



HAMPSHIRE
**FIRE AND
RESCUE**
AUTHORITY

Statement of Accounts 2009-2010

**HAMPSHIRE FIRE AND RESCUE AUTHORITY
STATEMENT OF ACCOUNTS 2009/10**

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Explanatory Foreword

1 Introduction

1.1 This foreword gives:

- a summary of the various statements which make up the 2009/10 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 2009/10 are set out on pages 5 to 9 and 21 to 72. 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.
- Income and Expenditure Account – reports the net cost for the year of all the functions for which the Authority is responsible and how they have been financed.
- Statement of Movement on General Fund Balance – discloses the adjustments necessary to determine the movement on the General Fund Balance for council tax setting purposes.
- Statement of Total Recognised Gains and Losses – brings together all the gains and losses that reflect the Authority's net worth.
- Balance Sheet – this sets out the financial position on 31 March 2010.
- 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.

2.2 In addition an Annual Governance Statement, which reviews the effectiveness of the system of internal control, is included on pages 10 to 20.

3 Where the money comes from

3.1 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.

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

	2008/09	2009/10
	%	%
Council tax	54.1	54.7
National business rates	36.9	33.6
General Government grants	5.1	7.8
Fees, charges & interest	1.8	1.5
Specific Government grants	2.1	2.4
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

4 What the money is spent on

- 4.1 The Authority spent its money as follows:

	2008/09	2009/10
	%	%
Firefighters' pay and allowances	58	59
Pensions	1	1
Other employee costs	16	16
Other costs	25	24
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

5 Overview of the year – revenue account

- 5.1 The main components of the 2009/10 budget and actual income and expenditure are set out below:

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	Original Budget	Actual	Variation
	£'000	£'000	£'000
Net cost of services	67,641	58,510	-9,131
Interest payable	476	353	-123
Interest receivable	0	-9	-9
Gain(-) / loss (+) on sale of fixed assets	0	70	+70
Pensions interest cost and expected return on pensions assets	24,350	25,720	+1,370
Net operating exp/amount to be met from Gov't grant and local taxpayers	92,467	84,644	-7,823
Income from council tax	-37,949	-38,078	-129
General Government grant	-5,384	-5,384	0
National business rates	-23,326	-23,326	0
Deficit for the year on the income and expenditure account	25,808	17,856	-7,952
Depreciation, amortisation and impairment of fixed assets	-1,370	-2,582	-1,212
Gov't grants deferred amortisation	0	10	+10
Net charges made for retirement benefits in accordance with FRS 17	-33,410	-26,643	+6,767
Net collection fund adjustment	0	129	+129
Stat. provision for repayment of debt	596	602	+6
Reversal of gain/loss on sale of assets	0	-55	-55
Capital exp. financed from revenue	730	1,084	+354
Employer pension contributions and payments to pensioners	7,423	6,963	-460
Contribution to/from (-) from earmarked reserves	223	2,122	+1,899
Movement in general fund balance	0	-514	-514
General fund balance:			
Brought forward 1 April 2009		-1,486	
Carried forward 31 March 2010		-2,000	-514

Explanatory Foreword

6 Overview of the year – capital expenditure

6.1 In 2009/10 the Authority spent £3,378,000 on capital projects:

Scheme	£'000
Vehicles	2,100
Major building repairs	542
Winchester Fire Station	535
Compartmental Fire Behaviour Training	69
Cyclescheme	132
Total	<hr/> <u>3,378</u> <hr/>

7 Debt

7.1 The Authority had 19 loans totalling £7,450,000 as at 31 March 2010.

7.2 On a day to day basis the Authority is able to lend to and borrow from Hampshire County Council.

8 Changes

8.1 There were no major changes to the Authority's responsibilities in 2009/10.

9 Further information

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

Statement of Accounting Policies

1. General principles

- 1.1 The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain: A Statement of Recommended Practice (SORP) 2009 and the Accounts and Audit Regulations 2003. Any significant non-compliance is explained in the following notes.

2. Debtors and creditors

- 2.1 Sums due to, or from, the Authority during the year are included in the accounts, whether or not the cash has actually been received or paid in the year – that is, on an accruals basis. From 1 April 2009, this includes accrued council tax income rather than the amount that under regulation was required to be paid from the Collection Fund. However, the accrual is reversed out through the Statement of Movement on the General Fund Balance so that the general fund balance is based on the regulation amount of council tax for the year.
- 2.2 There is, however, one exception. Electricity and other utility companies' payments are accounted for at the date of meter reading rather than being shared between financial years. This applies every year and therefore does not have a material effect on the year's accounts.

3. Reserves and provisions

- 3.1 Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts in the Statement of Movement on the General Fund Balance. Expenditure on items for which the reserves were originally created is shown as service expenditure in the Income and Expenditure Account and then transferred back into the General Fund Balance Statement so that there is no net charge against council tax for the expenditure. Variations to earmarked reserves are shown in the notes to the accounts.
- 3.2 Provisions represent legal liabilities when the amount or date of payment is uncertain. They are charged to the revenue account in the year they are recognised.
- 3.3 The Authority holds three provisions:
- The first is a provision for bad debts which is deducted from the total for debtors.
 - The second is for uninsurable and other claims. This covers costs which may arise as a result of the Authority being uninsured for a period, possible tribunals and other claims made against the Authority.

Statement of Accounting Policies

- The third is a provision for the expected payments to retained firefighters under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000.

3.4 The Authority has the following reserves:

- the General Fund balance is the surplus of revenue income over expenditure. It can be used to supplement income in future years;
- the capital reserve is used to help pay for future years' capital payments;
- the improvement and sustainability reserve is used to help finance the range of initiatives required by the modernisation programme;
- the underspendings reserve is used to carry forward specific budget underspends from one year to the next;
- the grant reduction reserve will be used to help ease the anticipated financial pressures that the Authority will face in future years.

4. Fixed Assets

4.1 All expenditure on the acquisition, creation or enhancement of a fixed asset which yields benefits for a period of more than one year is treated as capital expenditure in the accounts. 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. This is not recommended practice, however, as expenditure on such items is fairly constant between years the effect on the accounts is not material.

4.2 Fixed assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Fixed assets are classified into the groupings in the Code of Practice on Local Authority Accounting:

- Land, property and other assets used for service provision are called "operational assets". They are included in the balance sheet at the open market value for their present use when there is sufficient evidence to support the value, or at depreciated replacement cost otherwise.
- Assets not used to provide services are called "non-operational assets" and are assets that are currently not in use. These are included in the balance sheet at open market value.
- Vehicles are included at depreciated historic cost.

Statement of Accounting Policies

- 4.3 With effect from the 1 April 2007, surpluses arising from the revaluation of fixed assets are credited to the revaluation reserve for each individual asset. In accordance with the code of practice, reductions in value can only be debited to the revaluation reserve to the value of previous revaluation gains. Otherwise they are charged to the income and expenditure account.
- 4.4 Revaluations of fixed assets are undertaken on a five-year rolling programme. Material changes to asset valuations will be adjusted in the interim as they occur. Capital expenditure that increases the value of assets is added to the capital values of the assets pending revaluation.
- 4.5 Income from the disposal of fixed assets is accounted for in the year in which it occurs. This is used to meet expenditure for capital purposes.

5. Basis of charges for capital

- 5.1 In accordance with SORP 2006, a notional interest charge, to represent the opportunity cost of the capital employed is no longer required in the accounts.
- 5.2 Depreciation charges are made on all fixed assets other than land, assets under construction and non-operational assets in line with FRS 15.
- 5.3 Depreciation is calculated on a straight line basis over the useful economic lives of the assets. In the case of permanent buildings a residual life of between 35 and 60 years is assumed. Furniture and equipment is assumed to have a life of ten years and vehicles between five and 15 years.

6. Revenue expenditure funded by capital under statute

- 6.1 Legislation allows some expenditure to be funded from capital resources such as smoke detectors for individuals. Such expenditure is not carried on the Balance Sheet and is charged to the Income and Expenditure Account in the year it is incurred. However, an adjustment is made in the Statement of Movement on the General Fund Balance so that it does not affect the year's council tax.

Statement of Accounting Policies

7. Redemption of debt

- 7.1 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 effect 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.

8. Stocks and stores

- 8.1 Several stocks are held with the largest relating to vehicle spares, uniforms and operational equipment. All stocks are valued at latest buying price which is not in line with the SORP, however, the difference is immaterial.

9. Support Services

- 9.1 The costs of the support services are allocated over services according to their usage by direct services with the exception of some corporate services which are allocated on the basis of net expenditure.

10. Pension arrangements

- 10.1 The Authority participates in three different pension schemes which meet the needs of employees. All schemes provide members with defined benefits relating to pay and service. Further details of the individual schemes can be found in the Notes to the Core Financial Statements. The costs of providing pensions for employees are charged to the accounts in accordance with the statutory requirements.

11. Leasing

- 11.1 The Authority has, on occasions, used operating leases to acquire vehicles as an alternative to capital financing. The rentals on the leases are charged to services in the Income and Expenditure Account. The Authority took the decision not to take out any further operating leases for operational vehicles in February 2004.

Statement of Accounting Policies

11.2 The Authority uses finance leasing as a method of financing some vehicles and equipment. The rentals paid are charged to the Income and Expenditure Account as finance costs (interest payable) and the capital written down as part of the appropriation to the Capital Adjustment Account in the Statement of Movement in General Fund Balance.

12. Specific Revenue Government Grants

12.1 Government grants for specific purposes are included in the accounts on the basis of the relevant percentage of expenditure and the total grant awarded for the year, depending on the grant conditions that apply. These grants are shown against the relevant service in the Income and Expenditure Account.

13. Capital Grants and Contributions

13.1 The Code of Practice provides for capital grants and contributions to be credited, initially to a Government grants deferred account. Amounts are released to revenue to offset the charges for depreciation on the revalued assets. The amount of each year's capital grants and contributions is released to revenue over the life of the assets.

14. Financial Instruments

14.1 In accordance with Financial Reporting Standard (FRS 26) long-term debtors, debtors, payments in advance and temporary lending are classified as loans and receivable financial instruments. Creditors, receipts in advance and temporary and long-term borrowing are classified as financial liabilities at amortised cost.

14.2 The Authority has not granted any soft loans.

Annual Governance Statement

1 Introduction and scope of responsibility

- 1.1 Hampshire Fire and Rescue Authority will ensure that its business is conducted in accordance with the law and proper standards; and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively. The Authority also has a duty (under the Local Government Act 1999) to make arrangements to secure continuous improvement in the way in which its functions are exercised through a combination of economy, efficiency and effectiveness.
- 1.2 The Authority must also ensure that there is in place 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 arrangements for the management of risk.
- 1.3 The Authority has approved and adopted a code of corporate governance which is consistent with the principles set out in '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).¹ This Annual Governance Statement explains how the Authority has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 for the publication of a statement on internal control.
- 1.4 The Statement has also been prepared to satisfy new guidance recently issued by CIPFA on the role of the 'chief financial officer'. This guidance is currently in the form of an interim 'application note' [issued in March 2010].
- 1.5 Good governance arrangements are the foundations on which the Authority establishes its policies and delivers its services to the community. The arrangements must be regularly reviewed 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.

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 accounts to, engages with and leads the community. 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 is designed to manage risk to a reasonable level. It cannot eliminate all risk of

¹ A copy of the relevant documents can be obtained on request from the Director of Corporate Services, Hampshire Fire and Rescue Service, Headquarters, Leigh Road, Eastleigh, Hampshire, SO50 9SJ.

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failure to achieve policies, aims and objectives. It provides only a reasonable, not an absolute, assurance of effectiveness. It is a continuous process that helps to evaluate the likelihood and impact of risks occurring and how they should be best controlled and mitigated.

2.3 The governance framework has been in place for the year ended 31 March 2010 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 largely on the outcomes of a detailed self-assessment of the Authority's governance arrangements. The assessment was based on the CIPFA/SOLACE 'good governance' framework and guidance. The full detail of this was first presented to the Governance Committee in June 2008. This has since been reviewed in the light of the additional requirements set out in the CIPFA's 'application note' on the role of the 'chief financial officer' (referred to above). The outcomes of the updated assessment are summarised in the following paragraphs. The headings used are the 'six core principles' taken from the CIPFA/SOLACE framework.

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

3.1.1 The Authority has a well-established corporate planning process. Key priorities, targets and objectives are set out in our 'Hampshire Fire and Rescue Plan'. It incorporates the Government's requirement to publish an 'Integrated Risk Management Plan (IRMP)'. This is the Authority's primary strategic plan. It covers a rolling three-year period and is rigorously reviewed and refreshed annually. The current issue of the Plan [covering the three years 2010/11 to 2012/13] includes a vision statement describing how we see the Authority delivering its services to our local communities in 2015. Our vision and all that we do is underpinned by the strap line "we make life safer". We promote this in all our publications and corporate branding.

3.1.2 The Plan sets out - for the benefit of all our stakeholders – our corporate priorities, objectives and other actions that the Authority will take. It shows how the Authority will respond to changes and challenges, identifies common aims with its partner organisations and sets priorities and targets for improvement. As part of this process we review annually the impact of the external environment in which we operate - identifying any new or emerging issues under our 'STEEPLE' analysis (i.e. examining the context in which we operate from the perspectives of 'Social', 'Technological', 'Economic', 'Environmental', 'Political', 'Legal', and 'Ethical' factors). Alongside this we review our 'Strengths, Weaknesses, Opportunities, and Threats' (a SWOT analysis). We take into account of any new or emerging issues that have been highlighted during the previous 12 months. This thorough review exercise is considered essential if our Plan is to remain dynamic and responsive to changing needs. We are progressively improving the way we use 'community risk intelligence' to ensure that our objectives focus on the diverse nature of risks in the communities we serve. A comprehensive programme of consultation with our various stakeholders helps to ensure that our plans take account of their

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needs and suggestions as we draft and refine our future plans and actions.

- 3.1.3 Because it is comprehensively reviewed each year, our Plan is able to take into account the outcomes of: a comprehensive programme of consultation with stakeholders; our performance results; the findings and recommendations of various reviews audits and assessments; and, external factors such as new or emerging local and national policies, expectations and initiatives. The corporate plan is approved by the full Authority at its February meeting when, importantly, the three-year revenue budget and capital programme is 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 our corporate objectives. It is supplemented by a number of medium-term functional or business plans which support and complement the various actions and activities. Group- and station-based action plans are also significant to the planning process to ensure what we do is right for local communities.
- 3.1.4 The Plan is available on the Authority's website together with current information on our actual performance against targets. It is also published in hard copy for circulation to key partners and staff. The Plan is supported by promotional activities and campaigns to ensure that the Authority's corporate aims and targets provide a cornerstone for all internal and external communication activities. As in the previous year, our Plan for 2010 to 2013 has been awarded a 'Crystal Mark' by the Plain English Campaign. This confirms our commitment to making it an accessible document.
- 3.1.5 The Plan sets out an ambitious programme of improvements in the way we deliver front-line services. Some of the actions involve conducting trials/pilot schemes during which we will further consult with the local community, key stakeholders and our staff to ensure that our proposals are sound and that we can be confident that they will deliver the anticipated improvements in service.
- 3.1.6 The Authority's staff appraisal arrangements (Personal Development Review System) continues to ensure that all personnel are fully aware and engaged in helping to achieve the Authority's corporate aims.
- 3.1.7 Effective performance management processes are in place to measure progress against objectives and to provide for remedial action where appropriate. The Authority has a good track record of monitoring its performance via the Performance Review and Scrutiny Committee. All performance indicators, both national and local, are clearly set out on the Authority's website and responsibility for monitoring each indicator is allocated to a member of the Service Management Team. Significant progress has been made over the last four years in strengthening performance management - notably in the continued development of our performance management information system. For the first time, we included - as a separate section within our corporate plan - an annual report of our performance for the previous financial year (2008/09). As well as providing easy to understand information and charts summarising our performance, it gave details from the Audit Commission's latest assessments on our use of resources and management of performance. This shared in the Crystal Mark for clarity and the use of plain English.

3.1.8 The financial management of the Authority is overseen by the Treasurer (who also fulfils the 'Section 151' officer role for the Authority) in conjunction with the Director of Corporate Services and the Chief Officer. 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. All are intended to be accurate, informative, timely and within statutory requirements. The Authority's Budget Book, which is available on our website, is summarised in the joint (multi-authority) council tax leaflet. A simplified budget statement for 2008/09 was also included in our corporate Plan.

3.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

3.2.1 We have a set of standing orders, codes of conduct for members and officers, and a protocol for member/officer relations. The Authority has a set of financial regulations and scheme of delegation to officers (both of which were significantly updated in 2004/05 and the Scheme of Delegation was amended in respect of handling minor estates matters in 2007). We plan to review and update these by the end of 2010/11. In addition, 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.

3.2.2 The role of Monitoring Officer is combined with that of Clerk. Working together with the Authority's Internal Auditor, effective working relationships have been maintained with both the Standards Committee and Governance Committee. The Standards Committee 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. The Governance Committee is responsible for monitoring, reviewing and reporting to the Authority the governance arrangements. The Treasurer is the Authority's designated Section 151 Officer. There are distinct advantages in having the roles of 'Monitoring Officer' and 'Section 151 Officer' performed by the Clerk and Treasurer who are not part of the Service's 'paid workforce'. It reduces the risk of potential conflicts of interest when the Service's senior officers are involved in external collaborative roles with other organisations.

3.2.3 In 2009/10, the Authority undertook a fundamental review of its committee structure, overseen and co-ordinated by the Governance Committee. In this process, each of the Authority's committees has considered its terms of reference, and proposed the changes felt necessary to ensure that these are fit for purpose in addressing present and future business requirements. The outcome of this process is a revised set of arrangements for delegation to committees that: (1) reflects changes in legislation and practice, and (2) ensures explicit provision is made for effective member involvement in strategic planning and scrutiny of performance, in relation to Service Plan priorities and the securing of better outcomes for local people. These changes were approved by the Authority in June 2010.

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3.2.4 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. It is not, however, a decision-making body. It also plays an important role in reviewing the detail of both our Strategic Risk Register and Improvement Planning Register.

3.2.5 The Authority, its standing 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 and financial services are provided through contracts for services (service level agreements) with Hampshire County Council. Over the last two years, the day-to-day management of these arrangements has been strengthened. These are underpinned by improved problem resolution (escalation protocols) and better documentation.

3.3 Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

3.3.1 The Authority operates in an open and transparent way. All its decisions are recorded and made available on our website. 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:

- Members and Officers Codes of Conduct
- Member/Officer relationship protocol
- Equality and diversity strategy and action plan
- Complaints procedure
- Reporting concerns at work (whistle-blowing policy)
- Anti-fraud and corruption policy
- Standing Orders governing the conduct of Authority business
- Financial Regulations
- Standing Orders relating to contracts
- Guidance (toolkit) on managing partnerships
- Performance management system
- Personal Development Review (appraisal) System
- A set of core values for staff and members (set out in our Plan).

3.3.2 The Standards Committee takes responsibility for the initial filtering of any complaints made against Members of the Authority. In 2009/10, no complaints against Members required investigation by the Standards Committee.

3.3.3 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.

3.3.4 In 2009/10 the Standards Committee has undertaken a number of initiatives to promote and maintain high standards of conduct. In particular:

- Members of the Committee have been trained in the procedures for

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assessment and review of complaints under the Members' Code of Conduct.

- The Committee has been briefed on developments in the ethical standards regime, and considered findings from research on the impact of local handling of complaints.
- The Committee has arranged for the Clerk to deliver update training for all Members of the Authority on developments in the Code of Conduct.
- The Committee has reviewed and refreshed the process for recruitment of independent members to the Committee. Independent Members assist in promoting public confidence in the work of the Standards Committee and in ensuring impartiality. They add value to the Committee's work by bringing additional experience to bear in the Committee's deliberations. The Committee has agreed a person specification and statement of requirements of the role that reflect modern needs.
- New independent members have been recruited to the Committee, in accordance with the updated process, following public advertisement.
- The Committee has enquired as to the arrangements for whistle-blowing within the Authority and ensured itself that these are effective.

3.3.5 The Standards Committee has confirmed its view that, in 2009/10, an overall high standard of ethical conduct has been maintained within the Authority.

3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

3.4.1 The Authority has a comprehensive Risk Management Policy and maintains a dynamic Strategic Risk Register. The Register is subjected to continual review which includes a quarterly review by the Service Management Team and twice-yearly review by the Corporate Management Team. The Register is presented annually to the Authority with any major changes highlighted. Reviews of Register are also regarded as a valuable part of our corporate planning process and helps us to prioritise actions in our corporate plan (and supporting plans). From 2010/11 the Governance Committee will take a more active role in reviewing the Policy and Register.

3.4.2 The Authority's Performance Review and Scrutiny Committee (PR&SC) has particular responsibility for overseeing improvement planning and reporting on performance. It monitors progress on implementing the outcomes and recommendations of 'best value' and other reviews. The Committee took on responsibility for the scrutiny function in 2008 and, with its wider terms of reference, now has the authority to request post-implementation and evaluation reviews of major projects and decisions. The Governance Committee has taken responsibility (from the PR&SC) for monitoring progress on the implementation of all agreed audit recommendations. The Governance Committee (established in 2004) 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 to be an example of best practice in our governance arrangements.

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3.4.3 External audit (undertaken by the Audit Commission) 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 Governance Committee at its meeting on 20 November 2009. It included a summary of the outcomes of the Use of Resources and Managing Performance assessments. It was a very positive and reassuring Letter with the conclusion:

“The key message from our assessment is that you continue to perform well. There is good evidence of beneficial outcomes for the community, strong partnership working, and some innovative practices. You are also able to demonstrate that best professional practice is being applied across all areas of business with generally effective and embedded processes.”

In the overall organisation assessment, we were judged to be ‘performing well’ with a score of ‘3’. In our overall direction of travel, we were considered to be ‘improving strongly’ with a score of ‘4’.

Of particular relevance is the Audit Commission’s comment:

“The Service has relevant and reliable data quality arrangements in place. All expected basic governance controls and processes are in place and there is a strong risk management culture supported by action plans which have successfully mitigated all significant risks.”

3.4.4 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 June meeting. The Statement of Accounts and Annual Governance Statement (this document) are considered by the Governance Committee at its June meeting. Procedures have been reviewed to ensure that the timetable for earlier completion of Final Accounts is achieved.

3.4.5 Our Property Management Strategy and Property Register have been enhanced by the implementation of a dynamic management information system that tracks buildings maintenance risks and needs identified in our three-year rolling programme of condition surveys.

3.4.6 The Authority has a well-established Health and Safety Policy (Service Order 8/1/1) which has been communicated widely to its staff. Comprehensive information and advice is available on our website. The Health and Safety Executive carried out a comprehensive assessment of our policies and practices in 2009. Overall, it was a positive report. An action plan to address the various recommendations has been agreed and progress implementation will be monitored by the Governance Committee.

3.4.7 As part of the (now abandoned) Comprehensive Area Assessment (CAA) an

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'Operational Assessment' was undertaken by an external peer-review team led by the Chief Fire Officer of Greater Manchester Fire and Rescue Authority. We found this assessment extremely valuable. Again, it provided very positive reassurance on the way we deliver our operational responsibilities and duties.

- 3.4.8 During 2009/10 our internal auditors carried out an assessment against the CIPFA guidance 'Managing the risk of fraud – actions to counter the risk of fraud and corruption' (known as 'Red Book 2'). Making an assessment against the criteria is considered to represent best practice for all public bodies. The assessment found that the Authority's current arrangements are generally effective, fit for purpose, and help to maintain a low incidence of fraud and corruption.

3.5 Developing the capacity and capability of members and officers to be effective

- 3.5.1 Members receive good induction training and a number of 'awareness' sessions on current topics 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 also 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.

- 3.5.2 In the Annual Audit and Inspection Letter (October 2009) made reference to this good practice by commenting:

"You recognise that member involvement can be enhanced through a good understanding of current and emerging issues, as well as knowledge of the Service's day-to-day procedures, initiatives, activities, vehicles and equipment. This is achieved through regular member 'briefing and awareness sessions', the Chief Officer's regular 'Members' Bulletin', and the new style 'Activity Report'."

- 3.5.3 Significant investment continues to be made in delivering training and development needs. The progress made in this area has been formally recognised by the achievement (in 2007/08) of the new, higher standard, Investors in People (IIP) accreditation. We were the first fire and rescue authority to achieve the new IIP higher standard. We are currently preparing for a re-assessment under the new 'gold', 'silver', 'bronze' awards.

3.6 Engaging with local people and other stakeholders to ensure robust public accountability

- 3.6.1 Details given in section 2.1 (above) demonstrate that the Authority is committed to engaging with the public and other stakeholders. Each year an extensive and tailored programme of consultation activities is undertaken (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

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diversity strategy and action plan. 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.

3.6.2 We have significantly improved our external and internal communications both through publications and use of our website. Last year we recognised, that we could do more to actively promote those documents and procedures that help to improve our governance and scrutiny arrangements. We will continue to promote more frequently our complaints procedure, whistle-blowing policy, and performance information. We now produce an annual performance report (as a section within our corporate plan) which uses simple, but effective, graphs to show our stakeholders trends against the outcome targets we set.

3.6.3 In March 2009 (as part of preparation for the 2011/12 to 2013/14 Plan) we undertook a significant staff consultation exercise called 'Project Engage'. The success of this initiative exceeded our expectations. Staff were asked to make suggestions on how the Authority should tackle five key challenges. Over 1,500 suggestions were made. At a follow-up one-day managers' conference, these suggestions were categorised and prioritised to help identify potential new corporate objectives.

4 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

4.1 The Statement (published in 2010) 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. These are that 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.
- Be professionally qualified and suitably experienced.

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

- Under the Hampshire Fire Services (Combination Scheme) Order 1996 which established the Authority, there is a requirement for the Authority to appoint a 'Treasurer and Section 151 Officer'. Since 1997 this appointment

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has been made under a service level agreement with Hampshire County Council. As mentioned in paragraph 3.2.2 above, we consider that there are distinct advantages in having the roles of both Clerk (also acting as 'Monitoring Officer') and Treasurer (also acting as the 'Section 151 Officer') undertaken by officers who are not part of the Service's paid workforce.

- This arrangement still provides the Authority with advisers who are directly involved in the day-to-day governance and financial management processes that operate within the Service. The Treasurer and Clerk are involved at a strategic management level. In particular, the Treasurer is involved in developing the medium-term financial strategy and plan. Both the Clerk and Treasurer attend meetings of the Authority and its Committees and senior management meetings within the Service.
- The Service employs a Director of Corporate Services who is responsible for leading the finance function (within the Service) and works closely with the Clerk and Treasurer to deliver sound financial management. The Director of Corporate Services is a member 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.

5 Actions we have taken to improve our governance arrangements

5.1 Based on the self-assessment carried out in 2009, the following list summarises the progress we have made on the key actions we said we would take to improve our governance arrangements and improve our levels of accountability to all our stakeholders.

- We continue to use the good governance self-assessment matrix as a dynamic document to check and record progress and assess compliance against the six principles of good corporate governance.
- All our staff (through 'Project Engage') have been actively involved in helping to identify future corporate objectives to meet the challenges we will face over the next few years.
- We continue to share good practice with other fire and rescue authorities. In 2009/10 we teamed-up with Devon and Somerset Fire and Rescue Authority to share good practice.
- 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 has earned the Authority reward money for meeting the ambitious targets developed under the Local Public Services Agreement. [Note: As part of the Government's cuts in public spending, the second instalment of the reward grant – worth over £0.5m – will not now be made].

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- We published a new-style annual report of our past performance as part of our Corporate Plan.
- Our accreditation under the 'ISO27001' for data security has been reassessed and we have been successful in retaining it.
- We have improved financial management training for our managers.

6 Actions we will take to further improve our governance arrangements

- 6.1 We will carry out another full self-assessment of our governance arrangements during 2010/11. To do this, we will use the updated CIPFA/SOLACE self-assessment matrix. This will be considered and approved by the Governance Committee and will form the basis of our 2010/11 Annual Governance Report.
- 6.2 We feel that we do not do enough to engage with parish councils and neighbourhood forums in developing our future plans, so will look to ways of improving this from 2010/11.
- 6.3 Similarly, we will seek to improve our links with the voluntary sector and business community – particularly during consultation on future objectives.

Signed: _____

Chairman

Signed: _____

Chief Officer

Date:

Date:

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 2009/10 were considered and approved at the Governance Committee meeting on 29 June 2010.

Cllr. R. McIntosh
Chairman – Governance Committee
29 June 2010

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 CIPFA/LASAAC 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 2010 and its income and expenditure for the year ended 31 March 2010.

Carolyn Williamson CPFA
Treasurer
14th September 2010

Opinion on the accounting statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Hampshire Fire and Rescue Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Hampshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the

Auditor's Report to Hampshire Fire and Rescue Authority

accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied, and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

Auditor's Report to Hampshire Fire and Rescue Authority

- The firefighters' pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency, and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Hampshire Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Auditor's Report to Hampshire Fire and Rescue Authority

Signature: K. L. Handy

Date: 27th September 2010

Kate Handy
Officer of the Audit Commission
Collins House,
Bishopstoke Road
Eastleigh
Hampshire

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outcome on the Income and Expenditure Account and the General Fund Balance.

2008/09		2009/10
£'000		£'000
28,744	Deficit for the year on the Income and Expenditure Account	17,856
-28,230	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see following statement)	-18,370
<u>514</u>	Increase (-)/Reduction in General Fund Balance for the year	<u>-514</u>
-2,000	General Fund Balance brought forward	-1,486
<u>-1,486</u>	Balance on General Fund carried forward	<u>-2,000</u>

Reconciling items in the Statement of Movement on the General Fund Balance

The statement below breaks down the amounts required by statute or non-statutory proper practices to be debited or credited to the General Fund in the year. It summarises the outturn on the Income and Expenditure Account and the General Fund Balance.

<u>2008/09</u> <u>£'000</u>		Note	<u>2009/10</u> <u>£'000</u>	<u>£'000</u>
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year				
-11,938	Depreciation, amortisation and impairment of fixed assets	9	-2,582	
9	Deferred Government Grants released	29	10	
227	Loss (-) / gain (+) on sale of fixed assets	8	-55	
-26,439	Net charges made for retirement benefits in accordance with FRS 17	3	-26,643	
	Net collection fund adjustment	30.8	129	
<u>-38,141</u>			<u>-29,141</u>	
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year				
554	Statutory provision for repayment of debt		602	
980	Capital expenditure financed from the General Fund	10.2	1,084	
7,159	Employer contributions payable to the Pension Account, Local Government Pension Scheme and retirement benefits payable direct to pensioners	3	6,963	
<u>8,693</u>			<u>8,649</u>	
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year				
1,218	Net transfers to /from (-) earmarked reserves	30.9	2,122	
<u>-28,230</u>	Net additional amount required to be credited to the General Fund Balance for the year		<u>-18,370</u>	

Statement of Recognised Gains and Losses

This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09			2009/10
£'000		note	£'000
-28,744	Deficit for the year on the Income and Expenditure Account		-17,856
4,275	Surplus arising from the revaluation of fixed assets	9	2,017
-31,660	Actuarial gains/losses on pension fund assets and liabilities	3	-96,630
356	Adjustment to prior year depreciation	9	0
0	Adjustment to prior year asset base	9	-470
5	Release of grant on asset sold	30.5	
	Opening adjustment for council tax accrual	30.8	409
-55,768	Total recognised losses for the year		-112,530

Balance Sheet

31 March 2009		Note	31 March 2010	
£'000			£'000	£'000
	Long Term Assets			
	Fixed assets :	9		
3,089	Authority dwellings		1,331	
87,103	Other land and buildings		88,361	
7,836	Vehicles, plant and equipment		10,179	
1,875	Work in Progress		941	
1,480	Non-operational assets		1,480	
<u>101,383</u>	Total fixed assets			102,292
13	Long-term debtors	19	2	
101,396	Total long term assets			102,294
	Current Assets			
551	Stocks	17	565	
539	Debtors - general	20	2,462	
890	Payments in advance	21	766	
0	Temporary Lending	22	2,153	
8	Imprests		7	
289	FRAML's Cash Holding	31	0	
<u>2,277</u>	Total current assets		5,953	
	Current Liabilities			
-2,130	Creditors	23	-3,176	
-717	Receipts in advance	24	-483	
-2,668	Temporary Borrowing	22	-52	
<u>-5,515</u>	Total current liabilities		-3,711	
-3,238	Net current (liabilities) or assets			2,242
98,158	Total assets plus net current (liabilities)/assets			104,536
	Long term liabilities			
-6,592	Long term borrowing	25	-7,450	
-443	Deferred government grants and contributions	29	-1,701	
-148	Provisions	2	-630	
-7,183	Total long term liabilities			-9,781
15,350	Assets relating to defined benefit pension scheme	3.6	22,130	
-400,600	Liabilities relating to defined benefit pension schemes	3.4	-523,690	-501,560
<u>-294,275</u>	Total Net Assets			<u>-406,805</u>
	Financed by :	30		
385,250	Pensions reserve			501,560
-5,005	Revaluation reserve			-6,923
-82,301	Capital Adjustment account			-80,046
0	Collection Fund Adjustment account			-538
-303	Usable capital receipts reserve			-1,246
-1,880	Earmarked reserves			-4,002
-1,486	Revenue account			-2,000
<u>294,275</u>				<u>406,805</u>

Cash Flow Statement

	Note	2008/09 £'000	2009/10 £'000
Revenue Activities			
Cash outflows			
Cash paid to and on behalf of employees		51,546	51,371
Other operating costs		13,380	11,586
		<u>64,926</u>	<u>62,957</u>
Cash inflows			
Cash received for goods and services		-759	1,194
Specific Government Grant		-1,196	-1,705
Precepts		-36,364	-37,949
Revenue Support Grant		-3,450	-5,384
National Business Rates		-24,786	-23,326
Rents		-106	-120
Return of FRAML start-up capital		0	-282
Other income		-596	-344
		<u>-67,257</u>	<u>-67,916</u>
Net cash inflow/outflow from revenue activities	32.1	-2,331	-4,959
Returns on Investments and Servicing of Finance			
Cash outflow			
Interest paid		373	353
Cash inflow			
Interest received		-10	-9
Net cash outflow/inflow (-) from Servicing of Finance		363	344
Capital Activities			
Cash outflows			
Purchase of fixed assets		3,024	3,378
		<u>3,024</u>	<u>3,378</u>
Cash inflows			
Sale of fixed assets		-916	-1,378
Capital Deposits received			-10
Capital Grant		0	-1,192
Capital Contribution		-35	-95
		<u>-951</u>	<u>-2,675</u>
Net cash outflow from capital activities		2,073	703
Net cash outflow/inflow before financing		105	-3,912
Management of Liquid Resources			
Net increase/decrease in short term deposits		0	2,153
Financing			
Cash outflows			
Repayments of amounts borrowed		0	0
Cash inflows			
New long term loans		-600	-858
New short term loans		496	2,616
Decrease / increase in cash	32	<u>1</u>	<u>-1</u>
	32.2		

Notes to the core financial statements

1 Prior period adjustments

1.1 There are no prior period adjustments for 2009/10.

2 Provisions

2.1 The Authority holds two provisions.

2.2 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.

2.3 The movement on this provision can be summarised as follows:

	2008/09	2009/10
	£'000	£'000
Balance as at 1 April	38	53
Payments made during the year	-2	-28
Increase/decrease (-) made during the year	+17	+120
Balance as at 31 March	53	145

2.4 The second is a new provision and 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. A provision of £485,000 has been established to cover these costs.

3 Retirement benefits

Participation in pension schemes

3.1 As part of the terms and conditions of employment of its employees, the Authority offers retirement 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.

3.2 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

Notes to the core financial statements

funded 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

- the Firefighters' Pension Scheme (FPS) for firefighters. This is an unfunded scheme, meaning that there is 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.

Revenue Transactions relating to retirement benefits

- 3.3 The cost of retirement 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. The charge made against the council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the general Fund Balance during the year:

Notes to the core financial statements

2008/09	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income and Expenditure Account						
<i>Net cost of services:</i>						
• Current service cost	970	4	7,030	730	0	8,734
• Past service cost	0	0	0	0	0	0
• Adjustment for difference in actual and assumed contributions and benefits paid	-42	0	-5,693	+1,036	-256	-4,955
<i>Net operating expenditure:</i>						
• Interest cost	1,650	0	21,490	120	610	23,870
• Expected return on assets in the scheme	-1,210	0	0	0	0	-1,210
<i>Net charge to the Income and Expenditure Account</i>	1,368	4	22,827	1,886	354	26,439
Statement of Movement in the General Fund Balance						
• Reversal of net charges made for retirement benefits in accordance with FRS 17	-140	0	-17,740	-1,400	0	-19,280
Actual amount charged against the General Fund Balance for pensions in yr:						
• Added years contributions	0	-4	0	0	0	-4
• Employers' contributions	-1,228	0	-4,869	-486	0	-6,583
• Retirement benefits paid to pensioners	0	0	-218	0	-354	-572
<i>Sub total – actual amount charged against the General Fund Balance for pensions in yr:</i>	-1,228	-4	-5,087	-486	-354	-7,159
Net effect on budget requirement	0	0	0	0	0	0

Notes to the core financial statements

2009/10	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income and Expenditure Account						
<i>Net cost of services:</i>						
• Current service cost	1,180	4	6,360	770	0	8,314
• Past service cost	0	0	20	0	0	20
• Adjustment for difference in actual and assumed contributions and benefits paid	22	0	-8,437	1,133	-129	-7,411
<i>Net operating expenditure:</i>						
• Interest cost	1,870	0	23,810	220	720	26,620
• Expected return on assets in the scheme	-900	0	0	0	0	-900
<i>Net charge to the Income and Expenditure Account</i>	2,172	4	21,753	2,123	591	26,643
Statement of Movement in the General Fund Balance						
• Reversal of net charges made for retirement benefits in accordance with FRS 17	-720	0	-17,190	-1,550	-220	-19,680
Actual amount charged against the General Fund Balance for pensions in yr:						
• Added years contributions	0	-4	0	0	0	-4
• Employers' contributions	-1,452	0	-4,627	-573	0	-6,652
• Retirement benefits paid to pensioners	0	0	+64	0	-371	-307
Sub total – actual amount charged against the General Fund Balance for pensions in yr:	-1,452	- 4	-4,563	- 573	- 371	-6,963
Net effect on budget requirement	0	0	0	0	0	0

Notes to the core financial statements

Assets and liabilities in relation to retirement benefits

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

2008/09	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	23,840	40	317,900	1,160	9,240	352,180
Current service cost	970	0	7,030	730	0	8,730
Interest cost	1,650	0	21,490	120	610	23,870
Contributions by scheme participants	470	0	2,520	380	0	3,370
Actuarial gains and losses	1,730	0	23,010	130	1,780	26,650
Net benefits paid out	-460	0	-13,300	170	-610	-14,200
Past service costs	0	0	0	0	0	0
31 March	28,200	40	358,650	2,690	11,020	400,600
2009/10	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	28,200	40	358,650	2,690	11,020	400,600
Current service cost	1,180	0	6,360	770	0	8,310
Interest cost	1,870	0	23,810	220	720	26,620
Contributions by scheme participants	510	0	2,400	440	0	3,350
Actuarial gains and losses	6,790	10	90,060	2,280	1,870	101,010
Net benefits paid out	-440	0	-15,400	120	-500	-16,220
Past service costs	0	0	20	0	0	20
31 March	38,110	50	465,900	6,520	13,110	523,690

Notes to the core financial statements

Added years and early retirements

3.5 In accordance with the BVACOP the additional pension costs for added years and early retirements are not charged to individual services. They are aggregated as non-distributed costs.

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

	2008/09	2009/10
	£000	£000
1 April	17,870	15,350
Expected return on assets	1,210	900
Actuarial gains and losses	-5,010	4,380
Employer contributions	1,270	1,430
Contributions by scheme participants	470	510
Net benefits paid out	-460	-440
31 March	15,350	22,130

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

3.8 The actual return on assets in the year was £5,280,000 (£3,080,000 in 2008/09).

Notes to the core financial statements

History of retirement scheme deficits

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

31 March 2006*	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	-23,380	-	-347,480	-	-	-370,860
Fair value of assets	15,240	-	0	-	-	15,240
Net deficit in scheme	-8,140	-	-347,480	-	-	-355,620
31 March 2007 (as restated)	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	-25,290	-	-354,040	-160	-	-379,490
Fair value of assets	17,040	-	0	0	-	17,040
Net deficit in scheme	-8,250	-	-354,040	-160	-	-362,450
31 March 2008 (as restated)	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	-23,840	-40	-317,900	-1,160	-9,240	-352,180
Fair value of assets	17,870	0	0	0	0	17,870
Net deficit in scheme	-5,970	-40	-317,900	-1,160	-9,240	-334,310

Notes to the core financial statements

31 March 2009	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'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	-12,850	-40	-358,650	-2,690	-11,020	-385,250
<hr/>						
31 March 2010	LGPS - funded	LGPS - unfunded	FPS	NFPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'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	-15,980	- 50	-465,900	-6,520	-13,110	-501,560

* The Authority has elected not to restate fair value of scheme assets for period ending 2006 as permitted by FRS 17 (as revised) and are shown at mid-market value. Asset values previously measured at mid-market value for periods ending 2007 and 2008 have been re-measured for this purpose.

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

- 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.

Basis for estimating Assets and Liabilities

3.11 Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of pensions that will be payable in

Notes to the core financial statements

future years dependent on assumptions about mortality rates, salary levels etc.

- 3.12 All schemes have been assessed by an independent actuary, Hewitt, Bacon and Woodrow Limited against a formal actuarial valuation as at the following dates:

Scheme	Date
Local Government Pension Scheme - funded	31 March 2007
Local Government Pension Scheme - unfunded	31 March 2009
Firefighters' Pension Scheme	31 March 2008
New Firefighters' Pension Scheme	31 March 2008
Firefighters' Injury and Ill-Health Pensions	31 March 2009

- 3.13 The main financial assumptions in their calculations have been:

	2008/09 (%)	2009/10 (%)
Inflation - Firefighter schemes	3.4	3.65
Inflation – LGPS schemes	3.6	3.65
Rate of general increase in salaries - Firefighters	4.9	5.15
Rate of general increase in salaries - LGPS	5.1	5.15
Rate of increase to pensions in payment - Firefighters	3.4	3.65
Rate of increase to pensions in payment - LGPS	3.6	3.65
Rate of increase to deferred pensions - Firefighters	3.4	3.65
Rate of increase to deferred pensions - LGPS	3.6	3.65
Proportion of LGPS employees opting to take a commuted lump sum :		
for pre 2008 service	25	25
for post 2008 service	75	75
Discount rate - Firefighters	6.7	5.5
Discount rate - LGPS	6.5	5.5

Notes to the core financial statements

Long-term expected rate of return on equities	7.0	8.0
Long-term expected rate of return on property	6.0	8.5
Long-term expected rate of return on Gov't bonds	4.0	4.5
Long-term expected rate of return on corporate bonds	5.8	5.5
Long-term expected rate of return on cash	1.6	0.7
Long-term expected rate of return on other assets	1.6	8.0
Average long-term expected rate of return	5.7	6.7

3.14 The principal demographic assumptions concerning post retirement mortality are:

LGPS schemes

Males:	31 March 2009	31 March 2010
Base table (in 2007)	PNMA00 with allowance for MC improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007
Scaling to above base table rates	110%	110%
Cohort improvement factors (from 2007)	80% of LC	80% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	22.2	22.3
Future lifetime from age 65 (currently aged 45)	24.5	24.7
Females:		
Base table (in 2007)	PNFA00 with allowance for MC improvement factors to 2007	PNFA00 with allowance for MC improvement factors to 2007
Scaling to above base table rates	110%	110%
Cohort improvement factors (from 2007)	60% of LC	60% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	24.2	24.3

Notes to the core financial statements

Future lifetime from age 65 (currently aged 45)	26.4	26.5
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Firefighter schemes

Males:	31 March 2009	31 March 2010
Base table	S1NMA	S1NMA
Scaling to above base table rates	100%	100%
Cohort improvement factors	80% of LC	80% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	22.0	22.1
Future lifetime from age 65 (currently aged 45)	24.3	24.4
Females:		
Base table (in 2007)	S1NFA	S1NFA
Scaling to above base table rates	100%	100%
Cohort improvement factors (from 2007)	60% of LC	60% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	24.1	24.2
Future lifetime from age 65 (currently aged 45)	26.4	26.4

Pension Scheme Assets

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

	31 March 2009	31 March 2010
	%	%
Equities	55	61
Property	7	6
Government bonds	28	25
Other assets	10	8
Total	100	100

Notes to the core financial statements

History of experience gains and losses

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

	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Local Government Pension Scheme - funded	-	-20	-510	-50	150
Local Government Pension Scheme - unfunded	-	-	-	-	-
Firefighters' Pension Scheme	16,200	-950	-1,000	-32,470	6,020
New Firefighters' Pension Scheme	-	-	-	-290	0
Injury Pensions	-	-	-90	-2,110	370

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

	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Local Government Pension Scheme - funded	1,980	-20	-1,630	-5,010	4,380
Local Government Pension Scheme - unfunded	-	-	-	-	-

3.18 In accordance with paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for periods ending 2007 and 2006 and includes the experience relating to unfunded liabilities.

3.19 Actuarial gains and losses

3.20 The actuarial gains and losses identified as movements on the Pensions Reserve and recognised in the Statement of Recognised Gains and Losses were as follows:

Notes to the core financial statements

	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Local Government Pension Scheme - funded	190	290	2,960	-6,740	-2,410
Local Government Pension Scheme - unfunded	0	0	-10	0	-10
Firefighters' Pension Scheme	-16,750	2,180	54,760	-23,010	-90,060
New Firefighters' Pension Scheme	-	9	410	-130	-2,280
Injury Pensions	-	-	1,240	-1,780	-1,870
Total	-16,560	2,479	59,360	-31,660	-96,630

4 Members' allowances

- 4.1 Under the Local Authorities (Members' Allowances) Act 2003 the Authority is required to make a scheme for the payments of certain allowances to Members. In 2009/10 £129,000 was paid to Members under this scheme (£127,000 in 2008/09).

5 Officers' remuneration

- 5.1 The number of employees, including Senior Officers, whose remuneration excluding pension contributions, was £50,000 or more is set out below. This excludes non-taxable expenses reimbursed through payroll. The 2008/09 figures have been restated so that they now exclude these expenses.

Total remuneration	Number of Employees	
	2008/09	2009/10
£50,000 - £54,999	28	23
£55,000 - £59,999	11	17
£60,000 - £64,999	4	8
£65,000 - £69,999	2	5
£70,000 - £74,999	0	0
£75,000 - £79,999	1	0
£80,000 - £84,999	2	2
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	1	0
£100,000 - £104,999	3	1
£105,000 - £109,999	0	4

Notes to the core financial statements

£110,000 - £114,999	2	0
£115,000 - £119,999	0	1
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	1	1
£145,000 - £150,000	0	0
Total	55	62

5.2 The following table sets out further details of the remuneration disclosures for the Senior Officers who have are included in the above table:

2008/09

	Salary	Benefits in kind (e.g. car allowance)	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
	£	£	£	£	£
Chief Officer -John Bonney	141,394	405	141,799	30,106	171,905
Director of Service Delivery	112,791	-	112,791	24,085	136,876
Director of Strategic Projects and Specialist Response	112,863	1,483	114,346	-	114,346
Director of Corporate Services	103,347	-	103,347	18,706	122,053
Director of Human Resources	103,347	1,266	104,613	18,706	123,319

Notes to the core financial statements

2009/10

	Salary	Benefits in kind (eg car allowance)	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
	£	£	£	£	£
Chief Officer -John Bonney	143,182	75	143,257	30,482	173,739
Director of Service Delivery	114,733	1,638	116,371	24,385	140,756
Director of Strategic Projects and Specialist Response	104,898	-	104,898	-	104,898
Director of Corporate Services	105,254	47	105,301	19,577	124,878
Director of Human Resources	105,254	2,645	107,899	19,577	127,476

6 Related Party Transactions

6.1 The following Government grants were received during the year:

	2008/09	2009/10
	£'000	£'000
General government grants (RSG and NDR)	28,236	28,710
Other specific revenue grants	1,196	1,705
Capital grants	0	1,192
Total	29,432	31,607

Notes to the core financial statements

6.2 The statement below sets out further details of the capital grants:

	2008/09	2009/10
	£'000	£'000
CLG – Capital priorities	0	881
CLG – Equalities and diversity	0	35
LPSA2 – Capital reward grant HCC	0	256
LPSA2 – Capital reward grant PCC	0	20
Total	0	1,192

6.3 The Treasurer is also the County Treasurer of Hampshire County Council.

The Authority's daily cash surplus or deficit is pooled with that of the County Council and interest is paid based on the average 7 day rate. The total interest received was £0 (£1,000 in 2008/09) and the balance of £2,153,000 temporarily invested as at 31 March 2010 (nil on 31 March 2009). This is shown in the balance sheet under Temporary Lending.

6.4 The total interest paid was £8,000 (£74,000 in 2008/09) and the balance temporarily borrowed from HCC as at 31 March 2010 was £0 (£2,668,000 on 31 March 2009). This is included in the balance sheet under Temporary Borrowing.

6.5 The Board of Directors of the Fire and Rescue Authorities' Mutual Limited (FRAML) comprises representatives from the member fire authorities as well as independent specialists. The Director of Corporate Services is the Chairman of FRAML and on the Board of Directors. The company ceased trading in April 2008 and is in the process of being wound up.

6.6 During the year there were no further related party transactions involving Members or Chief Officers of the Authority.

7 Disclosure of audit costs

7.1 In 2009/10 the Authority paid the following fees to the Audit Commission for external audit and inspection:

Notes to the core financial statements

	2008/09	2009/10
	£'000	£'000
External audit services	82	82
Statutory inspection	0	0
Grant claims and returns	0	0
Other services	0	0
Total	82	82

8 Net gain(-) / loss(+) on disposal of assets

8.1 The following statement shows the analysis of the net surplus on the disposal of assets:

	2008/09	2009/10
	£000	£000
Sale proceeds	-916	-1,378
Less net book value of assets sold	689	1,433
Costs of sale	10	15
Gain(-) / loss(+) on sale charged to the Income and Expenditure Account	- 217	70

8.2 The sale proceeds in 2008/09 reflects a £10,000 discount given to a firefighter who bought his home as part of the Authority's decision to sell its dwellings following the change in crewing arrangements at certain fire stations.

Notes to the core financial statements

9 Summary of capital expenditure and fixed asset disposals

9.1 The movement in fixed assets during the year was as follows:

	Dwellings	Other land and build's	Vehicles and equip't	Non-op prop's	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2009	3,276	102,354	16,309	1,480	1,875	125,294
Additions	0	611	1,859	0	908	3,378
Donations	0	0	0	0	0	0
Disposals	-1,330	0	-1,271	0	0	-2,601
Reclassifications	0	31	1,811	0	-1842	0
Revaluations	0	902	0	0	0	902
Asset adj re prior yrs	-470	0	0	0	0	-470
At 31 March 2010	1,476	103,898	18,708	1,480	941	126,503
Depreciation and Impairments						
At 1 April 2009	187	15,252	8,473	0	0	23,912
Charge for 2009/10	42	1,373	1,140	0	0	2,555
Disposals	-84	0	-1,084	0	0	-1,168
Reclassifications	0	0	0	0	0	0
Revaluations	0	-1,115	0	0	0	-1,115
Impairments	0	27	0	0	0	27
At 31 March 2010	145	15,537	8,529	0	0	24,211
Balance Sheet amount at 31 March 2010	1,331	88,361	10,179	1,480	941	102,292
Balance Sheet amount at 1 April 2009	3,089	87,103	7,836	1,480	1,875	101,383
Nature of asset holding						
Owned	1,331	88,361	10,031	1,480	941	102,144
Finance lease	0	0	148	0	0	148
Total:	1,331	88,361	10,179	1,480	941	102,292

Notes to the core financial statements

10 **Capital spending and financing**

10.1 Capital spending on fixed assets was as follows:

Capital expenditure	2008/09	2009/10
	£'000	£'000
Land	0	0
Construction work	1,234	766
Vehicles and equipment	1,628	2,231
Fees and salaries	162	381
Total	3,024	3,378

10.2 Capital spending was financed as follows:

Capital financing	2008/09	2009/10
	£'000	£'000
Capital receipts	613	435
Revenue Contributions – budgeted	980	1,084
Revenue contributions – capital payments reserve	0	0
Supported borrowing	1,396	559
Unsupported borrowing	0	0
Capital contributions	35	95
Capital grants	0	1,174
Finance lease	0	31
Total	3,024	3,378

Notes to the core financial statements

11 Capital commitments

11.1 The Authority has authorised expenditure in future years under its capital programme of £5,255,000 of which £3,878,000 is contracted.

	Expenditure approved and contracted as at 31 March 10	Expenditure approved but not contracted at 31 March 10
	£'000	£'000
2009/10 vehicles	1,048	275
Winchester Fire Station	2,585	846
Other schemes	245	256
Total	3,878	1,377

12 Non-financial information on assets held

12.1 The table below sets out further details on the assets held as at 31 March.

	2008/09	2009/10
Dwellings		
Number of houses	14	7
Other land and buildings		
Number of fire stations	52	51
Total floor area (sq M)	44,546	44,370
Vehicles		
Number of vehicles owned	193	230

13 Assets held under finance leases

13.1 In 2009/10 the Authority acquired vehicles through finance lease arrangements. These related to vehicles previously operationally leased by the Authority. No finance lease arrangements were entered into in 2008/09.

Notes to the core financial statements

13.2 The rentals payable under these arrangements in 2009/10 were £69,000 (£59,000 in 2008/09), charged to the Income and Expenditure Account as £15,000 finance costs (debited as interest payable) and £54,000 relating to the write-down of obligations to the lessor (debited as part of the appropriation to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance).

13.3 The following values of assets are held under finance leases by the Authority, accounted for as part of Tangible Fixed Assets (vehicles, plant and equipment):

	£'000
Value as at 1 April 2009	166
Additions	31
Revaluations	0
Depreciation	-49
Disposals	0
Value as at 31 March 2010	148

13.4 Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010 are as follows:

	£'000
Obligations payable in 2010/11	49
Obligations payable between 2011/12 and 2015/16	69
Obligations payable after 2015/16	0
Total liabilities at 31 March 10	118

13.5 At 31 March 2010 the Authority had not signed any leases for vehicles or equipment where payments had not started.

Notes to the core financial statements

14 Assets held under operational lease

14.1 The following table sets out the operational lease payments that have been made. The figures now include contributions from employees in respect of leased cars and the 2008/09 figures have been restated to include these.

	2008/09	2009/10
	£'000	£'000
Vehicles	697	595
Employee leased cars	330	342
Photocopiers	12	13
Total	1,039	950

14.2 The Authority is committed to make payments totalling £848,000 in 2010/11 (£790,000 in 2009/10) for operational leases which expire over the following timescales:

	2009/10	2010/11
	£'000	£'000
During 2010/11	96	378
Between 2011/12 – 2014/15	503	321
After 2014/15	191	149
Total	790	848

15 Valuation information

15.1 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.

15.2 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.

Notes to the core financial statements

	Dwellings	Other land and buildings	Vehicles, plant and equipment	Non- operational assets
	£'000	£'000	£'000	£'000
Valued at historic cost			10,179	
Valued at current value in:				
2005/06	673	10,743	0	1,480
2006/07	0	10,882	0	0
2007/08	658	5,386	0	0
2008/09	0	56,462	0	0
2009/10	0	5,900	0	0
Total	1,331	89,373	10,179	0

16 Depreciation

16.1 Depreciation charges are made on all fixed assets other than land and non-operational assets in line with FRS 15.

16.2 Depreciation is calculated on a straight line basis over the useful economic lives of the assets. In the case of permanent buildings a provisional average residual life has been assumed of 25 years for building components and 100 years for other parts of the building. Furniture and equipment is assumed to have a life of ten years and vehicles between 10 and 15 years.

16.3 No change in the depreciation methodologies were made during the year.

17 Stocks

17.1 The balance is made up of the following stocks held:

Notes to the core financial statements

	31 March 2009	31 March 2010
	£'000	£'000
Uniforms	246	274
Equipment	86	65
Workshops	118	114
Fuel	27	40
Hydrants	5	7
Memorabilia	5	5
Foam	37	39
Stationery	17	10
First Aid	3	1
HFSV Equipment	2	3
Business Forms	4	3
Leaflets	1	4
Total	551	565

18 Financial Instruments

18.1 In accordance with Financial Reporting Standard (FRS 26) long-term debtors, debtors, payments in advance and temporary lending are classified as loans and receivable financial instruments. Creditors, receipts in advance and temporary and long-term borrowing are classified as financial liabilities at amortised cost. An assessment of the associated risks is given in the notes below.

19 Long term debtors

19.1 These represent the car loans to staff and repayments due from staff under the cyclescheme of £2,000 in 2009/10 (£13,000 in 2008/09). They attract a market rate of interest for a period of less than five years. 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.

Notes to the core financial statements

20 Debtors

20.1 Receipts are due within one year without interest and as such the fair value of receivables equals the original invoice amount. The total amount in 2009/10 has not been reduced in accordance with the requirements of FRS 26 (impairments) 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 is required for either 2008/09 or 2009/10.

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

	2008/09	2009/10
	£'000	£'000
Government departments	102	137
Other local authorities	0	1,612
Sundry debtors	437	713
Total	539	2,462

20.3 The reason for the increase in the other local authority debtors balance is the introduction of the accounting for council tax collection fund balances by precepting authorities.

21 Payments in advance

21.1 This balance mainly represents the proportion of operational leasing payments made that relate to 2010/11 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 2010/11.

22 Temporary lending and borrowing

22.1 These balances mainly represent the money lent to/borrowed from Hampshire County Council.

22.2 The temporary lending balance is lent on a daily basis to the County Council and as such the loan amount is a reasonable assessment of fair value. Any temporary borrowing is also on a daily basis and therefore the amortised value in the balance sheet is also reasonable assessment of fair value.

22.3 The temporary borrowing balance also includes, for the first time from 2009/10, accrued interest due to the Public Works Loans Board. This amounts to £52,000 as at 31 March 2010.

Notes to the core financial statements

23 Creditors

23.1 The Authority's policy is to pay creditors within 10 days of the date shown on the invoice. As such, the invoice amount is a reasonable assessment of the fair value of the financial liability.

23.2 The creditors balance on the balance sheet can be further analysed as amounts due to:

	2008/09	2009/10
	£'000	£'000
Government departments	990	978
Other local authorities	19	1,168
Sundry creditors	1,121	1,030
Total	2,130	3,176

23.3 The reason for the large increase in the other local authorities creditor balance is the introduction of the accounting for the council tax collection fund balances by precepting authorities.

24 Receipts in advance

24.1 The balance shown mainly represents funding for some local fire initiatives.

24.2 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.

25 Long-term borrowing

25.1 The Authority has 19 fixed rate long-term loans all from the Public Works Loan Board (PWLb). The interest rates payable range from 3.97% to 5.875%.

Notes to the core financial statements

25.2 The statement below sets out the maturity profile:

	31 March 09	31 March 09	31 March 10
	(including accrued interest)		
	£'000	£'000	£'000
Between 1 and 10 years	0	0	100
Between 10 and 15 years	2,811	2,800	3,050
Between 15 and 20 years	452	450	100
Between 20 and 25 years	2,472	2,450	2,750
More than 25 years	857	850	1,450
Total	6,592	6,550	7,450

25.3 Long term borrowing is carried in the balance sheet at amortised cost. Their fair value has been assessed by the PWLB by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using premature repayment interest rates.

25.4 The fair values of PWLB loans have been calculated as follows:

	As at 31 March 2009 (including accrued interest)	As at 31 March 2009	As at 31 March 2010
	£'000	£'000	£'000
Carrying amount	6,592	6,550	7,450
Fair value	7,417	7,417	7,840

25.5 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.

Notes to the core financial statements

26 Credit risk.

26.1 Credit risk arises from deposits with banks and financial institutions. As any surplus cash is temporarily invested with the County Council, the Authority is therefore exposed to minimal risk.

27 Liquidity risk

27.1 As the Authority has ready access to borrowings through the PWLB there is no significant risk that it 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.

27.2 The Authority mitigates this risk by its policy of taking out its long-term borrowing requirements reasonably evenly from one year to the next. In real terms the value of the debt will be substantially eroded through the remainder of its term by inflation.

28 Market risks

Interest rate risk

28.1 The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates could have an impact on the Authority. For instance, a rise in interest rates would have the following effects:

- The cost of temporary borrowing at variable rates would increase
- The fair value of borrowings at fixed rates would fall
- The interest income from any temporary lending to the County Council credited to the income and expenditure account would rise.

28.2 Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the income and expenditure account or the statement of recognised gains and losses. However, changes in interest payable and receivable on variable rate temporary borrowing and lending will be charged to the income and expenditure account and affect the general balance pound for pound.

Foreign exchange risk

28.3 The Authority has no financial asset or liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Notes to the core financial statements

29 Deferred Government grants and contributions

29.1 This account contains the external grants and contributions that have been used to finance capital expenditure. It is adjusted for depreciation (written down) to offset depreciation charges generated by the relevant assets, and when these assets are sold.

29.2 The movement on the account can be summarised as follows:

	2008/09	2009/10
	£'000	£'000
Balance 1 April	-421	-443
Financing of expenditure in the year	-35	-1,269
Less release of grants resulting from the depreciation and disposal of assets	+13	+11
Balance at 31 March	-443	-1,701

Notes to the core financial statements

30 Reserves

30.1 The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans:

Reserve	Balance 1 April 09 £'000	Movement in year £'000	Balance 31 March 10 £'000	Purpose of reserve	See also note
Pensions reserve	385,250	116,310	501,560	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	3
Revaluation reserve	-5,005	-1,918	-6,923	Store of gains on revaluation of fixed assets not yet realised through sales	30.2
Capital adjustment account	-82,301	+2,255	-80,046	Store of capital resources set aside to meet past expenditure	30.4
Useable capital receipts reserve	-303	-943	-1,246	Proceeds of fixed asset sales available to meet future capital investment	30.6
Collection fund adjustment account	0	-538	-538	Account which reverses the impact of the Council Tax accrual on the general fund	30.8
Revenue account	-1,486	-514	-2,000	Resources available to meet future running costs	
Earmarked Reserves	-1,880	-2,122	-4,002	Various	30.9
Total	294,275	112,530	406,805		

Notes to the core financial statements

Revaluation reserve

30.2 The revaluation reserve stores gains on the revaluation of fixed assets (since 1 April 2007) not yet realised through sales. Losses are charged to the income and expenditure account. The reserve, together with the capital adjustment account, is matched by fixed assets within the balance sheet and is not resources available to the Authority.

30.3 The movement in the account is analysed below:

	2008/09	2009/10
	£'000	£'000
Balance brought forward 1 April	-803	-5,005
Gains on valuation of fixed assets in year	-4,275	-2,017
Disposed assets written out to Capital Adjustment Account	62	0
Excess of current value depreciation over historic cost depreciation	11	99
Balance carried forward 31 March	-5,005	-6,923

Capital adjustment account

30.4 This account represents the store of capital resources set aside to meet past capital expenditure. It is a balancing mechanism between the different rates at which assets are depreciated and actually financed. The account together with the revaluation reserve is matched by fixed assets within the balance sheet and is not resources available to the Authority.

30.5 The movement in the account is analysed below:

	2008/09	2009/10
	£'000	£'000
Balance as at 1 April	-92,338	-82,301
Revenue contributions	-980	-1,084
Capital receipts applied	-613	-435
Minimum revenue provision	-554	-602

Notes to the core financial statements

Depreciation	2,588	2,555
Adjustment to prior year depreciation	-356	470
Impairments	9,350	27
Asset disposals	689	1,433
Disposed deferred income asset	-5	0
Loss on sale of assets	-217	-55
Reversal of loss on sale of assets	217	+55
Deferred government grants and contributions released	-9	-10
Disposed assets written out from Revaluation Reserve	-62	0
Excess of current value depreciation over historic cost depreciation	-11	-99
Balance as at 31 March	<u>-82,301</u>	<u>-80,046</u>

Useable capital receipts reserve

30.6 Capital receipts arise from the sale of assets. It is a cash-backed reserve that is available to help finance capital expenditure.

30.7 The balance on the useable capital receipts reserve is made up as follows:

	2008/09	2009/10
	£'000	£'000
Balance as at 1 April	<u>0</u>	<u>-303</u>
Receipts in the year	-916	-1,378
Less used to finance expenditure	613	435
Balance 31 March	<u>-303</u>	<u>-1,246</u>

Notes to the core financial statements

Collection fund adjustment account

- 30.8 From 2009/10 the Income and Expenditure account is adjusted to show the Authority's accrued share of the billing authorities' council tax collection fund surpluses and deficits. This account reverses that adjustment made so that there is no impact on the general fund balance which takes account solely of the actual precept income received.

	2009/10	
	£000	£000
Opening balance		-409
Income from council tax charged to Income and Expenditure account	-38,078	
Less precept received in year	37,949	-129
Closing balance		<u>-538</u>

Earmarked reserves

- 30.9 The following statement sets out the movements on all the Authority's earmarked reserves during the year:

	Balance 1 April	In year movement	Balance 31 March
	£'000	£'000	£'000
Capital payments reserve	-750	-176	-926
Improvement and sustainability reserve	-530	-1,765	-2,295
Grant Equalisation reserve	0	-340	-340
Designated Underspending reserve	-600	159	-441
Total	<u>-1,880</u>	<u>-2,122</u>	<u>-4,002</u>

Notes to the core financial statements

31 Insurance Mutual

31.1 The Fire and Rescue Authorities' Mutual Limited (FRAML) is the mutual insurance company created by Fire and Rescue Authorities to serve the insurance needs of Fire and Rescue Authorities. It started business on 1 September 2007 but ceased trading in April 2008. The Authority contributed to the capital setup costs of the company but these were returned during 2009/10.

31.2 The Authority's paid up capital of £282,000 and was included within the FRAML cash balance in the 2008/09 balance sheet. As the Authority's percentage share in the Company exceeded 15% the Authority was required under FRS 9 to reflect its share of the business in the 2008/09 balance sheet. The Authority's share of net assets was returned in 2009/10. The table below sets out the adjustments made:

	2008/09	2009/10
	£'000	£'000
Net assets:		
Payments in advance	2	0
Debtors	2	0
FRAML's cash holding	289	0
Receipts in advance	-7	0
Creditors	-4	0
Initial cash investment	282	0

Notes to the core financial statements

32 Notes relating to the Cash Flow Statement

Reconciliation to the Income and Expenditure Account

32.1 The statement below reconciles the net deficit on the Income and Expenditure Statement to the revenue activities net cash flow in the Statement:

	2008/09 £'000	2009/10 £'000
Deficit on Income and Expenditure Account	28,744	17,856
Items on an accruals basis:		
Increase/decrease (-) in stocks	-90	14
Increase/decrease (-) in debtors	155	1,912
Increase/decrease (-) in payments in advance	-49	-124
Increase/decrease (-) in FRAML cash holding	-187	-289
Increase (-) /decrease in creditors	150	-1,046
Increase (-) /decrease in receipts in advance	401	260
	380	727
Non-cash transactions:		
Net additional amounts debited or credited to the General Fund Balance	-28,230	-18,370
Collection Fund Adjustment	0	-538
Increase (-) /decrease in provisions	-110	-482
Revenue contributions to capital	-980	-1,084
Statutory provision for repayment of debt	-554	-602
Increase (-) /decrease in reserves	-1,218	-2,122
	-31,092	-23,198
Classified elsewhere in the cash flow statement:		
Interest paid	-373	-353
Interest received	10	9
Net cash inflow/outflow from revenue activities	-2,331	-4,959

Notes to the core financial statements

Reconciliation between movement in cash and movement in net debt

32.2 The following statement reconciles the movement in cash with the movement in net debt:

		2008/09	2009/10
		£'000	£'000
Movement of net debt in the balance sheet:			
• Long term loans	- 1 April	-5,992	-6,592
	- 31 March	-6,592	-7,450
	- Movement	-600	-858
• Short term loans	- 1 April	-3,164	-2,668
	- 31 March	-2,668	-52
	- Movement	496	2,616
• Deposits	- 1 April	0	0
	- 31 March	0	2,153
	- Movement	0	2,153
Total movement in net debt		-104	3,911
Net cash outflow before financing		105	-3,912
Increase/Decrease in cash		1	-1

Notes to the core financial statements

Movement in net debt in the balance sheet

32.3 The following statement reconciles the items shown in financing and management of liquid resources to the related items in the balance sheet:

	2008/09	2009/10
	£'000	£'000
Net increase/decrease (-) in short term deposits	0	2,153
Repayments of amounts borrowed	0	0
New long term loans	-600	-858
New short term loans	496	2,616
Total movement in net debt in the balance sheet	-104	3,911

33 Contingent liabilities

33.1 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. An offer has been made to the FBU and the CLG are now preparing answers to questions that have been raised in response. It is hoped that the situation will be resolved in 2010/11.

33.2 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 when they are next reviewed.

34 Authorisation of accounts for issue

34.1 The statement of accounts were authorised for issue on 29 June 2010 when they were presented by the Treasurer to the Governance Committee.

35 Event after balance sheet date - FRS 17 Pension Liabilities

35.1 In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

35.2 The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pensions. Any change in the rate at which pensions will increase will therefore affect the value of

Notes to the core financial statements

pension liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet. The change will also impact upon the income and expenditure account over the next accounting period.

- 35.3 Hewitt have estimated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by between 8% and 10% (£42,000 - £52,000), with the exact figure depending on the member profile of the employer. Hewitt have based this estimate on the FRS 17 assumptions applicable at the accounting year end, and allowing for CPI increases being lower than RPI increases by around 0.7% p.a. in the long term (Hewitt's best estimate of the differential at the accounting date). The actual figure will also reflect the date of measurement and assumptions used when producing next year's figures.
- 35.4 It is anticipated that the reduction in liabilities will be accounted for as a (negative) past service cost i.e. this change constitutes a change to benefits since pension scheme members will expect a lower benefit following the change than before the change.
- 35.5 It is also anticipated that the move to CPI will reduce the interest cost and current service cost calculated for the next accounting period compared to the position if pension increases remained linked to the RPI.
- 36 **Other notes that require disclosure but which this Authority has nothing to report**
- 36.1 There have been no acquired or discontinued operations during the year.
- 36.2 There were no exceptional items or extraordinary items in the year.
- 36.3 The Authority has no undischarged obligations from long-term projects.
- 36.4 The Authority does not have any intangible fixed assets.
- 36.5 The Authority does not have a controlling or dominant influence in any company.
- 36.6 The Authority has no interests that would require the production of Group Accounts.
- 36.7 The Authority has no discretionary expenditure or pooled funds under the Health Act 1999.
- 36.8 The Authority does not administer any Trust Funds.
- 36.9 The Authority does not operate a scheme under the Transport Act

Notes to the core financial statements

2000.

36.10 The Authority does not have any PFI schemes.

Pension Fund Accounting Statements

Pension Fund Account

2008/09 £'000		2009/10 £'000	£'000
	Contributions receivable:		
-5,356	Normal contributions from employer	-5,200	
0	Early retirement contributions from employer	-19	
-2,896	Contributions from members	-2,840	-8,059
-8,252			
-195	Transfers in		-421
	Benefits payable:		
9,667	Pensions	10,399	
4,244	Commutations and lump sum retirement benefits	4,504	
20	Lump sum death benefits	56	14,959
13,931			
	Payments to and on account of leavers:		
7	Refunds of contributions	0	
284	Individual transfers out to other schemes	882	882
291			
5,775	Net amount payable for the year before top-up grant receivable from the Government		7,361
-5,775	Top up grant receivable from the Government		-7,361
0	Net amount receivable/payable for the year		0

Net Assets statement

Net current assets and liabilities

3,189	Pension top-up grant receivable from Government	4,637
-703	Provisions	0
-2,486	Other current assets and liabilities (temporary borrowing)	-4,637
0		0

Notes to the Pension Fund Accounting Statements

1 Funding arrangements

- 1.1 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.
- 1.2 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.

2 Accounting for future liabilities

- 2.1 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.