the core financial statements**

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### **24 Grant income**

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

	2011/12 £000	2012/13 £000
<b>Credited to taxation non specific grant income:</b>		
General Government grants (RSG and NDR)	29,332	31,062
CLG- Council Tax freeze grant	973	1,175
Specific capital grants:		
CLG – Capital priorities	2,083	2,083
Total specific capital grants	2,083	2,083
Capital contributions	0	0
<b>Total</b>	<b>32,388</b>	<b>34,320</b>
<b>Credited to services:</b>		
Flood Rescue Grant	49	0
Firesetter Interventionist Funding	9	0
New Dimensions - USAR	990	992
New Dimensions – Vehicle Insurance	6	6
New Dimensions - Enhanced Command Support	76	76
Fire Control Implementations / Fire Link Changes	20	0
Radio System	155	216
Network Fire Control	1,800	0
New Risks	144	21
DCLG – Section 31 Local Government Act	0	27
	0	0
LAA - Reward Grant SCC	73	39
Repaid EU grant (received prior to 2010/11)	-31	0
Other revenue grants	13	18
<b>Total</b>	<b>3,304</b>	<b>1,395</b>

## **Notes to the core financial statements**

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

	31 March 2012 £000	31 March 2013 £000
<b>Revenue grants receipts in advance</b>		
Lifestyle Intervention Courses – Rushmoor & Hart	10	7
Home Fire Safety Visits – Basingstoke & Deane	4	2
TRAPT courses sponsorship Fareham & Gosport	5	-
Youth Interventionist post funding to 2015	143	104
<b>Total</b>	<b>162</b>	<b>113</b>

24.3 The Authority had not received any contributions or donations which, as at 31 March 2013, had conditions which had not been met.

### **25 Related parties**

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

#### **Central Government**

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

#### **Members**

25.3 Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances is shown in Note 21. During 2012/13 there were no potential conflicts of interest involving Members of the Authority.

#### **Officers**

25.4 The Treasurer is also the Director of Corporate Services for Hampshire County Council.

## **Notes to the core financial statements**

25.5 The Authority's daily cash surplus or deficit is pooled with that of the County Council and interest is paid based on the Bank of England base rate. The total interest received was £29,254 (£33,783 in 2011/12) and the balance of £2,847,560 temporarily invested as at 31 March 2013 (£2,068,000 on 31 March 2012). This is included in the cash and cash equivalents figure in the balance sheet.

25.6 The total interest paid was £11 (£26 in 2011/12) and the balance temporarily borrowed from HCC as at 31 March 2013 was £0 (£0 on 31 March 2012). This is included in the balance sheet as bank overdraft.

### **3SFire Ltd**

25.7 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.

25.8 The Directors of the company are Cllrs Royston Smith, Chris Carter, Roger Price and Stephen Barnes-Andrews who are also Members of the Authority. Dave Curry is also a Company Director and the Director of Service Delivery for the Service.

25.9 The Company Secretary (John Beckerleg) is the Director of Corporate Services for the Service and the Operations Manager (Mark Rayner) is also employed by the Service.

25.10 The Authority has agreed to loan up to £250,000 to the Company at a commercial rate of interest. As at 31 March 2013 minimal expenditure had been incurred by the Company for initial set up costs and legal costs associated with forming a partnership with a private sector partner.

## Notes to the core financial statements

### 26 Capital expenditure and capital financing

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

	2011/12 £000	2012/13 £000
Opening capital financing requirement	16,854	15,879
Correcting adjustment		-80
Adjusted opening capital finance requirement		15,799
<i>Capital investment:</i>		
Property, plant and equipment	3,455	2,668
<i>Sources of finance:</i>		
Capital receipts	-814	0
Government grants and contributions	-2,083	-1,402
Sums set aside from revenue:		
Direct revenue contributions (budgeted)	-530	-1,266
Direct revenue contributions (from capital payments reserve)	0	0
Minimum revenue provision	-1,003	-973
Closing capital financing requirement	<b>15,879</b>	<b>14,826</b>
<i>Explanation of movements in year:</i>		
Assets financed with SALIX loan	28	0
Correction to opening balance		-80
Minimum revenue provision	-1,003	-973
Increase(+)/decrease(-) in capital financing requirement	<b>-975</b>	<b>-1,053</b>

### 27 Assets held under finance leases

27.1 No new finance lease arrangements were entered into in 2011/12 or 2012/13, however some existing finance extensions were agreed during 2012/13.

## Notes to the core financial statements

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

	31 March 2012 £000	31 March 2013 £000
Vehicles	903	525

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

	31 March 2012 £000	31 March 2013 £000
Finance lease liabilities :		
• Current	362	271
• Non current	523	252
Finance costs payable in future years	341	316
Minimum lease payments	<b>1,226</b>	<b>839</b>

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than one year	399	314	362	271
Later than one year and not later than five years	794	525	523	252
Later than five years	33	0	0	0
Total	<b>1,226</b>	<b>839</b>	<b>885</b>	<b>523</b>

27.5 At 31 March 2013 the Authority had not signed any leases for vehicles or equipment where payments had not started.

## **Notes to the core financial statements**

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### **28 Assets held under operational lease**

28.1 The Authority has acquired some of its operational vehicles under operational lease including leased cars for its employees.

28.2 The future minimum lease payments due under non-cancellable leases in future years for operational vehicles are:

	31 March 2012 £000	31 March 2013 £000
Not later than one year	236	180
Later than one year and not later than five years	335	164
Later than five years	0	0
	<b>571</b>	<b>344</b>

28.3 The expenditure charged to the cost of services within the Comprehensive Income and Expenditure Statement in 2012/13 was £49,515.

### **29 Impairment losses**

29.1 During 2012/13 the Authority recognised impairment losses totalling £0.618m (£4.5m in 2011/12). This was particularly high in 2011/12 as it included £3.4m for Winchester Fire Station which had been reclassified to a fair value basis as it became an asset to be sold.

## **Notes to the core financial statements**

### **30 Defined benefit pension schemes**

#### **Participation in pension schemes**

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

The Authority participates in three pension schemes:

- the Local Government Pension Scheme (LGPS) for support staff which is administered by Hampshire County Council. This is a funded defined benefit final salary 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. 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 Firefighters' Pension Scheme (FPS) for firefighters. This is an unfunded scheme, 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. This scheme was closed to new members from 31 March 2006. 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.
- the New Firefighters' Pension Scheme (NFPS) for firefighters. This is an unfunded scheme, 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. This scheme was opened to new members from 1 April 2006. 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.

#### **Transactions relating to post-employment benefits**

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

## Notes to the core financial statements

2011/12	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
<b>Comprehensive Income and Expenditure Statement:</b>						
<i>Cost of services:</i>						
• Current service cost	1,070	0	7,350	1,340	480	10,240
• Past service cost	0	0	5,440	0	0	5,440
• Adjustment for difference in actual and assumed contributions and benefits paid	32	4	-6,753	1,175	-131	-5,673
<i>Financing and Investment Income and Expenditure:</i>						
• Interest cost	1,870	0	23,410	460	1,230	26,970
• Expected return on assets in the scheme	-1,580	0	0	0	0	-1,580
<i>Net charge to the surplus or deficit on the provision of services</i>	1,392	4	29,447	2,975	1,579	35,397
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
• Actuarial gain (-) /loss (+)	3,840	0	5,100	2,090	-3,590	7,440
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	5,232	4	34,547	5,065	-2,011	42,837
<b>Movement in Reserves Statement:</b>						
• Reversal of net charges made for retirement benefits in accordance with the Code	-3850	0	-30,110	-4,400	2,400	-35,960
<b>Actual amount charged against the General Fund for pensions in yr:</b>						
• Added years contributions	0	-4	0	0	0	-4
• Employers' contributions including back funding	-1,382	0	-4,300	-665	0	-6,347
• Benefits paid to pensioners	0	0	-137	0	-389	-526
<b>Sub total – actual amount charged against the General Fund Balance for pensions in yr:</b>	-1,382	-4	-4,437	-665	-389	-6,877
<b>Net effect on budget requirement</b>	0	0	0	0	0	0

## Notes to the core financial statements

2012/13	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
<b>Comprehensive Income and Expenditure Statement:</b>						
<i>Cost of services:</i>						
• Current service cost	1,240	0	8,140	1,770	530	11,680
• Past service cost	40	0	0	0	0	40
• Adjustment for difference in actual and assumed contributions and benefits paid	-68	4	-8,540	1,241	-91	-7,454
<i>Financing and Investment Income and Expenditure:</i>						
• Interest cost	1,940	0	21,140	610	940	24,630
• Expected return on assets in the scheme	-1540	0	0	0	0	-1,540
<i>Net charge to the surplus or deficit on the provision of services</i>	1,612	4	20,740	3,621	1,379	27,356
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
• Actuarial gain (-) /loss (+)	160	10	42,260	1,540	1,820	45,790
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	1,772	14	63,000	5,161	3,199	73,146
<b>Movement in Reserves Statement:</b>						
• Reversal of net charges made for retirement benefits in accordance with the Code	-460	-10	-58,650	-4,470	-2,790	-66,380
<b>Actual amount charged against the General Fund for pensions in yr:</b>						
• Added years contributions		-4				-4
• Employers' contributions including back funding	-1,312		-4,228	-689		-6,229
• Benefits paid to pensioners			-122	-2	-409	-533
<b>Sub total – actual amount charged against the General Fund Balance for pensions in yr:</b>	-1,312	-4	-4,350	-691	-409	-6,766
<b>Net effect on budget requirement</b>	0	0	0	0	0	0

## Notes to the core financial statements

### Liabilities in relation to post-employment benefits

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

<b>2011/12</b>	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
1 April	34,300	40	422,130	7,430	22,390	486,290
Current service cost	1,070	0	7,350	1,340	480	10,240
Interest cost	1,870	0	23,410	460	1,230	26,970
Contributions by scheme participants	470	0	2,240	510	0	3,220
Actuarial gains (-) and losses	3,330	0	5,100	2,090	-3,590	6,930
Net benefits paid out	-950	0	-13,430	0	-520	-14,900
Past service costs	0	0	5,440	0	0	5,440
<b>31 March</b>	<b>40,090</b>	<b>40</b>	<b>452,240</b>	<b>11,830</b>	<b>19,990</b>	<b>524,190</b>

<b>2012/13</b>	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
1 April	40,090	40	452,240	11,830	19,990	524,190
Current service cost	1,240	0	8,140	1,770	530	11,680
Interest cost	1,940	0	21,140	610	940	24,630
Contributions by scheme participants	460	0	2,340	550	0	3,350
Actuarial gains (-) and losses	2,300	10	42,260	1,540	1,820	47,930
Net benefits paid out	-1,040	0	-15,230	0	-500	-16,770
Past service costs	40	0	0	0	0	40
<b>31 March</b>	<b>45,030</b>	<b>50</b>	<b>510,890</b>	<b>16,300</b>	<b>22,780</b>	<b>595,050</b>

## Notes to the core financial statements

\*Under IAS 19, a prospective allowance for injury benefits is required. At the last valuation of the FPS scheme, the value of injury pensions was around 5% of the pensioner liabilities. The Actuaries advise that a reasonable estimate of the accrual of injury pensions is 5% of the cost of benefits accruing. A sum equal to 5% of the active liabilities in the FPS and NFPS have been added to the injury pension liabilities.

### Assets in relation to post-employment benefits

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

	2011/12 £000	2012/13 £000
1 April	22,160	24,100
Expected return on assets	1,580	1,540
Actuarial gains and losses	-510	2,140
Employer contributions	1,350	1,380
Contributions by scheme participants	470	460
Net benefits paid out	-950	-1,040
31 March	<b>24,100</b>	<b>28,580</b>

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

30.6 The actual return on assets in the year was a gain of £4,640,000 in 2012/13 (£1,070,000 gain in 2011/12).

### History of retirement scheme deficits

30.7 The following tables set out the history of the pension scheme deficits:

31 March 2009	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
Present value of liabilities	-28,200	-40	-358,650	-2,690	-11,020	-400,600
Fair value of assets	15,350	0	0	0	0	15,350
Net deficit in scheme	<b>-12,850</b>	<b>-40</b>	<b>-358,650</b>	<b>-2,690</b>	<b>-11,020</b>	<b>-385,250</b>

## Notes to the core financial statements

31 March 2010	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
Present value of liabilities	-38,110	-50	-465,900	-6,520	-13,110	-523,690
Fair value of assets	22,130	0	0	0	0	22,130
Net deficit in scheme	<b>-15,980</b>	<b>- 50</b>	<b>-465,900</b>	<b>-6,520</b>	<b>-13,110</b>	<b>-501,560</b>

31 March 2011	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
Present value of liabilities	-34,300	-40	-422,130	-7,430	-22,390	-486,290
Fair value of assets	22,160	0	0	0	0	22,160
Net deficit in scheme	<b>-12,140</b>	<b>-40</b>	<b>-422,130</b>	<b>-7430</b>	<b>-22,390</b>	<b>-464,130</b>

31 March 2012	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
Present value of liabilities	-40,090	-40	-452,240	-11,830	-19,990	-524,190
Fair value of assets	24,100	0	0	0	0	24,100
Net deficit in scheme	<b>-15,990</b>	<b>-40</b>	<b>-452,240</b>	<b>-11,830</b>	<b>-19,990</b>	<b>-500,090</b>

31 March 2013	LGPS – funded £000	LGPS – unfunded £000	FPS £000	NFPS £000	Injury £000	Total £000
Present value of liabilities	-45,030	-50	-510,890	-16,300	-22,780	-595,050
Fair value of assets	28,580	0	0	0	0	28,580
Net deficit in scheme	<b>-16,450</b>	<b>-50</b>	<b>-510,890</b>	<b>-16,300</b>	<b>-22,780</b>	<b>-566,470</b>

## **Notes to the core financial statements**

30.8 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:

- the deficit on the local government pension scheme will be made good by increased contributions over the remaining life of employees, as assessed by the actuary
- finance is only required to be raised to cover firefighters' pensions when the pensions are actually paid. Under current financing arrangements most of this expenditure is paid for by the Government. The Authority pays for injury pensions and the costs of ill-health early retirement.

30.9 In the accounting period ending 31 March 2014 the Authority expects to pay £13.36m direct to beneficiaries under the FPS scheme. Under the NFPS scheme the Authority expects to pay a small amount directly to beneficiaries and therefore expects a net surplus of £0.59m after allowing for member contributions. For IAS 19 purposes, these are described as "contributions". The contributions include the government grant.

30.10 The employer's regular contributions to the LGPS fund for the accounting period 31 March 2014 are estimated to be £1.38m. In addition pension strain contributions may be required.

### **Basis for estimating Assets and Liabilities**

30.11 Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

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

<b>Scheme</b>	<b>Date</b>
Local Government Pension Scheme - funded	31 March 2010
Local Government Pension Scheme - unfunded	31 March 2010
Firefighters' Pension Scheme	31 March 2011
New Firefighters' Pension Scheme	31 March 2011
Firefighters' Injury and Ill-Health Pensions	31 March 2011

## **Notes to the core financial statements**

The main financial assumptions in their calculations have been:

	2011/12 (%)	2012/13 (%)
RPI Inflation - Firefighter schemes	3.25	3.35
RPI Inflation – LGPS schemes	3.40	3.40
CPI Inflation - Firefighter schemes	2.25	2.45
CPI Inflation – LGPS schemes	2.40	2.50
Rate of general increase in salaries - Firefighters	4.75	4.35
Rate of general increase in salaries - LGPS	4.90	4.40
Pension increases - Firefighters	2.25	2.45
Pension increases - LGPS	2.40	2.50
Discount rate - Firefighters	4.7	4.3
Discount rate - LGPS	4.8	4.5
Long-term expected rate of return on equities	8.1	7.8
Long-term expected rate of return on property	7.6	7.3
Long-term expected rate of return on Government bonds	3.1	2.8
Long-term expected rate of return on corporate bonds	3.7	3.8
Long-term expected rate of return on cash	1.8	0.9
Long-term expected rate of return on other assets	8.1	7.8
Average long-term expected rate of return	6.4	6.3

## Notes to the core financial statements

30.13 The commutation assumptions made are:

	31 March 2012	31 March 2013
LGPS	Each member assumed to exchange 25% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum.	Each member assumed to exchange 25% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum.
	Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.	Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.
Firefighter schemes	Assumed that 75% of members commute 25% of their pension.	Assumed that 90% of members commute 25% of their pension.

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

LGPS schemes	Males	Males	Females	Females
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
Year of birth base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Light Health Amounts	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Light Health Amounts
Rating to above base table* (years)	0	0	0	0
Scaling to above base table rates	100%	100%	100%	100%
Improvements to base table	CMI_2009 with a long term rate of improvement of £1.25% p.a.	CMI_2009 with a long term rate of improvement of £1.25% p.a.	CMI_2009 with a long term rate of improvement of £1.25% p.a.	CMI_2009 with a long term rate of improvement of £1.25% p.a.
Future lifetime from age 65 (now aged 65)	23.9	24	24.9	25
Future lifetime from age 65 (now aged 45)	25.6	25.7	26.8	26.9

## Notes to the core financial statements

<b>Firefighter schemes</b>	<b>Males 31 March 2012</b>	<b>Males 31 March 2013</b>	<b>Females 31 March 2012</b>	<b>Females 31 March 2013</b>
Base table	Standard SAPS normal health all amounts (S1NMA)	Standard SAPS normal health all amounts (S1NMA)	Standard SAPS normal health all amounts (S1NFA)	Standard SAPS normal health all amounts (S1NFA)
Rating to above base table* (years)	0	0	0	0
Scaling to above base table rates	100%	100%	100%	100%
Improvements to base table	Allowance for improvements in line with the CMI 2011 improvements, with a long term rate of improvement of 1.25% p.a.	Allowance for improvements in line with the CMI 2011 improvements, with a long term rate of improvement of 1.25% p.a.	Allowance for improvements in line with the CMI 2011 improvements, with a long term rate of improvement of 1.25% p.a.	Allowance for improvements in line with the CMI 2011 improvements, with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (now aged 65)	22.5	22.6	24.9	25.0
Future lifetime from age 65 (now aged 45)	24.2	24.3	26.8	26.9

\*A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

## Notes to the core financial statements

### Pension Scheme Assets

30.15 The firefighters' schemes have no assets to cover their liabilities. The Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2012 %	31 March 2013 %
Equities	55	57
Property	8	8
Government bonds	27	25
Other assets	10	10
Total	<b>100</b>	<b>100</b>

### History of experience gains and losses

30.16 The following table sets out the history of experience gains and losses on liabilities:

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Local Government Pension Scheme - funded	-50	150	1,190	120	-20
Local Government Pension Scheme - unfunded	-	0	0	0	0
Firefighters' Pension Scheme	-32,470	6,020	-760	34,430	130
New Firefighters' Pension Scheme	-290	0	0	-70	0
Injury Pensions	-2,110	370	-40	5,820	10

30.17 The following table sets out the history of experience gains and losses on assets:

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Local Government Pension Scheme - funded	-5,010	4,380	-2,530	-510	2,140
Local Government Pension Scheme - unfunded	-	0	0	0	0

## Notes to the core financial statements

### 31 Cash Flow Statement

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

	2011/12 £'000	2012/13 £'000
Depreciation	-3,728	-4,146
Impairments & downward revaluations	-4,503	-618
Amortisations	0	0
Increase(-)/decrease(+) in impairment for bad debts	0	0
Increase(-)/decrease(+) in creditors	511	-352
Increase(+)/decrease(-) in debtors	979	659
Increase(+)/decrease(-) in inventories	101	186
Increase(-)/decrease(+) in provisions	-496	-148
Actual cash payments made from provisions		622
Movement in pension liability	-28,520	-20,590
Carrying amount of non current assets and non current assets held for sale, sold or derecognised	-2,000	-32
Other non-cash items charged to the net surplus or deficit on the provision of services	0	0
Adjustment for non-cash items	<b>-37,656</b>	<b>-24,419</b>

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

	2011/12 £'000	2012/13 £'000
Proceeds from the sale of short term and long term investments	0	0
Proceeds from the sale of fixed assets	1,856	12
Capital grants received	2,083	2,083
Adjustment for activities that are investing or financing cash flows	<b>3,939</b>	<b>2,095</b>

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

	2011/12 £'000	2012/13 £'000
Interest received	-49	-158
Interest paid	478	422

## **Notes to the core financial statements**

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

	2011/12 £'000	2012/13 £'000
Purchase of fixed assets	3,455	2,668
Purchase of short-term and long-term investments	6,278	10,519
Proceeds of sale of fixed assets	-1,856	-12
Proceeds of sale of short-term and long-term investments	0	0
Capital grants received	-2,083	-2,083
Other income	0	0
<b>Net cash outflow from investing activities</b>	<b>5,794</b>	<b>11,092</b>

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

	2011/12 £'000	2012/13 £'000
Cash receipts of long and short term borrowing	-26	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases	378	362
Repayments of long and short term borrowing	0	7
Other payments for financing activities	0	0
<b>Net cash outflow from financing activities</b>	<b>352</b>	<b>369</b>

## **32 Contingent liabilities and assets**

32.1 There is a contingent liability in respect of current and former retained firefighters who may be eligible to join the Firefighters Pension Scheme with backdating to 2000. An Employment Tribunal has decided that retained firefighters were unfairly treated in relation to pension rights.

32.2 It is currently impossible to assess what the Authority's liability may be however it is likely that any impact will be in the form of increased employer's contributions expected to come into effect 2015.

32.3 The Firefighters Pension Scheme commutation factors are reviewed annually by the Government Actuary's Department (GAD). The factors (the amount that can be commuted for each £1 sacrificed) were not reviewed between 1998 and 2006. This has been challenged and is the subject of a test case to the Pensions' Ombudsman, brought by a member of the Firefighters' Scheme. This case has not yet been heard and neither GAD nor the Home Office has accepted that commutation factors should have been higher between 1998 and 2006. Consequently, there is currently no liability to pay higher commutation lump sums for members who retired in this period. It is conceivable that such a liability may emerge following any ruling from the Ombudsman. GAD and the Home Office will

## **Notes to the core financial statements**

consider whether any action is required following any such ruling. In the event that there is a liability to pay backdated commuted lump sums, it is estimated that this would affect around 285 pensioners with an additional pension commuted lump sum of £32,000 each; this creates a contingent liability for £9m. As the Government funds the difference between the income and expenditure on the Fire Fighter's Pension Fund account, an offsetting contingent asset is recorded for the income which would be receivable to cover any deficit.

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

- 33.1 The Authority has no undischarged obligations from long-term projects.
- 33.2 The Authority does not have any intangible fixed assets.
- 33.3 The Authority does not have any investment properties.
- 33.4 The Authority has no material interests that would require the production of Group Accounts.
- 33.5 The Authority does not administer any Trust Funds.
- 33.6 The Authority does not have any jointly controlled operations or jointly controlled assets
- 33.7 The Authority does not have any PFI schemes.
- 33.8 The Authority is not undertaking any construction contracts on behalf of a third party
- 33.9 The Authority does not provide any agency services.
- 33.10 The Authority does not have any pooled budget arrangements.
- 33.11 The Authority does not receive any dedicated schools grant.
- 33.12 The Authority does not act as a lessor.
- 33.13 The Authority does not capitalise borrowing costs.
- 33.14 The Authority does not operate a road charging scheme under the Transport Act 2000.
- 33.15 The Authority did not acquire or discontinue any operations in the year.
- 33.16 The Authority does not have sufficient accumulated absences to require an accumulated absences account to be maintained.

## Pension Fund Accounting Statements

### Pension Fund Account

2011/12 £'000	see note		2012/13 £'000	£'000
		<b>Contributions receivable:</b>		
-4,965		Normal contributions from employer	-4,918	
-19		Early retirement contributions from employer	0	
<u>-2,755</u>		Contributions from members	<u>-2,884</u>	-7,802
-7,739				
-8		<b>Transfers in</b>		0
		<b>Benefits payable:</b>		
11,588		Pensions	12,363	
1,758		Commutations and lump sum retirement benefits	2,336	
<u>0</u>		Lump sum death benefits	<u>0</u>	14,699
13,346				
		<b>Payments to and on account of leavers:</b>		
0		Refunds of contributions	0	
<u>92</u>		Individual transfers out to other schemes	415	<u>415</u>
92				
<u>5,691</u>		<b>Net amount payable for the year before top-up grant receivable from the Government</b>		7,312
-5,691		<b>Top up grant receivable from the Government</b>		-7,312
<u>0</u>		<b>Net amount receivable/payable for the year</b>		<u>0</u>

### Net Assets statement

<b>Net current assets and liabilities</b>				
		Pension top-up grant receivable from Government		-1,343
19		Pension top-up grant payable to Government		
0		Provisions		0
<u>-19</u>	4	Temporary borrowing (-) / lending (+)		<u>1,343</u>
<u>0</u>				<u>0</u>

## **Notes to the Pension Fund Accounting Statements**

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### **1 Accounting policies**

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

### **2 Funding arrangements**

- 2.1 The funding arrangements changed for the Firefighters' Pension scheme on 1 April 2006 at the same time as the New Firefighters' Pension Scheme was introduced. Before, the Authority was responsible for the cost of paying the pensions of its own former employees on a pay-as-you-go basis. Under the new arrangements the schemes remain unfunded and as before do not have any investment assets. The Authority no longer meets the pensions outgo directly, instead it pays an employer's pension contribution based on a percentage of pay into the pension fund account. All Fire Authorities are required by legislation to operate a Pension Fund Account and the amounts paid into and out of it are specified by regulation.
- 2.2 The Account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government equal to the amount by which the amount payable from the Account exceeded the amount receivable. Should the position arise where the amounts receivable ever exceed those payable then the surplus would be paid over to the Government.

### **3 Accounting for future liabilities**

- 3.1 These accounts do not take into account the liabilities to pay pensions and other benefits after the end of the financial year. As this liability rests with the Authority it is included in the Authority's own Income and Expenditure Account and Balance Sheet. Further details can be found in note 30 to the main Authority accounts.

### **4 Temporary borrowing or lending**

- 4.1 This represents the balance borrowed from or lent to Hampshire County Council.

## **Statement of Responsibilities for the Statement of Accounts - Authority**

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

### **2. The Chairman's Statement**

- 2.1 I certify that the Statement of Accounts for 2012/13 were considered and approved at the Standards and Governance Committee meeting on 23 September 2013.

Cllr. R. McIntosh  
Chairman – Standards and Governance Committee  
23 September 2013

## **Statement of Responsibilities for the Statement of Accounts - Treasurer**

### **3. The Treasurer's responsibilities**

- 3.1 The Treasurer 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 Treasurer 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 Treasurer 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 Treasurer'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 2013 and its income and expenditure for the year ended 31 March 2013.

Carolyn Williamson CPFA  
Treasurer  
27 June 2013

### **Opinion on the Authority financial statements**

We have audited the financial statements of Hampshire Fire and Rescue Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 33 and include the fire fighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 4. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFAS/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Hampshire Fire and Rescue Authority, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities set out on page 78, the Treasurer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Hampshire Fire and Rescue Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Hampshire Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### Certificate

We certify that we have completed the audit of the accounts of Hampshire Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Kate Handy, Director

for and on behalf of

Ernst & Young LLP, Appointed Auditor

Wessex House, 19 Threefield Lane, Southampton SO14 3QB

30 September 2013

## Annual Governance Statement

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### 1. Scope of responsibility

- 1.1. Hampshire Fire and Rescue Authority (HFRA) is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards; and
  - public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2. The Authority has a duty<sup>1</sup> to make arrangements to secure continuous improvement in the way its functions are exercised through a combination of economy, efficiency, and effectiveness.
- 1.3. The Authority must ensure that there is a robust framework of corporate governance and a sound system of internal control that supports the effective exercise of the Authority's statutory functions – including its arrangements for the management of risk.
- 1.4. The Authority has approved and adopted a code of corporate governance, which is consistent with nationally accepted principles<sup>2</sup>.
- 1.5. This Annual Governance Statement explains how the Authority has complied with the code and meets the legal requirements<sup>3</sup> for the publication of a statement on internal control.
- 1.6. This statement has also been prepared to satisfy guidance<sup>4</sup> on the role of the chief financial officer.
- 1.7. Good governance arrangements are the foundations on which the Authority establishes its policies and delivers its services to the community. The arrangements must be reviewed regularly, and adapted in the light of changing circumstances. This Annual Governance Statement is the opportunity to ensure that the fundamentals of good governance remain in place and that they are responding to internal and external changes.

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<sup>1</sup> Local Government Act 1999

<sup>2</sup> *Delivering Good Governance in Local Government* - a framework and set of guidance notes jointly produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

<sup>3</sup> Regulation 4(3) of the Accounts and Audit Regulations 2011

<sup>4</sup> CIPFA – the role of the Chief Financial Officer

### 2. The purpose of the governance framework

2.1 The governance framework comprises:

- the systems, processes, culture, and values by which the Authority is directed and controlled, and
- the activities through which it is accountable to, and engages with, the communities it serves.

It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and designed to manage risk to a reasonable level. It cannot eliminate all risk. It can only provide a reasonable, not an absolute, assurance of effectiveness. It is a continuous process that helps to assess the likelihood of risks occurring, their potential impact, and how they should be best controlled and mitigated.

2.3 The governance framework has been in place for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

### 3. Assessment against the six core principles of good corporate governance

3.1 This statement is based in part on the outcomes of a detailed self-assessment<sup>5</sup> of the Authority's governance arrangements. The full detail of which was first presented to the Governance Committee in June 2008. This has been reviewed in the light of the additional requirements on the role of the 'chief financial officer'<sup>6</sup>. The outcomes of the updated assessment are summarised in the following paragraphs using 'six core principles'<sup>7</sup>.

3.2 We have reviewed our self-assessment, and in addition to this, all members of our Senior Management Team have completed a certificate of assurance on the operation of some key controls within their remit. We can confirm that we have found nothing that would reduce confidence in our governance arrangements. Where improvements have been made, or are planned, they are outlined in this statement.

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5 Using the CIPFA/SOLACE 'Good governance' framework and guidance.

6 CIPFA – the role of the Chief Financial Officer

7 Set out in the CIPFA/SOLACE 'Good governance' framework

### 4. Principle 1:

**Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area**

- 4.1 The delivery of fire and rescue services and the associated community safety activity remains the Authority's core activity.
- 4.2 The Authority has refreshed its approach to service planning following the introduction of the Fire and rescue national framework for England<sup>8</sup> and our own Strategic Assessment. This "identifies and assesses all foreseeable fire and rescue related risks that could affect its community including those of a cross border, multi authority, and/or national nature". This has led to the Service Plan moving from a three-year rolling plan to a five year fixed plan. Our priorities and aims are clear and arranged under the themes of 'Making life safer' and 'Making our Service stronger' – our 'Safer Stronger' aims. These focus our resources to the relevant community risks, and our organisational improvements to support our service delivery. The plan sets out – for the benefit of all our stakeholders – how the Authority:
- assesses the risks,
  - responds to changes and challenges, and
  - sets priorities and targets for improvement.
- 4.3 The strategic priorities, identified from our Strategic Assessment, were presented to the Fire Authority on 19 September 2012. These were approved for consultation with stakeholders. Following consultation, the Plan was approved by the full Authority in February 2013 when, importantly, the three-year revenue budget and capital programme were also determined and approved. This ensures that the Authority can, in a timely way, take account of overall financial pressures and the specific resource implications of the content of our priorities.
- 4.4 Our Plan takes into account the outcomes of:
- our Strategic Assessment, which includes a review of the external environment in which we operate and identifies any new and emerging issues. To understand and assess our risks, we look at the profile of the county, our own incident statistics, and professional knowledge. We combine this with information from our partners and other external sources.
  - a comprehensive programme of consultation with stakeholders;
  - our performance results; and
  - the findings and recommendations of various reviews, audits and assessments;

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<sup>8</sup> Fire and rescue national framework for England – published by CLG in July 2012

## Annual Governance Statement

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- 4.5 It is essential that we continue to review feedback from our stakeholders, including staff, and use our information and scan our environment to ensure our plan is dynamic and responsive to changing needs.
- 4.6 The Authority continues to improve the way we gather and use community risk intelligence to ensure that our priorities and aims focus on the diverse nature of risks in the communities we serve. We will bring the teams that deal with information together as a knowledge management function to provide improved management information. This will help us better understand the impact of what we do and what models, plans, or interventions should be considered to help us achieve our 'Safer Stronger' aims.
- 4.7 The planning process we undertook during 2012-13 culminated in a new look to the printed version of the Plan which is published on the Authority's website. It includes a refreshed vision for 2020. The Plan is supported by promotional activities to ensure that the Authority's corporate priorities, aims, and targets provide a cornerstone for all internal and external communication activities.
- 4.8 Effective performance management is in place to measure progress against objectives and to prompt remedial action where appropriate. Each performance indicator has an 'owner' at Service Management Team level to ensure that performance is regularly assessed against target. The Authority has a sound framework for monitoring its performance, with a dedicated performance management system that provides timely information. Both the Service Management Team and the Performance Review and Scrutiny Committee review our key performance indicators on a regular basis.
- 4.9 An activity report is presented to the Fire Authority at each meeting to provide an up to date overview of service delivery. We publish an annual report of our performance for the previous financial year (2012/13) which provides easy to understand information and charts summarising our performance.
- 4.10 We compare our performance to that of other fire and rescue services; so, for example, we make use of national benchmark information. These continue to show that we are performing well when compared with other fire and rescue services.
- 4.11 The Authority has developed 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. We established a clear programme – the Financial Challenge – with the specific purpose of reducing spending to overcome the shortfall and ensure that we prioritise our spending. This has been successful to date

and enabled us to make important changes in a measured and methodical way. In April 2013 this programme was reviewed. Further explanation is provided in paragraph 5.5.

- 4.12 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 completion of final accounts.
- 4.13 The Authority is implementing a number of changes, including a new information system to support mobilising and monitoring the availability of firefighters, a control room networked with three other fire and rescue services and other efficiency programmes. We have strengthened our project and programme management arrangements to ensure they are successfully delivered and the associated risks and costs are appropriately managed.
- 4.14 The Authority enjoys a constructive relationship with the Unions representing the staff groups within the Service, through which meaningful consultation and negotiation on service issues takes place.
- 4.15 The Authority has in place business continuity plans for dealing with major community incidents and disruptions to its own activities. The business continuity framework is updated annually to reflect changing needs. The plans are regularly rehearsed to ensure that they operate effectively, and where necessary, updated to reflect issues identified.
- 4.16 The environmental impact of the Authority's activities features prominently in planning and service delivery and the Authority is implementing an agreed carbon management programme aimed at reducing our carbon footprint.
- 4.17 Since January 2011, Hampshire Constabulary (HC), Hampshire Fire and Rescue Service (HFRS) and Hampshire County Council (HCC) have been working together to identify services that we could potentially deliver in partnership. Between April and June 2012, the governing bodies of HC, HFRS and HCC approved the [business cases](#) for the Joint Working in Hampshire programme. A key part of this programme is the development of an [Integrated Business Centre](#), which will be a new, integrated and efficient service to deliver a range of key support services. The aim is to create a single joint working 'entity' to provide services across the three organisations, with joint direction, governance, control and senior management. Each organisation will remain distinct and focused on the delivery of its core services, retaining its own corporate identity and brand. The vision for Joint Working in Hampshire is "to drive efficiencies and tangible service

improvement through joint working in a number of key service areas. To build on this to examine the value of a shared service platform for even greater integration of our specialisms to improve resilience, quality and innovation whilst remaining efficient.”

4.18 Pursuing this strategy will enable the Service to prioritise spending on our frontline services and will also improve career opportunities for our staff in areas that are currently restricted in terms of promotion and development. We will ensure that an appropriate control framework continues to be in place during and after joint working has been implemented.

4.19 The Networked Fire Control Services project is a partnership with Devon and Somerset, Wiltshire and Dorset Fire and Rescue Services to replace the existing HFRS control system, and to link it with other FRS control rooms for resilience. It will enable us to secure efficiency gains through joint procurement as well as operational benefits.

4.20 The Authority has agreed to develop a commercial arm to its work. On 20 February 2013 it established a wholly owned company, 3SFire Limited, to sell services into the fire market. Profits earned will be used to protect frontline services. The governance, policies, and approach of the company will be fully established during 2013.

### **5. Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles**

5.1 The Authority has an established set of committees with clear terms of reference to support its work, which regularly report through their minutes to the full Authority. These are:

- Finance and General Purposes Committee;
- Standards and Governance Committee;
- Performance Review and Scrutiny Committee;
- Human Resources Committee;

5.2 The Authority plans to review the terms of reference of all committees in 2013 to ensure that they remain fit for purpose.

5.3 A Members Allowance scheme is in place, and was reviewed in 2013 in line with changes made by the Localism Act 2011.

5.4 The Corporate Management Team (CMT) – a regular joint meeting of leading Members of the Authority and the Directors – provides a valuable 'sounding board' for members and officers to exchange ideas and discuss current issues although it is not a decision-

making body. It also plays an important role in reviewing the Corporate Risk Register.

- 5.5 The Financial Challenge Board (FCB) maintains an oversight of the implementation of the programme to match spending to available funding in future years. This Board has elected member representation. In April 2013 the FCB was reviewed and became the Safer Stronger Board. This refreshed Board, as well as overseeing our efficiency proposals, will:
- oversee the delivery of the Service Plan (incorporating financial planning and performance improvement), and the pathway to our vision 2020
  - provide Member input into the Vision, Service Plan and Service Improvement Plan
  - identify and secure the required behavioural, cultural and systems changes
  - have oversight of the Authority's commercial strategies including the trading arm.
- 5.6 The Service maintains a comprehensive set of 'Service Orders' setting out policies and procedures across a wide range of front-line services and support functions. These are regularly updated and we are currently involved in collaboration with 22 fire and rescue services to standardise the operational procedures.
- 5.7 The Chief Officer is responsible for the effective operational management of the Service.
- 5.8 The Authority has appointed an external person to the combined role of Monitoring Officer and Clerk.
- 5.9 The financial management of the Authority is overseen by the Treasurer in conjunction with the Director of Corporate Services and the Chief Officer. The Treasurer, who holds the legal responsibilities<sup>9</sup>, is also an external appointment. There are advantages in having the roles performed by the Clerk and Treasurer who are not employed directly by the Service. It is a cost effective approach to procuring very specialist services and provides a degree of impartiality derived from being independent of the Service's management.
- 5.10 The Authority, its committees and the Chief Officer have available to them a full range of professional advisers to enable them to carry out their functions effectively and in compliance with statutory requirements. Some legal, ICT, property and financial services are provided through contracts for services (service level agreements) with Hampshire County Council.

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<sup>9</sup> Including the designated Section 151 responsibilities – Local Government Act

- 5.11 There are a number of Member "champions" who are involved in a range of areas such as the financial challenge, health and safety, and the environment.
- 5.12 The organisation has reviewed its arrangements for the day to day management and strategic leadership. This has led to an enhanced role for the Heads of Service (i.e. the senior managers reporting to Directors). This group now co-ordinates management activity across the Service including oversight of new activities and projects, as well as in-year financial management. In addition to enhancing the strategic leadership capacity of the Service, it is designed to develop future leaders in the Fire Service.

### **6 Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- 6.1 There are a well-established set of core values and ethical standards which Members and staff are expected to observe and promote. These values are underpinned by policies and procedures covering:
- Standing Orders governing the conduct of Authority business;
  - Scheme of delegation, which we aim to review to ensure that it remain fit for purpose;
  - Financial Regulations;
  - Standing Orders relating to contracts;
  - Corporate procurement strategy;
  - Register of interests;
  - Members and Officers Codes of Conduct;
  - Registers of gifts and hospitality (separate ones for staff and Members);
  - Member/Officer relationship protocol; and
  - Information security policies
- 6.2 The Standards and Governance Committee is responsible for monitoring, reviewing, and reporting to the Authority on the governance arrangements. It has responsibility for maintaining high standards of probity amongst Members through the provision of advice and training and by carrying out investigations into allegations of failure to comply with the members' code of conduct, which has recently been refreshed to comply with the Localism Act 2011.
- 6.3 The Committee takes responsibility for the initial filtering of any complaints made against Members of the Authority. In 2012/13, no

complaints against Members required investigation by the Committee.

- 6.4 Procedures are in place for Members and Officers to register conflicts of interest. Advice is available to Members from the Clerk on any aspects of the Members Code of Conduct or conflicts of interest that may arise either before or, in most cases, at the point where the decision is to be made.
- 6.5 The Authority has put in place effective policies and reporting arrangements to encourage openness in the organisation:
- Complaints procedure;
  - Freedom of information and data protection policies;
  - Whistle-blowing policy; and
  - Anti-fraud and corruption policy, which takes account of the Bribery Act 2010.
- 6.6 The Authority has a low level of detected fraud. During the year it conformed to the National Fraud Initiative (NFI) timetable to submit datasets relevant for the period, and received matches which are currently under review. No issues have been identified to date. The annual Audit Commission's Fraud & Corruption Survey, was completed, and submitted within the required timeframe.
- 6.7 The Service continues to promote its wide range of policies and guidance which support effective management. These include:
- Service Orders;
  - Equality and diversity strategy and action plan;
  - Personal Development Review (appraisal) system;
  - Learning and development plans; and
  - Business continuity plans.
- 6.8 The Authority operates in an open and transparent way. The Authority's meetings are open to the public and its papers and decisions are available on our website (save for individual items of a sensitive nature properly considered in confidential session). It provides information for interested stakeholders, and is committed to developing this in line with the transparency agenda. Examples include:
- Authority agendas, reports and minutes;
  - Published pay policy;
  - Members' allowances scheme, and
  - Details of items of expenditure over £250.

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- 6.9 We aim to write a policy and commence implementation of a strategy in line with the 'Code of Recommended Practice for Local Authorities on Data Transparency'.
- 6.10 We are planning to publish more easily accessible incident-related information for the public via the internet.
7. Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- 7.1 All decisions made by the Authority and its committees are recorded and made available on the internet (save for individual items of a sensitive nature properly considered in confidential session). There is a standard template for committee reports and an internal gateway process to ensure they meet the required standard and accuracy. A timetable exists to ensure that committee deadlines are met.
- 7.2 The Authority has a comprehensive risk management policy, which was refreshed and approved in November 2012, and maintains a dynamic corporate risk register. The register is regularly reviewed, including review every four months by the Service Management Team and review every six months by the Corporate Management Team. Internal Audit reviewed the Authority's risk management arrangements in 2012/13 and found them to be 'substantial. The Standards and Governance Committee has the additional responsibility for reviewing the policy and register. The register is presented annually to the Authority with any major changes highlighted. Reviews of the register are regarded as a valuable part of our corporate planning process. They help us to prioritise actions in our corporate plan and embed risk management in the organisation.
- 7.3 The Performance Review and Scrutiny Committee oversees improvement planning and reporting on performance. It monitors progress on implementing the outcome of improvement plans and reviews. The Committee has responsibility for the scrutiny function and, with its wider terms of reference, has the authority to request post-implementation and evaluation reviews of major projects and decisions. It also receives formal evaluation reports following the implementation of corporate aims and objectives.
- 7.4 The Authority has well established internal audit arrangements. There is an agreed strategic audit plan and an annual programme of internal audits, which are prioritised according to risk. In May 2013 the Internal Audit Manager concluded:
- "In my opinion, Hampshire Fire and Rescue Authority's framework of governance, risk management, and management control is 'adequate' and audit testing has

## Annual Governance Statement

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

- 7.5 The Standards and Governance Committee has responsibility for monitoring progress on the implementation of all agreed actions resulting from internal audit reviews. It receives both internal and external audit plans and annual reports/management letters. We pride ourselves on the thorough way in which we monitor implementation of audit recommendations and consider it an example of best practice in our governance arrangements.
- 7.6 External audit provides a further source of assurance by reviewing and reporting upon the Authority’s internal control processes and any other matters relevant to their statutory functions and codes of practice. The Audit Commission’s Annual Audit and Inspection Letter was presented and considered by the Standards and Governance Committee at its meeting on 22 November 2012. The opinion presented was
- ‘I have concluded that you have made proper arrangements to secure economy, efficiency, and effectiveness in your use of resources and I intend to issue an unqualified conclusion. I found that:
- there are proper arrangements in place to secure financial resilience,
  - there are effective arrangements for challenging value for money and prioritising resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity’.
- 7.7 Effective, efficient, and responsive systems of financial management are in place. The Authority’s three-year financial management strategy is reviewed annually and incorporated in the budget book. The budget is monitored during the year at meetings of the Finance and General Purposes Committee and the final accounts report is reported to its July meeting. The Standards and Governance Committee consider the Statement of Accounts and Annual Governance Statement (this document) at its June meeting.
- 7.8 The Treasury Management Strategy statement and Investment Strategy are approved by the Fire Authority annually with the budget.
- 7.9 Our property management strategy and property register have been enhanced by the implementation of a dynamic management information system. This tracks buildings maintenance risks and

needs identified in our five-year rolling programme of condition surveys. Joint working in Hampshire is enhancing resilience. Maintenance is now carried out under the Hampshire County Council arrangements, and a new asset management system is currently being implemented.

- 7.10 The Authority has a well-established Health and Safety Policy<sup>10</sup>, which is communicated widely to its staff. Full information and advice is available on our website. Our internal health and safety governance arrangements were reviewed in February 2013, resulting in a refreshed Health and Safety Committee. The Standards and Governance Committee receives annual reports on health and safety and the chairman is the Member champion for health and safety. We achieved RoSPA gold accreditation in 2012.
- 7.11 Impact assessments are completed for major projects and policy changes. These include assessments of equality, environmental and financial impacts.

### **8. Principle 5: Developing the capacity and capability of members and officers to be effective**

- 8.1 Members receive good induction training and attend a number of 'awareness' sessions on current topics which are delivered during the year. These ensure that decision-making is based on good knowledge and understanding of the issues involved. Regular bulletins (Members' Updates) are issued and members receive copies of key internal staff communications (e.g. our 'Extra' publications). The 25 Members are appointed to the various standing committees with the aim of spreading workloads and matching individual interests/expertise to the functions of the committees wherever possible.
- 8.2 Significant investment continues to be made in delivering staff training and development needs. The progress made in this area was formally recognised by the achievement (in 2010/11) of a Silver Award under the new, higher standard, Investors in People accreditation. We were the first fire and rescue authority to achieve the new higher standard and are now seeking to achieve further improvement as we prepare for re-accreditation in 2013.
- 8.3 The Authority's personal development review system<sup>11</sup> continues to ensure that all personnel are fully aware and engaged in helping to achieve the Authority's corporate aims. The development needs of individuals are summarised to inform our learning and development

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<sup>10</sup> Service Order 8/1/1

<sup>11</sup> Personal Development Review System

plans. We aim to review the Personal Development Review process and the way we produce our training needs assessment in 2013.

- 8.4 We have a suite of online training tools for staff. We are continuing to develop e-learning, social and mobile solutions opportunities so that learning is accessible with 'on-the job' options to minimise the disruption to the day-to-day job.
- 8.5 The current system for succession planning was developed and implemented in 2010 and was used effectively to manage the significant changes to the makeup of Service Management Team that were anticipated. The process will now be reviewed with a view to extending this to other levels of the organisation.
- 8.6 Diversity Champion roles were adopted by Service Management Team to progress our equality and diversity (E&D) agenda. They also provide the opportunity for people to explore and lead in a different environment, quite often outside of their immediate 'comfort zone'. We will further develop this role as we move away from considerations of E&D and move towards being an 'Inclusive Employer'<sup>12</sup>.

### **9. Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability**

- 9.1 Details given in section 4 above demonstrate that the Authority is committed to engaging with the public and other stakeholders. We are actively working to develop a range of partnership working arrangements including joint procurement, sharing support services, a networked fire control and sharing premises. The success of our partnership working continues to pay dividends. For example our successful and expanded 'co-responder scheme' with South Central Ambulance Service is saving lives and providing value for money for both partners.
- 9.2 Each year an extensive programme of consultation is undertaken according to our consultation strategy, (as part of our corporate planning process) to gather feedback on new policies and proposals. We have been particularly keen to engage with harder-to-reach sections of local communities as part of our equality and diversity strategy. We provide opportunities (via focus groups and website-based questionnaires) for stakeholders (including our staff) to suggest actions we might take to better meet our corporate aims and other priorities.

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<sup>12</sup> An inclusive employer is one committed to developing an inclusive workplace, avoiding the pitfalls of discrimination and getting more from their workforce

- 9.3 The development of engagement with our stakeholders is one of the priorities in our current Service Plan. We will identify annual engagement priorities and key target audiences linked to the priorities of the Service plan and 'Safer Stronger' vision. This will help us to align engagement activity to our strategic priorities. We will evaluate the outcomes of our engagement activity against these priorities and this will help to inform our future and emerging engagement priorities. We will identify key community groups for targeted engagement, linking with community safety and protection priorities in the Service plan.<sup>13</sup>
- 9.4 In addition to a printed version of the Service plan, we will have a more dynamic approach on our website, which will detail our aims and the actions we will be undertaking to address each of the priorities.

### **10. Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the chief financial officer in local government**

- 10.1 The statement<sup>14</sup> sets out five principles that define the core activities and behaviours that belong to the role of the chief financial officer and the governance arrangements needed to support them.

The chief financial officer should:

- Be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- Be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy;
- Lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- Lead and direct a finance function that is resourced and fit for purpose; and
- Be professionally qualified and suitably experienced.

- 10.2 The Authority has the following financial arrangements which demonstrate compliance with these key principles:

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<sup>13</sup> Hampshire Fire and Rescue Service Plan 2013-18

<sup>14</sup> 'The role of the chief financial officer in public services organisations' CIPFA 2010

- Under the order<sup>15</sup>, which established the Authority, there is a requirement for the Authority to appoint a Treasurer who is also the Section 151 Officer. Since 1997, this appointment has been made under a service level agreement with Hampshire County Council. The Treasurer is also responsible for maintaining an effective internal audit service for the Authority.
- This arrangement provides the Authority with financial advisers who are directly involved in the day-to-day governance and financial management processes that operate within the Service. The Treasurer is involved at a strategic management level and attends meetings of the Authority, its Committees and senior management meetings within the Service. The Treasurer is involved in developing the medium-term financial strategy and plan.
- The Service employs a Director of Corporate Services, who was responsible for leading the part of the finance function which was within the Service in 2012/13, and works closely with the Clerk and Treasurer to deliver sound financial management. The Director of Corporate Services is a member of the Service Management Team.
- All three officers are responsible for monitoring the effectiveness of governance arrangements and the preparation of the Annual Governance Statement.
- Finance staff within the Service and those within Hampshire County Council who are engaged under a service level agreement are suitably qualified and experienced. They have regular training as required to ensure continuing professional development.

### **11. Actions we have taken to improve our governance arrangements**

- 11.1 We have refreshed our approach to service planning following the introduction of the new Fire and Rescue National Framework for England and our own Strategic Assessment (para.4.2).
- 11.2 The planning process we undertook during 2012-13 culminated in a new look to the printed version of the Plan. It includes a refreshed vision for 2020. (para.4.7).
- 11.3 We have strengthened our project and programme management arrangements to ensure they are successfully delivered and the associated risks and costs are appropriately managed. (para.4.13).

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<sup>15</sup> Hampshire Fire Services (Combination Scheme) Order 1996

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- 11.4 The Members Allowances scheme has been reviewed in line with changes made by the Localism Act 2011 (para.5.3).
- 11.5 The organisation has reviewed its arrangements for the day to day management and strategic leadership. This has led to an enhanced role for the Heads of Service. (para.5.12).
- 11.6 The Members' code of conduct has been refreshed and approved by the Standards and Governance Committee to comply with the Localism Act 2011 (para.6.2).
- 11.7 The Authority's risk management strategy has been reviewed and approved by the Standards and Governance Committee. (para.7.2)
- 11.8 Our internal health and safety governance arrangements were reviewed, resulting in a refreshed Health and Safety Committee (para.7.10).

### **12. Actions we will take to further improve our governance arrangements**

- 12.1 We will bring the teams that deal with information together as a knowledge management function to provide improved management information to help us better understand the impact of what we do and what models, plans or interventions should be considered to help us achieve our 'Safer Stronger' aims. (para.4.6). We will continue to implement a new document management system.
- 12.2 We will ensure that an appropriate control framework continues to be in place during and after joint working has been implemented. (para.4.18)
- 12.3 The governance, policies, and approach of the company, 3SFire will be fully established during 2013 (para.4.20).
- 12.4 We plan to review the terms of reference of all committees of the Authority in 2013 to ensure that they remain fit for purpose (para.5.2).
- 12.5 In 2013 we plan to review the scheme of delegation to officers to ensure that it remains effective (para.6.1).
- 12.6 We will write a policy and commence implementation of a strategy to further develop transparency (para.6.9).
- 12.7 We are planning to publish more easily accessible incident-related information for the public via the internet (para.6.10).

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- 12.8 We aim to review the Personal Development Review process and the way we produce our training needs assessment in 2013 (para.8.3).
- 12.9 We are continuing to develop e-learning, social and mobile solutions opportunities so that learning is accessible with 'on-the-job' options to minimise the disruption to day-to-day job (para.8.4).
- 12.10 The succession planning process will be reviewed with a view to expanding this to other levels of the organisation. (para.8.5)
- 12.11 We will further develop the role of the Diversity Champion as we move away from considerations of equality and diversity and move towards being an 'Inclusive Employer'. (para.8.6)
- 12.12 We will identify annual engagement priorities and key target audiences linked to the priorities of the Service plan and 'Safer Stronger' vision. This will help us to align engagement activity to our strategic priorities. We will evaluate the outcomes of our engagement activity against these priorities and this will help to inform our future and emerging engagement priorities. We will identify key community groups for targeted engagement, linking with our community safety and protection priorities. (para.9.3)
- 12.13 In addition to a printed version of the Service plan, we will have a more dynamic approach on our website, which will detail our aims, and the actions we will be undertaking to address each of the priorities. (para.9.4)

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:

Chairman

Chief Officer

Date:

Date: