



2024/2025 Statement of Accounts



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

NAVIGATION GUIDE

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- To go back to a previous slide press the left arrow key on your keyboard. 
- Sections with more than one slide will indicate so, telling you which slide you are on and how many are within that section. 1/12, 4/6 etc
- This document can be viewed on computers, laptops and mobile devices
- Our finance team can be contacted at: budget@hants.gov.uk

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

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A photograph of firefighters at night. In the foreground, a firefighter in a tan uniform with reflective yellow stripes is kneeling and working on a piece of equipment on the ground. Another firefighter is kneeling behind him, also working on equipment. In the background, a third firefighter is standing near a fire truck with red and yellow reflective stripes. The scene is illuminated by artificial light, likely from the fire truck's emergency lights. The text "NARRATIVE REPORT" is overlaid in large, white, bold, sans-serif capital letters across the center of the image.

NARRATIVE REPORT

NARRATIVE REPORT

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

- Understand the overall financial position of the Authority and the outturn position for 2024/25;
- Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Authority is sound and secure.

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

This Narrative Statement has been structured to help enable readers to understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts. The statement provides information about Hampshire and the Isle of Wight, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2025 and is structured as below:

- Statement from the Chairman of the Hampshire and Isle of Wight Fire and Rescue Authority
- Introduction from the Chief Financial Officer
- An Introduction to Hampshire and the Isle of Wight Fire and Rescue Authority
- The Fire and Rescue Authority's Non-Financial Performance
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NARRATIVE REPORT

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

As Chairman of the Fire and Rescue Authority, I am delighted to be able to present to you the Statement of Accounts for 2024/25. Reflecting on the year gone by, I continue to be immensely proud of the way that the Service, supported by members of the Authority, has continued to effectively serve our communities while maintaining a stable financial position throughout this challenging period.

In February, the Authority received and approved the Safety Plan 2025-2030, setting out the direction of the Service over the next five years.

The Authority is committed to ensuring an efficient and effective fire service that delivers on the purpose that *“Together, we make life safer.”*

To do this, we must ensure not only that we balance the books in the current financial year, but that we plan for a financially sustainable future. The financial outlook remains challenging, but I feel confident we are in a good position to address these challenges.

Cllr Rhydian Vaughan MBE

Chairman

Hampshire & Isle of Wight Fire & Rescue Authority



Introduction from the Chief Financial Officer

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

The accounts themselves are very complex and technical in nature, but I hope you will take the time to look through them and read the Narrative Statement which provides an excellent summary of what has happened during the financial year and outlines the financial standing of the Fire and Rescue Authority as of 31 March 2025. If you would like more information on the accounts or have any questions on the content, then contact information is contained within this Narrative Statement.

Rob Sarfas, CPFA

Chief Financial Officer

The national audit backlog and measures in place to address the backlog

The Accounts and Audit Regulations 2015 and subsequent amendments set out the requirements for local authorities with respect to the preparation and publication of accounts. This includes the publication of draft accounts to allow the period of public inspection to take place, followed by the publication of audited accounts.

In recent years, although the Authority has met the deadlines for publishing draft accounts on time, the audit of the accounts has been affected by the national audit backlog. Central government has worked with stakeholders to put in place a series of measures designed to address the backlog, one outcome of which was the introduction of statutory backstop dates for the publication of an authority's accountability statements.

The accountability statements include:

- the statement of accounts together with the opinion and any certificate entered by the local auditor
- The annual governance statement (approved in accordance with the regulations)
- The narrative statement (prepared in accordance with the regulations)

The Authority's auditor (EY) concluded that it was not possible to complete the audit work on the 2022/23 accounts prior to the backstop date of 13 December 2024. The auditor therefore issued a disclaimed audit opinion on the 2022/23 statement of accounts to allow publication by the backstop date. This opinion was not to do with any issues identified with the Authority's accounts, it was purely due to the impact of the national audit backlog and the measures introduced to address the backlog.

The Authority's draft statement of accounts for 2023/24 was published in order to allow the period of public inspection to begin on the first working day of June 2024, as required by the Accounts and Audit Regulations. The audit of the accounts was however again impacted by the national audit backlog and the implementation of measures to address this backlog.

The auditor was able to carry out work on the audit of the 2023/24 accounts, however because a disclaimed audit opinion was issued for the 2022/23 accounts this impacted the audit opinion for 2023/24. This was because the previous disclaimed opinion impacted the auditor's ability to obtain sufficient evidence and assurance to issue an unqualified audit opinion before the backstop date of 28 February 2025 (e.g. the auditor could not rely on audited brought forward balances from 2022/23). The result was that the auditor had to issue a disclaimed opinion on the 2023/24 accounts, however again this was because of the national audit backlog rather than any issues identified with the Authority's accounts.

It is expected that it will take a number of years for local authority auditors to fully rebuild assurance to be able to issue unqualified audit opinions.

Introduction to Hampshire and Isle of Wight Fire and Rescue Authority

Introduction to Hampshire & Isle of Wight Fire and Rescue Authority

These accounts cover the year to 31 March 2025 for Hampshire and Isle of Wight Fire and Rescue Authority. The Authority covers the whole of the geographic area of Hampshire (including the two unitary authorities of Portsmouth and Southampton) and the Isle of Wight. The Fire Authority itself is made up of Councillors from Hampshire County Council and Southampton, Portsmouth and the Isle of Wight Unitary Councils.

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

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

Hampshire and the Isle of Wight

We cover a large geographic area of over 1,500 square miles, with over 200 miles of coast. It is an area rich in history, with national parks such as the New Forest, significant places of interest, and heritage sites (over 13,000 in Hampshire and 2,000 on the Isle of Wight).

The cities of Southampton, Portsmouth, Basingstoke, and Winchester are all urban areas with growing populations, with developing commercial and industrial areas, thriving universities and colleges, national infrastructure and heritage sites such as the iconic Winchester Cathedral.

The Isle of Wight is the largest and second most populated island in England, although 80% of its population is based on just 20% of its land mass. It is a popular tourist destination, with its economy primarily based around light industry, tourism and the service sector.

Hampshire and Isle of Wight is a varied area. Industry is growing around the Winchester and Basingstoke areas, yet a short distance away are remote villages with thatched and listed buildings.

The area has many important military bases, like the Army's home in Aldershot and the Navy's home in Portsmouth. We also have Royal Air Force stations in Odiham.

We work with some hazardous sites, such as the oil and gas sites along the Solent. There are also lots of busy transport places, like airports, ferry and cruise terminals, ports, motorways and railways. We have some large hospitals, prisons and other buildings that we need to look after. Our area also hosts some large events, like the Isle of Wight music festival, Cowes Week, Victorious Festival, the Southampton Boat Show and Farnborough International Airshow.

The Fire and Rescue Service

- The Fire and Rescue Services Act 2004 tells us what we must do, such as fire safety, firefighting, rescuing people from road traffic collisions, and responding in emergencies
- The Regulatory Reform (Fire Safety) Order 2005 says we must check that some buildings are safe from fire; and enforce fire safety regulations
- The Fire and Rescue Services (Emergencies) (England) Order 2007 says we must deal with incidents like chemical, biological, radiological, or nuclear emergencies
- The Civil Contingencies Act 2004 sets clear roles and responsibilities for all those organisations involved in emergency preparation and response.

Our Safety Plan 2020-2025

The Safety Plan sets out our purpose – **together we make life safer** – and explains that, to be successful, all the work we do must contribute to making life safer in our communities. We can only fully succeed in making life safer by working together with partners and our communities.

The 2024/25 statement of accounts reflects the last financial year of the period covered by the Safety Plan 2020-25.

Our purpose drives us in everything we do.

To achieve our purpose, we must fully understand the risks that our communities face. By engaging with those most affected by the risks identified we are able to create the most effective services to protect them. The Safety Plan 2020-25 includes 5 priorities to help us to make Hampshire and the Isle of Wight safer:

- **Our Communities:** We work together to understand different community needs and deliver accessible, local services which build safer places.
- **Our People:** We look after each other by creating great places to work and promoting the health, wellbeing and safety of our people.
- **Public Value:** We plan over the longer-term to ensure our decisions and actions deliver efficient and effective public services.
- **High Performance:** Our diverse teams are trusted, skilled and feel equipped to deliver a leading fire and rescue service today and into the future.
- **Learning & Improving:** We have the support of policy and guidance with the freedom to use our discretion to do the right thing, learning from ourselves and others.

Our Safety Plan 2025-2030

We have recently produced our new Community Risk Management Plan (which we call our Safety Plan) that sets out how we plan to keep Hampshire and Isle of Wight safe from fire and other emergencies over the next five years, covering the period 2025-2030. This can be found here: [HIWFRA Safety Plan 2025-2030 - Appendix A.pdf](#)

Our Safety Plan for 2025-2030 looks at the different types of risks we might face in our area, such as fires, responding to extreme weather and road accidents. We have considered how likely they are to happen, and how serious they would be if we did not do anything to prevent or reduce them. We also look at how we intend to use our people and assets for the benefit of our communities.



Key Facts about the Fire and Rescue Authority

Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) is committed to ensuring that Hampshire and the Isle of Wight has an efficient and effective fire and rescue service which makes life safer for everyone.

The members of the Fire Authority are charged with directing the outcomes, priorities and policies of the Service. Fire Authority members are nominated by the constituent authorities of Hampshire County Council, Southampton City Council, Portsmouth City Council and Isle of Wight Council.

The composition of the Authority at the time of the publication of the audited accounts in February 2026 is shown in the accompanying table.

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

Nominating Authority	Number of Members	Composition
Hampshire County Council	8	5x Conservative, 2x Liberal Democrat, 1x Independent
Southampton City Council	1	1x Labour
Portsmouth City Council	1	1x Reform
Isle of Wight Council	1	1x Independent
	11	



Structure and responsibility for decision making

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

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

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

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

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

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

The Executive Group

Supporting the work of the Fire Authority is the Executive Group comprised of 5 Directors led by the Chief Fire Officer. The Executive Group is accountable for the strategic leadership of the Service. More detail is provided in the note to the accounts on senior officer remuneration.

The members of the Executive Group at the end of the 2024/25 financial year are set out below:

- Chief Fire Officer – Neil Odin
- Deputy Chief Fire Officer – Shantha Dickinson
- Assistant Chief Fire Officer and Director of Operations – Rob Cole
- Director of Corporate Services – Matt Robertson
- Director of People and Organisational Development – Molly Rowland
- Chief Financial Officer – Catherine Edgecombe

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

In May 2023, Shantha Dickinson joined His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) on secondment, taking on a national role to help improve the way fire services keep people safe from fire and other risks. During this time, Stewart Adamson was the Deputy Chief Fire Officer and Director of PPA, with Glenn Bowyer the Assistant Chief Fire Officer and Director of Operations.

Rob Cole was appointed Assistant Chief Fire Officer and Director of Operations from July 2024 when Stewart Adamson retired.

Note: Sabrina Cohen-Hatton was appointed Chief Fire Officer in September 2025. Rob Sarfas was appointed Chief Financial Officer in June 2025.

Hampshire and Isle of Wight Fire and Rescue Authority: Non-financial performance

Overview from the Director of Corporate Services

“In 2024/25, we have seen similar levels of incidents compared to the previous financial year.

Our response times have increased slightly driven by an increase in the proportion of incidents in on-call (more rural) areas, which take longer to reach. However, we continue to have faster response times to our areas of highest risk.

Furthermore, both on-call availability and fire-related casualties have remained broadly stable.

More widely, it is positive to see our sustained focus on premises risk information, as well as continued increases in Protection interventions (particularly enforcements and prohibitions). Most significantly, though, I would like to commend Prevention and station-based teams for their efforts in increasing Safe & Well visits to help make Hampshire and the Isle of Wight safer.

Alongside this, we have seen reductions in staff sickness and the number of health and safety accidents; and our continued focus on the personal development of staff can be seen through further improvements in PDR completion. We have also seen continued improvement in workforce diversity and disclosure, though recognise we have further to improve on this.

“I would like to recognise the dedication of all our teams who have continued to work together to make life safer across Hampshire and the Isle of Wight during 2024/25.”

“It is excellent to see over 17,000 safe & well visits delivered with the vast majority of people feeling safer and positively changing their behaviour”

“Finally, we delivered a range of activity in the final year of the Safety Plan 2020-25, including delivering a range of efficiencies, completing the National Operational Guidance e-learning project, and launching our new 2025-30 Safety Plan.

Our achievements in 2024/25 would not have been possible without the tireless dedication and expertise of our teams across the Service, who continue to work towards making life safer across Hampshire and the Isle of Wight.”

“Looking ahead to 2025/26, we will be delivering a wide range of activities across our three directorates, and we will continue to use performance information and other data to inform our understanding of risk and approach to planning throughout the year. We also await the findings of His Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) 2025 inspection of the Service, which we will consider carefully and react accordingly, where required.”

Matt Robertson

Director of Corporate Services



The approach to performance

For the duration of the 2020-25 Safety Plan, the Service has assessed its performance against each of the Authority's Safety Plan priorities through a range of performance metrics, with comparisons made against the previous year and other Fire and Rescue Services. From 2025/26 onwards this will be restructured around the 2025-30 Safety Plan objectives.

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

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



Safety Plan improvements

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

5 of the 6 Safety Plan improvements for 2024/25 (Year 5) were completed during the year. Work is progressing on a feasibility study on the future provision of PPE and laundry options to enhance the management of fireground contamination. However, more work is required in 2025/26 so the 2024/25 action has been closed and a new 2025/26 action created.

Looking ahead, the new Safety Plan 2025-2030 was approved by the Fire Authority in February 2025. The Safety Plan sets out the direction of our fire and rescue service over the next five years and is designed to keep the communities of Hampshire and Isle of Wight safer.

Five new strategic objectives have been introduced that will guide how we run our Service and deliver our priorities. Actions to support these priorities have been identified in directorate delivery plans. Progress updates will be provided in the Service's regular performance reporting.

NARRATIVE REPORT

Non-financial performance metrics

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

This report covers:

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

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

Commentary on these and other metrics along with historical trend data and benchmarking against other similar Fire and Rescue Services can be found in the Annual Performance Report. This is published on the Our Performance section of the Service's website:

<https://www.hantsfire.gov.uk/about/performance/>

2023/24	Performance metric	2024/25
20,527*	Number of incidents	20,374
09:42 mins	Average critical response time incl call handling**	09:49 mins
99%	Whole-time availability	98%
61%	On-call availability	62%
4	Fire fatalities	13***
82	Fire casualties	86
12,183	Safe and well visits	17,263
1,434	Fire safety audit related interventions****	1,459

Note:

Performance metrics include known information at the time of publishing the annual performance report. Figures may subsequently be revised as more information is available and the prior year comparators displayed below may not therefore match the information included in the previous year's accounts.

* The number of incidents for the prior year has been updated due to late reporting

** The average critical response time now includes the call handling time, therefore the prior year comparator has been updated to aid comparability.

***At the balance sheet date 12 fatalities were awaiting investigation by the Coroner to confirm cause of death

**** The Service now reports against fire safety audit related interventions to align to the NFCC guidance, therefore the prior year comparator has been restated to aid comparability.

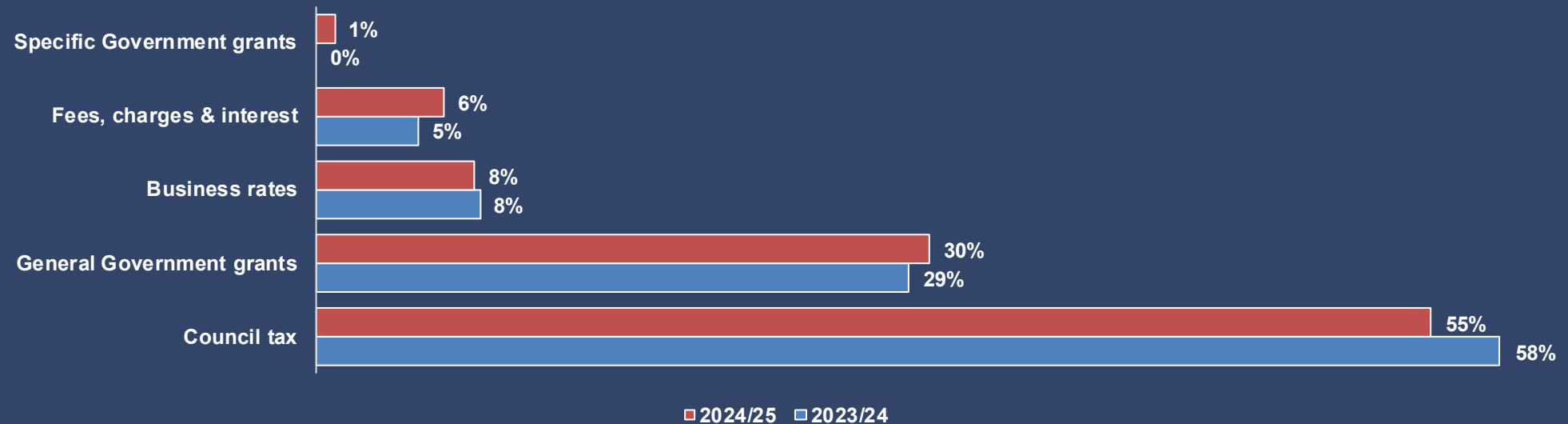
Hampshire and Isle of Wight Fire and Rescue Authority: Financial performance

The Fire and Rescue Authority's Financial Performance

Funding the Authority's revenue budget

The 2024/25 budget included an increase in Council Tax of 2.99%, the maximum allowed without triggering a referendum. Council tax is the most significant part of the Authority's funding and the increase was essential to set a balanced budget, including allowing the Authority to meet inflationary and delivery pressures.

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

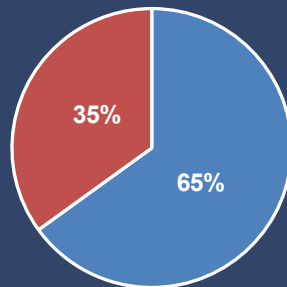


How the budget is spent

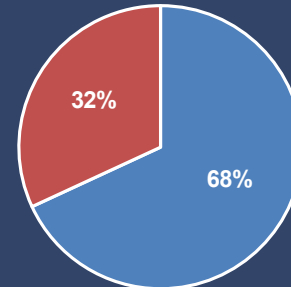
The costs of the day-to-day operations of the Fire and Rescue Authority are known as revenue expenses. Due to the nature of the services that the Fire and Rescue Authority provides, much of the cost of services relate to staffing. Other running expenses relate mainly to the cost of vehicles, property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

The charts below compare how total revenue expenses were split between employee benefit expenses and other service expenditure during the last two financial years. It shows that the share relating to employee benefit expenses (staff costs including pensions) has increased by 3% in 2024/25 compared to 2023/24, largely due to the increase in pension contribution rates.

Financial Year 2023/24



Financial Year 2024/25



The information for 2024/25 excludes accounting adjustments, therefore the information for 2023/24 has been restated on the same basis to aid comparability.

End of year revenue budget outturn

The year end position for 2024/25 was an underspend of £1.112m (1.1% of net expenditure). Pay costs for on-call and wholetime firefighters were lower than budgeted, primarily due to vacancies and the impact of firefighters in the development phase (the budget assumes all firefighters have completed all training). Pay costs for staff were also lower than budgeted, again due to vacancies. There were some pressure on non pay costs, primarily driven by expenditure on operational asset projects, where the cost was funded from the revenue budget instead of drawing from reserves. A shortfall in the reserve had been identified for future years and by not making the planned draw in 2024/25 this issue was addressed. Higher income than budgeted was achieved, largely due to rental income and the sale of vehicles below the capital receipt threshold.

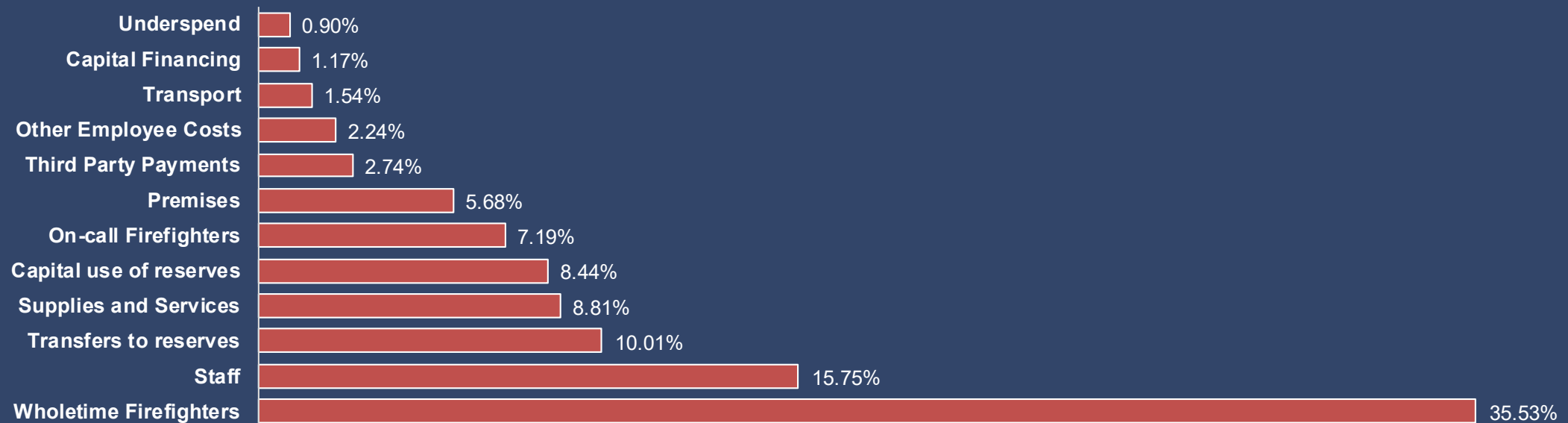
The Service has continued to focus strongly on financial management, with regular reports on the financial position presented to the Executive Group and the Fire Authority. The underspend from this year will be contributed to the Budget Equalisation Reserve and will be used to provide financial resilience.

The main components of the 2024/25 budgeted and actual income and expenditure are set out in the following table:

	Budget	Actual	Variance over / (under)
	£'000	£'000	£'000
People and Organisational Development	10,171	9,926	(245)
Operations	54,490	53,271	(1,219)
Corporate Services	27,090	26,446	(644)
Finance	649	1,897	1,248
Net cost of Fire and Rescue Services	92,400	91,540	(860)
Net Contribution from Reserves	(1,127)	(1,127)	0
Revenue Contributions to Capital	10,421	10,421	0
Capital Financing and Investment Income	268	143	(125)
Funding	(101,962)	(102,089)	(127)
Other income and expenditure	(92,400)	(92,652)	(252)
Net (under)/over spend	0	(1,112)	(1,112)

How the revenue budget is spent

The chart below shows a breakdown of the revenue budget in year expenditure and planned reserves transfers for 2024/25. This shows that a significant proportion of the budget is allocated to the cost of wholetime and on-call firefighters and staff. The underspend of £1.112m was approximately 0.9% of gross expenditure.



Reconciliation to Comprehensive Income & Expenditure Statement

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

	Total Fire & Rescue Services	Total other income & expenditure	(Surplus) / deficit on the provision of services
	£'000	£'000	£'000
Management outturn	91,540	(92,652)	(1,112)
Adjustments between accounting and funding basis (EFA)			
- Capital adjustments	7,605	(11,709)	(4,104)
- Pensions adjustments	(8,649)	30,891	22,242
- Other adjustments	-	185	185
Other adjustments			
- Adjustment for net contribution from reserves	-	1,127	1,127
- Adjustment for interest in management outturn	29	(29)	-
CIES figure	90,525	(72,187)	18,338

Capital expenditure

In 2024/25 the Fire and Rescue Authority spent £13.7m on capital projects. Highlights include ongoing work on the new fire station at Cosham, the implementation of retrospective design principles across the estate, and the continuation of the vehicle replacement programme.

The following table summarises the nature of the 2024/25 capital projects and their sources of funding:

Scheme	£'000
Estates	6,710
Vehicles	6,736
Carbon reduction and EV charging	299
Total	13,745

Source of funding:	£'000
Capital payments reserve	10,420
Prudential borrowing	2,837
Capital receipts	118
External grants and contributions	370
Total	13,745

Capital financing

Capital expenditure is spending on assets that will be used for more than one year. It may be funded from capital receipts, capital grants and contributions from other bodies. It may also be funded directly from revenue and the Authority makes a regular annual contribution to capital from the revenue budget. Prudential borrowing provides another option, albeit one that results in ongoing costs to the revenue budget that must be factored into decision making. The Authority has agreed to use this source of funding for elements of its Estates capital programme. No new external borrowing was taken out during 2024/25 as the Authority temporarily used 'internal borrowing' which will be refinanced with new external borrowing in future.

The Authority is required to set and monitor against Prudential Indicators to demonstrate the prudence, sustainability and affordability of its capital plans and expenditure in line with the Prudential Code. The Authority has ensured compliance with these requirements during 2024/25. Further information is provided in the outturn report presented to the Fire Authority in June 2025.

Treasury Management

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

All treasury activity has complied with the Fire and Rescue Authority's Treasury Management Strategy and Investment Strategy for 2024/25, and all relevant statute, guidance and accounting standards. Further information is provided in the Treasury Management Appendix to the outturn report for 2024/25.

Pension Fund Liability

The estimated future pension liability as calculated by the Authority's actuary to meet IAS 19 accounting requirements is £628.2m. The liability net of LGPS assets has been calculated to be £567.8m at 31 March 2025.

Changes in the actuarial value for accounting purposes are not a cause of concern for the Authority. For the LGPS a different methodology is used by the actuary to calculate employer contributions to the scheme and the scheme was assessed to be over 100% funded at the last triennial valuation. The Fire Fighters schemes are fully funded by central government, albeit that future changes could increase employer costs in the longer-term.

Reserves and Balances

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

At the end of the 2024/25 financial year the Fire and Rescue Authority's usable reserves stand at £31.8m – broadly the same as the previous year. This net movement includes the overall surplus for the year and agreed contributions to reserves, offset by planned draws from reserves to cover expenditure in the year. Investment balances totalled £26.19m at the end of the year. These balances fluctuate during the year because of changing cashflows but do tend to track the total value of reserves held by the Authority.

Hampshire and Isle of Wight Fire and Rescue Authority: Looking forward

Looking towards 2025/26

The local government finance settlement issued by government confirmed a £5 band D referendum limit for fire and rescue authorities. After careful consideration of the impacts of a Council Tax increase on the residents of Hampshire and the Isle of Wight and the financial position of the Authority, the Fire Authority chose to increase Council Tax by the maximum amount.

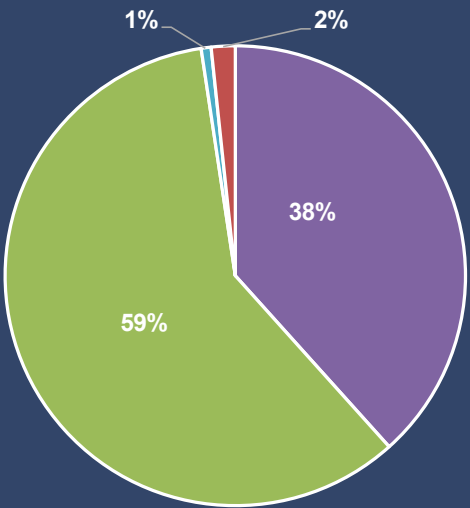
Council tax covers in the region of 60% of the Authority’s budget requirement. The Authority has seen lower increases in government grants and income which make up the other 40% of funding, where grants have been removed or increased by less than inflation. Increases in pay and non-pay costs and a number of essential delivery pressures also need to be funded. The Authority also doesn’t receive any regular capital funding from government, so all investment in the estate and vehicles needed to provide services has to come from the revenue budget too. The Service plans to make £1.7m of cashable efficiencies in 2025/26 and a further £0.9m in 2026/27 to help to improve efficiency and balance the budget.

The Service’s new Safety Plan 2025-2030 was approved at the same time as the budget in February 2025. The Safety Plan sets out the direction of the fire and rescue service over the next five years. It provides information on the service, the risks and challenges being faced, the work being carried out, and the steps being taken to prevent and respond to emergency situations. Within the plan it explains that ensuring financial sustainability is essential to the Service’s long term success. The Service is committed to making the best use of resources to be able to continue to deliver high quality services without compromising on safety.

Note: In the time between the draft accounts being prepared and the accounts being finalised, the Authority approved the budget and precept requirements 2026/27 (including the Medium-Term Financial Plan) on 10 February 2026. More details can be found here: <http://democracy.hants.gov.uk/ieListDocuments.aspx?CId=749&MId=12256&Ver=4>

2025/26 Sources of funding

Source	£'000
Government funding including business rates	41,418
Council tax	64,015
Surplus on collection fund	752
One off draw from reserves	1,813
Total funding	107,998



Financial sustainability

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

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

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

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

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

At the end of 2024/25, usable reserves stood at £31.8m of which 8% comprised the General Fund balance.

Reserves balances are expected to fall as the Authority delivers its capital programme and other planned expenditure from reserves. The capital programme also includes schemes funded by borrowing. The Chief Financial Officer is working with the treasury advisors Arlingclose to manage the Authority's borrowing in line with the Treasury Management Strategy. Where the Authority's capital programme includes schemes to be funded by prudential borrowing, the revenue impacts have been factored into the MTFS and are affordable.

The Authority will hold lower cash and investment balances as reserves fall and needs to deliver savings to support the Medium Term Financial Plan. Assuming these savings are delivered, financial forecasts and cash flows for 2025/26 and assumptions for 2026/27 support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2027.

The Spending Review in June 2025 and subsequent multi-year local government finance settlement provided more information for the subsequent three years, which is useful for financial planning. The impact of devolution on the Authority is not yet known. In addition are external pressures such as inflation, carbon reduction requirements and the need to modernise the estate. These factors together all mean that the longer-term position of the Authority remains unclear and the Authority may need to consider further changes to remain financially sustainable.

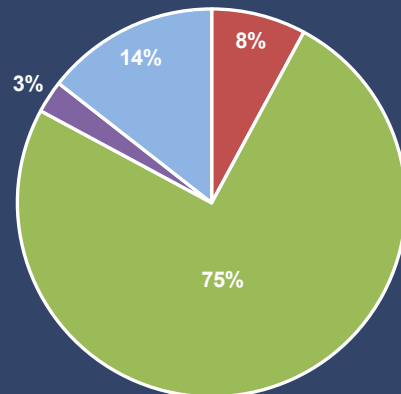
The table below summarises the total level of reserves and balances that the Fire and Rescue Authority holds.

The General Fund Balance of £2.5m (about 2.3% of the revenue budget requirement for 2025/26) is not earmarked for any specific purpose but represents a minimum level of balances recommended by the Chief Financial Officer to provide a buffer against any significant unexpected expenditure during the year.

Although reserves balances are currently relatively high, about 75% (£23.8m) is fully committed, including for investment in the estate, vehicles and planned future replacement of IT and equipment. The Authority also holds risk mitigation reserves (about 14% of the total balance) in the budget equalisation and capital & investment risk reserves, with a smaller amount in specific reserves relating to HQ maintenance.

Useable reserves at 31 March 2025

Reserve		£'000
General fund		2,500
Fully committed to existing spend programmes		23,827
Specific reserves		860
Risk mitigation		4,584
Total		31,771



Corporate Risks

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

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

The impact of the current economic climate on the Fire and Rescue Authority is considered when the Fire and Rescue Authority sets its budget. The impact of general inflation in the economy has been felt by the Fire and Rescue Authority, although the relationship between general inflation and the specific impacts on the Authority is not always straightforward. Future funding pressures are a challenge for the Authority and the sector more generally. The Authority holds risk mitigation reserves to insulate itself from the immediate effects of unforeseen inflation or funding reductions. Financial monitoring and horizon scanning ensures that issues can be identified and addressed in a timely manner.

Hampshire and Isle of Wight Fire and Rescue Authority: Other information

Summary Position

The Authority delivered an underspend against the revenue budget of £1.1m in 2024/25 while also continuing to progress with delivering the capital programme. The Authority has continued to contribute to reserves to ensure that the service remains on a stable financial footing in the medium term. The underspend has been contributed to the Budget Equalisation Reserve. The Authority has sufficient reserves and balances to provide financial resilience for 2025/26 although uncertainty and factors outside of the Authority's control continue to make forecasting challenging. A balanced budget was set for 2026/27 after a number of temporary mitigations were agreed. The Service will develop plans to address the forecast budget gap from 2027/28 onwards.

Changes to the Accounts

The new accounting standard for leases (IFRS 16) became applicable from 1 April 2025. The impact on the leases held by the Authority is immaterial and as a result no adjustments have been made to the accounts to bring these leases onto the balance sheet. This approach offers better value for money for the taxpayer as it simplifies the accounts and audit process, reducing the resource required by the Authority and its auditor, without impacting users of the accounts.

Explanation of the Statement of Accounts

The Financial Statements bring together all the financial activities of the Authority for the year and its financial position as at the 31 March 2025. They detail both revenue and capital elements for the General Fund and separately provide detail for the Pension Fund.

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



NARRATIVE REPORT

The accounts for 2024/25 are contained in the following pages and can be read sequentially or specific sections can be accessed directly via the [index](#).

The accounts consist of:

- **Statement of Responsibilities for the Statement of Accounts:** Outlines the key responsibilities in respect of the accounts, together with statements from the Chief Financial Officer and Chairman of the Audit and Governance Committee.
- **Movement in Reserves Statement:** Analyses the change in net worth between usable and unusable reserves.
- **Balance Sheet:** This sets out assets and liabilities as at 31 March 2025.
- **Cash Flow Statement:** This summarises the movement in cash and cash equivalents during the year.
- **Comprehensive Income and Expenditure Statement:** Shows the accounting cost in the year of providing services measured in accordance with international accounting standards rather than based on the costs that are required to be financed from taxation.
- **Notes to the Accounts:** Explains the key items and disclosures in the accounts.
- **Pension Fund Accounting Statement:** Shows the contributions receivable and payable and the Government funding in respect of firefighter pension schemes.

Relationship between Accounting Statements

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

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

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

Where you can get further information

You can get more information about the accounts from:

The Chief Financial Officer,
Hampshire and Isle of Wight Fire and Rescue Authority,
Fire and Police Headquarters,
Eastleigh,
Hampshire.
SO50 9SJ

or contact the Finance Team: budget@hants.gov.uk

A photograph of firefighters in a forest. In the foreground, a firefighter in a red suit and yellow helmet is using a long-handled tool to manage a large fire burning in a pile of dry grass. Another firefighter is visible in the background, also working on the fire. The forest has many bare trees, suggesting a late autumn or winter setting. The text "STATEMENT OF RESPONSIBILITIES" is overlaid in large white letters.

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR STATEMENT OF ACCOUNTS

1 The Authority's responsibilities

The Authority is required to:

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

2 The Chairman's Statement

I certify that the Statement of Accounts for 2024/25 were considered and approved at the Audit and Governance Committee Meeting on 25 September 2025

Cllr David Harrison 25 February 2026

Chairman, Audit and Governance Committee

3 The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

4 The Chief Financial Officer's statement

I certify that the Statement of Accounts gives a true and fair view of the position of the Hampshire and Isle of Wight Fire and Rescue Authority as at 31 March 2025 and its income and expenditure for the year ended 31 March 2025.

Rob Sarfas 25 February 2026

Chief Financial Officer / Section 151 Officer

CORE FINANCIAL STATEMENTS

A firefighter in a dark blue uniform is working on the engine of a fire truck. The truck has red and yellow reflective stripes. The scene is set in a fire station with other vehicles visible in the background.

Statement of Accounts 2024/25

MOVEMENT IN RESERVES STATEMENT

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

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

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

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

Notes 3 to 8 provide more details on usable and unusable reserves.

	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance as at 31 March 2023	(38,505)	469,465	430,960
Movements During 2023/24:			
Total Comprehensive Income and Expenditure	27,991	(46,283)	(18,292)
Adjustments between accounting basis and funding basis under regulations	(21,272)	21,272	0
Net (Increase)/Decrease in year	6,719	(25,011)	(18,292)
Balance as at 31 March 2024	(31,786)	444,454	412,668
Movements During 2024/25:			
Total Comprehensive Income and Expenditure	18,338	(108,542)	(90,204)
Adjustments between accounting basis and funding basis under regulations	(18,323)	18,323	0
Net (Increase)/Decrease in year	15	(90,219)	(90,204)
Balance as at 31 March 2025	(31,771)	354,235	322,464

Table Links
[Note 1](#)

BALANCE SHEET

31 March 2024		31 March 2025	
£'000		£'000	
239,229	Property, plant and equipment	240,589	<i>Note 19</i>
956	Investment property	1,310	
3,007	Long term investments	3,065	<i>Note 20</i>
6	Long term debtors and pre-payments	6	<i>Note 20</i>
243,198	Long term assets	244,970	
0	Assets held for sale	390	
1,179	Inventories	1,218	
13,638	Short term debtors	7,506	<i>Note 20</i>
1,047	Short term investments	20	<i>Note 20</i>
10,083	Cash and cash equivalents	21,829	<i>Note 20</i>
25,947	Current assets	30,963	
(124)	Short term provisions	0	<i>Note 24</i>
(7,121)	Short term creditors	(7,510)	<i>Note 20</i>
(1,187)	Short term borrowing	(835)	<i>Note 20</i>
0	Grants receipts in advance	(7,400)	<i>Note 10</i>
(8,432)	Current liabilities	(15,745)	
17,515	Net current assets	15,218	
(658,215)	Net liabilities relating to defined benefit pension schemes	(567,808)	<i>Note 23</i>
(735)	Long term provisions	(1,182)	<i>Note 22</i>
(14,431)	Long term borrowing	(13,662)	<i>Note 20</i>
(673,381)	Long Term Liabilities	(582,652)	
(412,668)	Net Liabilities	(322,464)	
	Financed by:		
	Usable reserves		
(2,500)	Revenue account	(2,500)	
(28,315)	Earmarked reserves	(28,990)	
(971)	Revenue grants unapplied reserve	(281)	
(31,786)	Total usable reserves	(31,771)	<i>Note 8</i>
444,454	Unusable reserves	354,235	<i>Note 2</i>
412,668	Total reserves	322,464	

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

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

Certification by the Chief Financial Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31 March 2025 and its income and expenditure for the year then ended. The unaudited accounts were issued on 30 June 2025, and the audited accounts were authorised for issue on 25 February 2026.

Signed

Rob Sarfas 25 February 2026

Chief Financial Officer / Section 151 Officer

CASH FLOW STATEMENT

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

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

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

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

2023/24 £'000		2024/25 £'000	
27,991	Net (surplus) or deficit on provision of services	18,338	CIES
(31,592)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(43,987)	Note 26
117	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	488	Note 26
(3,484)	Net Cash Flows from Operating Activities	(25,161)	
18,039	Net Cash Flows from Investing Activities	12,296	Note 26
(9,650)	Net Cash Flows from Financing Activities	1,119	Note 26
4,905	Net (increase)/decrease in cash and cash equivalents	(11,746)	
(14,988)	Cash and cash equivalents at the beginning of the reporting period	(10,083)	Balance Sheet
(10,083)	Cash and cash equivalents at the end of the reporting period	(21,829)	Balance Sheet

Table Links

[Note 26
BALANCE
SHEET](#)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

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

Gross Expenditure	2023/24 Gross Income	Net Expenditure		Gross Expenditure	2024/25 Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
97,106	(4,644)	92,462	Fire & Rescue Services	97,119	(6,594)	90,525	
97,106	(4,644)	92,462	Net cost of Fire and Rescue Services	97,119	(6,594)	90,525	<i>Note 9</i>
			Other income and expenditure:-				
52	(51)	1	Other operating income and expenditure	282	(118)	164	
33,435	(4,016)	29,419	Financing and investment income and expenditure	34,496	(4,632)	29,864	<i>Note 11</i>
			Taxation and non-specific grant income				<i>Note 10</i>
	(28,481)	(28,481)	Non-ring fenced grants		(33,702)	(33,702)	
	(7,825)	(7,825)	Locally retained business rates		(8,211)	(8,211)	
	(57,484)	(57,484)	Council Tax Income		(59,932)	(59,932)	
	(101)	(101)	Capital grants and contributions		(370)	(370)	
33,487	(97,958)	(64,471)	Total other income and expenditure	34,778	(106,965)	(72,187)	
130,593	(102,602)	27,991	(Surplus)/deficit on the provision of services	131,897	(113,559)	18,338	
		(16,242)	(Surplus) or deficit on revaluation of PPE assets			4,107	
		(30,041)	Net (gain)/loss on the pension assets and liabilities			(112,649)	
		(46,283)	Other Comprehensive (Income)/Expenditure			(108,542)	
		(18,292)	Total Comprehensive (Income)/Expenditure			(90,204)	

Table
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A group of firefighters in full protective gear, including helmets, jackets, and trousers with reflective stripes, are standing in a line in front of a red fire engine. The fire engine has "HAMPSHIRE FIRE AND RESCUE SERVICE" written on its side. The scene is outdoors on a paved area, possibly a street or a fire station forecourt. The text "NOTES TO THE CORE FINANCIAL STATEMENTS" is overlaid in large white letters across the center of the image.

NOTES TO THE CORE FINANCIAL STATEMENTS



2023/24			2024/25			
Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 1b)	Net expenditure in the CIES	Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 1a)	Net expenditure in the CIES	
£'000	£'000	£'000	£'000	£'000	£'000	
88,308	4,154	92,462	Fire & Rescue Services	91,569	(1,044)	90,525
88,308	4,154	92,462	Net cost of Fire and Rescue Services	91,569	(1,044)	90,525
(81,589)	17,118	(64,471)	Other income and expenditure	(91,554)	19,367	(72,187)
6,719	21,272	27,991	(Surplus) or deficit on the provision of services	15	18,323	18,338
(38,505)			Opening General Fund (including earmarked reserves) balance at 1 April	(31,786)		
6,719			Plus (surplus)/deficit on provision of services	15		
(31,786)			Closing General Fund (including earmarked reserves) balance at 31 March	(31,771)		

NOTE 1a. ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Notes to the EFA – 2024/25

2024/25				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Capital Adjustments (Note a) £'000	Net Pensions Adjustments (Note b) £'000	Other Adjustments (Note c) £'000	Total Adjustments £'000
Fire & Rescue Services	7,605	(8,649)	0	(1,044)
Net cost of services	7,605	(8,649)	0	(1,044)
Other income and expenditure from the funding analysis	(11,709)	30,891	185	19,367
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	(4,104)	22,242	185	18,323

Note b) Net Change for the Pensions Adjustments:	Total £'000
Current service cost of funded local government pensions	7,027
Past service pension costs	148
Interest cost net of pensions interest income on assets	30,891
Total transferred to Pension Reserve	38,066
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(15,824)
Note b) Total	22,242

Note a) Adjustments for capital purposes:	Total £'000
Charges to services for depreciation and impairment	7,605
Current value of assets disposed	282
Statutory minimum revenue provision for capital financing	(729)
Revenue contributions to capital	(10,420)
Capital grants and contributions applied	(370)
Movement in the market value of investment properties	(354)
Total transferred to capital adjustment account	(3,986)
Transfer asset sale proceeds to capital receipts reserve	(118)
Note a) Total	(4,104)

Note c) Other adjustments:	Total £'000
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account	(58)
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account	243
Note c) Total	185

NOTE 1b. ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Notes to EFA – 2023/24 (prior year comparators)

2023/24				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Capital Adjustments (Note a)	Net Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Fire & Rescue Services	6,384	(2,230)	0	4,154
Net cost of services	6,384	(2,230)	0	4,154
Other income and expenditure from the funding analysis	(13,415)	30,348	185	17,118
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	(7,031)	28,118	185	21,272

	Total £'000
Note a) Adjustments for capital purposes:	
Charges to services for depreciation and impairment	6,874
Current value of assets disposed	52
Statutory minimum revenue provision for capital financing	(490)
Revenue contributions to capital	(13,113)
Capital grants and contributions applied	(101)
Movement in the market value of investment properties	(202)
Total transferred to capital adjustment account	(6,980)
Transfer asset sale proceeds to capital receipts reserve	(51)
Note a) Total	(7,031)

	Total £'000
Note b) Net Change for the Pensions Adjustments:	
Current service cost of funded local government pensions	8,144
Past service cost of funded local government pensions	2,824
Interest cost net of pensions interest income on assets	30,348
Total transferred to Pension Reserve	41,316
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(13,198)
Note b) Total	28,118

	Total £'000
Note c) Other adjustments:	
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account	117
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account	68
Note c) Total	185

NOTE 2. UNUSABLE RESERVES AND NOTE 3. REVALUATION RESERVE

Unusable Reserves

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

Unusable reserves are not available to use to support service delivery at the reporting date. These reserves arise from either:

- statutory adjustments required to reconcile balances to the amounts chargeable to council tax (or rents) for the year, in order to comply with legislation, or
- accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services.

	1 April 2024 £'000	Movement £'000	31 March 2025 £'000
Revaluation Reserve	(124,823)	6,970	(117,853)
Capital Adjustment Account	(88,093)	(6,967)	(95,060)
Pensions Reserve	658,215	(90,407)	567,808
Collection Fund Adjustment Account	(1,088)	243	(845)
Pooled Investment Fund Adjustment Account	243	(58)	185
Total unusable reserves	444,454	(90,219)	354,235

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

2023/24 £'000		2024/25 £'000
(111,059)	Balance at 1 April	(124,823)
	Adjustment to opening balance	
(111,059)	Revised balance at 1 April	(124,823)
(17,678)	Upward revaluation of assets	(7,988)
1,436	Downward revaluation of assets and impairment losses not charged to the (surplus) / deficit on the cost of services	12,095
(127,301)	Surplus or deficit on revaluation of non-current assets not posted to the (surplus) / deficit on the cost of services	(120,716)
2,478	Difference between fair value depreciation and historic cost depreciation	2,863
0	Write down of revaluation reserve on assets sold	0
0	Accumulated gains on assets sold or scrapped	0
2,478	Sub total written off to the capital adjustment account	2,863
(124,823)	Balance at 31 March	(117,853)

NOTE 4. CAPITAL ADJUSTMENT ACCOUNT

Capital Adjustment Account

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

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

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

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

2023/24 £'000		2024/25 £'000
(78,584)	Balance as at 1 April	(88,093)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
6,874	Charges for depreciation and impairment of non-current assets	7,605
(202)	Revaluation (gain)/loss on investment property	(354)
52	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES	282
6,724		7,533
(2,478)	Adjusting amounts written out of the revaluation reserve	(2,863)
4,246	Net written out amount of the cost of non-current assets consumed in the year	4,670
	Capital financing applied in the year:	
(51)	Use of the Capital receipts Reserve to finance new capital expenditure	(118)
(101)	Capital grants and contributions credited to the Comprehensive Income and Expenditure	(370)
(490)	Statutory provision for the financing of capital investment charged against the general fund	(729)
(13,113)	Capital expenditure charged against the general fund	(10,420)
(13,755)		(11,637)
(88,093)	Balance as at 31 March	(95,060)

NOTE 5. PENSIONS RESERVE

Pensions Reserve

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

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

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

2023/24 £'000		2024/25 £'000
660,138	Balance 1 April	658,215
(11,843)	Actuarial (gains) or losses on pensions assets and liabilities	(108,107)
0	Effect of asset ceiling	11,238
(15,543)	Government contribution for Firefighter Schemes	(16,259)
(2,655)	Return on plan assets	479
41,316	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit in the Comprehensive I&E Statement	38,066
(13,198)	Employer’s pension contributions and direct payments to pensioners in the year	(15,824)
658,215	Balance 31 March	567,808



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

Collection Fund Adjustment Account

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

Pooled Investment Fund Adjustment Account

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

	2023/24 £'000	2024/25 £'000
Balance 1 April	126	243
Fair value adjustment (movement in year)	117	(58)
Balance 31 March	243	185



NOTE 8. USABLE RESERVES

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

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

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

	Balance 31 March 2023 £'000	Movement in 2023/24 £'000	Balance 31 March 2024 £'000	Movement in 2024/25 £'000	Balance 31 March 2025 £'000	note
Revenue Reserves						
A. General Fund Balance	(2,500)	0	(2,500)	0	(2,500)	
B. Earmarked Revenue Reserves Fully Committed to Existing Programmes						
Designated Underspend Reserve	(300)	(15)	(315)	(681)	(996)	a
Capital Payments Reserve	(25,207)	7,009	(18,198)	4,652	(13,546)	b
Revenue Grants Unapplied	(1,099)	128	(971)	690	(281)	c
IT Services Reserve	(1,826)	(195)	(2,021)	(671)	(2,692)	d
Equipment Replacement Reserve	(2,186)	(151)	(2,337)	(1,117)	(3,454)	e
Transformation Reserve	(2,282)	660	(1,622)	(1,237)	(2,859)	h
	(32,900)	7,436	(25,464)	1,636	(23,828)	
C. Specific Reserves						
HQ Maintenance Reserve	(981)	113	(868)	8	(860)	f
King's Trust	(26)	26	0	0	0	g
	(1,007)	139	(868)	8	(860)	
D. Risk Mitigation						
Budget Equalisation Reserve	(1,097)	264	(833)	(3,248)	(4,081)	i
Capital and Investment Risk Reserve	(1,001)	(1,120)	(2,121)	1,619	(502)	j
	(2,098)	(856)	(2,954)	(1,629)	(4,583)	
Total Earmarked Revenue Reserves Available	(36,005)	6,719	(29,286)	15	(29,271)	
Total Revenue Reserves and Balances	(38,505)	6,719	(31,786)	15	(31,771)	
Total Usable Reserves	(38,505)	6,719	(31,786)	15	(31,771)	

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

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

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

2023/24 £'000		2024/25 £'000
66,925	Employee Benefit Expenses	66,285
23,308	Other Service Expenses	23,229
6,873	Depreciation and Impairment	7,605
97,106	Total Expenditure	97,119
(2,446)	Grants and contributions	(3,625)
(2,198)	Other income	(2,969)
(4,644)	Total Income	(6,594)
92,462	Net Cost of Services	90,525

Employee Benefit Expenses:

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

Other Service Expenses:

Includes costs relating to premises, transport, supplies and services.

Depreciation and Impairment charges:

Charges made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

Grants and contributions:

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

Other income:

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

NOTE 10. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

- To the relevant service for revenue grants and contributions, and capital grants used to fund revenue expenditure funded from capital under statute (REFCUS) if any has been incurred in year
- To the Taxation and Non-Specific Grant Income section for non-ring-fenced revenue grants and contributions and all other capital grants and contributions.

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

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

2023/24 £'000		2024/25 £'000
	Credited to taxation and non specific grant income:	
(22,943)	General Government grants	(27,775)
(4,296)	S31 Grant funding	(4,832)
(1,015)	New Dimension grant	(941)
(219)	Firelink grant	(146)
(8)	Transparency Code grant	(8)
(28,481)	Total	(33,702)
	Credited to services:	
(311)	Protection Uplift grant	(258)
(83)	Building Safety Regulator grant	(55)
(70)	Apprenticeship Levy	(78)
(14)	Local Audit grant	(14)
(7)	Maritime MTA MMER	(24)
0	Pensions Administration and Remedy Compensation	(583)
0	Non-government grants	(40)
(485)	Total	(1,052)

NOTE 10. GOVERNMENT GRANTS AND CONTRIBUTIONS

Grants received in advance

The Authority has received a number of grants and contributions that have conditions attached to them. This means that they cannot be recognised as income until those conditions are met.

Until that time the balances are held on the balance sheet as receipts in advance, this is because they could be required to be returned until the conditions are met.

2023/24 Revenue grants receipts in advance £'000	2024/25 £'000
0 Revenue Support Grant	(1,262)
0 Firefighters Pension Scheme Top-up Grant	(6,127)
0 Non-government grants	(11)
0 Total	(7,400)

NOTE 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure

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

2023/24 £'000		2024/25 £'000	
278	Interest payable	720	
(1,141)	Interest and dividends from short-term investments	(1,335)	
(85)	Pooled Investment Funds & Investment property (gains) & losses	(412)	
19	Investment assets (gains) & losses	0	
33,223	Pensions interest cost	34,188	Note 23(B)
(2,875)	Pensions interest income on assets	(3,297)	Note 23(C)
0	Expected credit losses	0	
29,419	Total	29,864	

Table Links

[23b](#)
[23c](#)

External audit costs

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

2023/24 £'000		2024/25 £'000
104	Fees payable to the appointed auditor for services carried out for the year	115
18	Scale fee variations paid to the appointed auditor for services carried out in the prior year	34
122	Total	149

NOTE 12. OFFICERS' REMUNERATION

Employee benefits

Benefits Payable During Employment

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

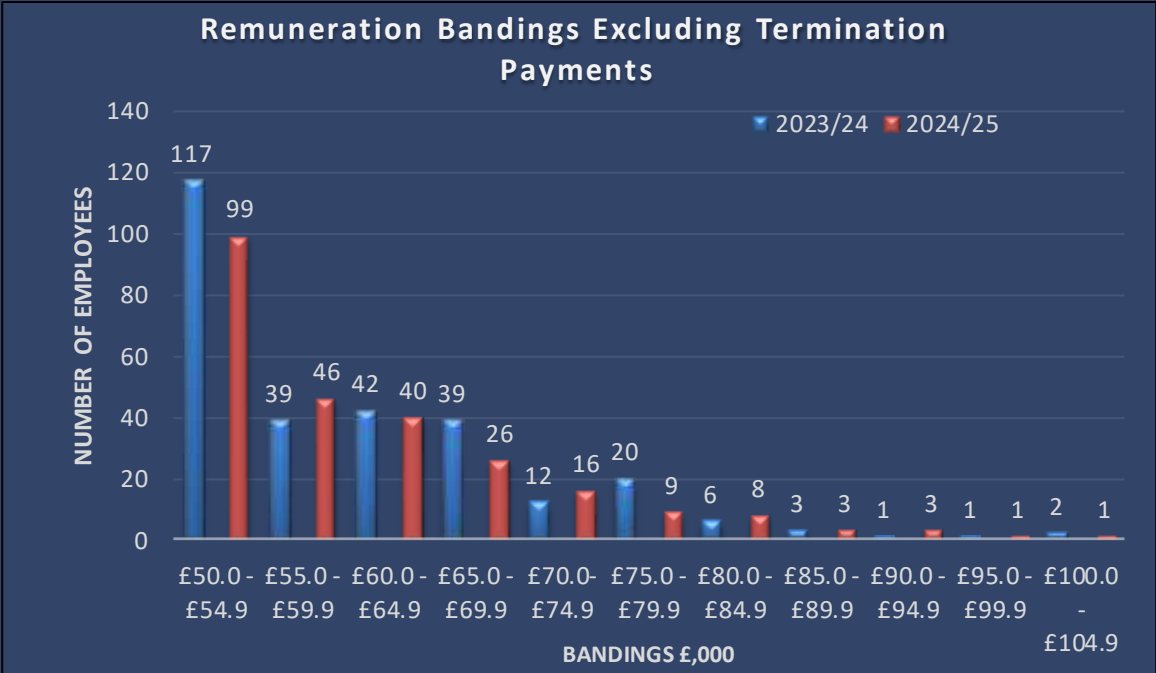
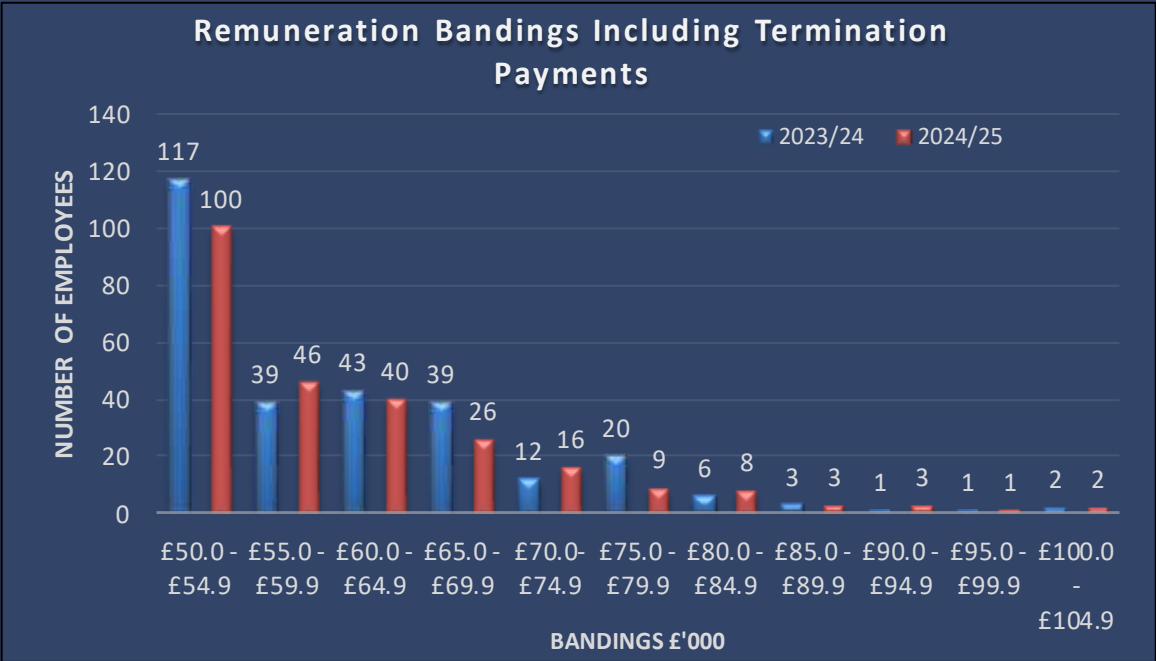
Exit Packages

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

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

Officers’ Remuneration

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



Note: Pay figures for grey book staff in 2023/24 include impact of backdated pay award

NOTE 13. SENIOR OFFICERS' REMUNERATION

Senior Officer Remuneration

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

2024/25	Salary	Benefits in kind (e.g. car allowance)	Employers pension contributions	Total remuneration
	£	£	£	£
Chief Fire Officer - Neil Odin	185,399	0	0	185,399
Deputy Chief Fire Officer	148,164	0	24,028	172,192
Deputy Chief Fire Officer (01/04/2024 to 30/06/2024)	37,080	0	13,071	50,151
Assistant Chief Fire Officer and Director of Operations (01/04/2024 to 30/06/2024)	34,762	0	13,071	47,833
Assistant Chief Fire Officer and Director of Operations (01/07/2024 to 31/03/2025)	104,287	2,333	39,212	145,832
Director of Corporate Services	114,239	1,190	16,107	131,536
Director of People and Organisational Development	114,239	0	18,507	132,746

For Comparison, remuneration paid to the Authority's senior employees in 2023/24 is as follows:

2023/24	Salary	Benefits in kind (e.g. car allowance)	Employers pension contributions	Total remuneration
	£	£	£	£
Chief Fire Officer - Neil Odin (01/04/2023 to 10/10/2023 & 13/11/2023 to 31/03/2024)	178,941	0	30,160	209,101
Chief Fire Officer - Shantha Dickinson (11/10/2023 to 12/11/2023)	16,161	0	2,275	18,436
Deputy Chief Fire Officer and Director of Policy, Planning and Assurance - Shantha Dickinson (01/04/2023 to 14/05/2023 & 13/11/2023 to 31/03/2024)	142,048	0	23,325	165,373
Deputy Chief Fire Officer and Director of Policy, Planning and Assurance (15/05/2023 to 31/03/2024)	129,258	0	32,918	162,176
Assistant Chief Fire Officer and Director of Operations (01/04/2023 to 14/05/2023)	23,746	0	8,385	32,131
Assistant Chief Fire Officer and Director of Operations (15/05/2023 to 31/03/2024)	101,875	0	28,309	130,184
Director of Corporate Services	115,819	1,007	16,820	133,646
Director of People and Organisational Development	113,401	0	18,371	131,772

Notes:

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

These employees are included within the remuneration details disclosed by HCC. A recharge is made to the Fire Authority from HCC in respect of the time and cost of the statutory roles carried out by the CFO and the Monitoring Officer.

The pay figures for 2023/24 for gold book staff include impact of backdated pay award

NOTE 14. EXIT PACKAGES

Exit Packages

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

2024/25				
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 to £60,000	1	4	5	£108,470

2023/24				
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£40,001 to £60,000	0	2	2	£91,021

NOTE 15. MEMBERS’ ALLOWANCES

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

The authority had 11 members in 2024/25 (11 in 2023/24). The authority paid allowances to its members of £0.99m in 2024/25 (£0.94m in 2023/24) and the increase reflects the local government pay award which was made in this period and was applied as an index for the adjustment of Member allowances.

No expenses were paid to Members in either 2024/25 or 2023/24.

	2023/24	2024/25
	£'000	£'000
Allowances	94	99
Expenses	0	0
	94	99



NOTE 16. RELATED PARTIES

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

Central Government

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

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances is shown in note 15. During 2024/25 there were no potential conflicts of interest involving Members of the Authority.

Officers

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

3SFire Community Interest Company (CIC)

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

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

During the financial year 2024/25, 3SFire CIC paid £143,000 (23/24: £114,000) to HIWFRS for the services they provided, including lease of office space. This is in the context of turnover of £493,000 (23/24: £391,000).

Network Fire Services Partnership

The Authority is working with three other Fire Authorities (Devon & Somerset, Dorset & Wiltshire and Kent) in a Networked Fire Services Partnership (NFSP) project, to provide a collaborative approach to the provision of fire control services. During 2024/25 Hampshire & Isle of Wight Fire and Rescue Authority incurred expenditure of £721,000 towards the partnership.

NOTE 17. CAPITAL FINANCING

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

Capital Financing Requirement (CFR)

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation allows some investment to be funded from capital resources. Such investment is not carried on the Balance Sheet and is charged to the Income and Expenditure Statement in the year it is incurred. An adjustment is then made in the Movement in Reserves Statement to ensure that this does not impact on the year's Council Tax. The Authority does not incur expenditure that would be treated as REFCUS on a regular basis, however it will be shown separately in this note in any year where it is incurred.

Minimum Revenue Provision

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

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

2023/24 £'000		2024/25 £'000
15,026	Opening capital financing requirement	27,270
	<i>Capital investment:</i>	
25,999	Property, plant and equipment	13,745
	<i>Sources of finance:</i>	
(51)	Capital receipts	(118)
(101)	Government grants and contributions	(370)
	<i>Sums set aside from revenue:</i>	
(13,113)	Direct revenue contributions (budgeted)	(10,420)
(490)	Minimum revenue provision	(729)
27,270	Closing capital financing requirement	29,378
	Explanation of movements in year:	
12,733	Increase in borrowing requirement	2,835
(490)	Minimum revenue provision	(729)
12,243	Increase / (decrease) in capital financing requirement	2,106

NOTE 18. LEASES AND RIGHT OF USE ASSETS

Leases and Right of Use Assets

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time.

The mandatory adoption of IFRS 16 came into effect from 1 April 2024. Whereas the previous accounting treatment differentiated between finance and operating leases for lessees, the new accounting standard defines assets where an authority has control and exclusive rights to the use of an asset as a 'right of use' asset. Previously, the cost of operating leases would be charged to the cost of services in the year that they are paid, however under IFRS 16 these arrangements require a right of use asset and a lease liability to be included on the balance sheet.

To identify leases to be considered under IFRS 16, they are determined individually by carrying out a number of qualitative and quantitative tests and then making a judgement based on the overall outcomes of the tests.

The Authority has applied the exemption that IFRS 16 allows for short term leases (defined as those with 12 months or less to run) and low value leases (which we have set at a threshold of £5,000), therefore short term and low value leases have not been considered as right of use assets and will continue to be charged to the cost of services in the year that they were paid.

On adoption of IFRS 16 the Authority has also chosen to make use of the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application of IFRS 16.

After determining that none of the small number of leases are material in nature, the Authority has chosen to not make adjustments to the accounts to bring these leases onto the balance sheet. In the interests of transparency, however, the details of the leases reviewed and their accounting treatment are disclosed in this section of the accounts.

The following page sets out our accounting policy for right of use assets which will be used if the Authority enters into any new leases. When that occurs, we will also consider the materiality of any adjustments required.

NOTE 18. LEASES AND RIGHT OF USE ASSETS

Leases and Right of Use Assets

The Authority has adopted IFRS 16 from 1 April 2024, however as explained on the previous page we have not made any adjustments to the accounts for IFRS 16 as these are immaterial. We will however apply the following treatment for any new material leases entered into by the Authority.

In cases where the Authority is the lessee and has control and exclusive rights to an asset, a right of use asset will be recognised on the balance sheet to reflect the right it has to use the assets and liabilities recognised for the lease payments it has agreed to for that use.

The cost of a right of use asset recognised will be determined by the present value of the lease payments made before or at commencement, plus any direct costs relating to setting up the lease, less any incentive payments received by the lessee.

The lease liability recognised will be determined by the value of all the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease. If an implicit interest rate cannot be determined, then the Authority will apply its incremental borrowing rate, which will be the relevant PWLB loan rate equal to the lease term.

The details of the leases reviewed and their accounting treatment within these accounts are disclosed as a lessee table on the following page.

Lessor accounting is unchanged in IFRS 16, therefore in cases where the Authority is a lessor leases have continued to be considered as operating leases granted, based on the following definitions:

- **Finance lease:** any arrangement where substantially all of the risks and rewards, incidental to ownership of the asset, transfer to from the lessor to the lessee.
- **Operating lease:** leases that do not transfer substantially all of the risks and rewards from the lessor to the lessee.

NOTE 18. LEASES AND RIGHT OF USE ASSETS

The Authority as a lessee

The Authority leases two sites. The Authority has chosen to apply the exemption included within IFRS 16 for low value assets (with a threshold set at £5,000). In the interests of transparency, the rental costs payable have continued to be charged to the Comprehensive Income and Expenditure Statement as an expense on a straight-line basis and are disclosed in the table below:

2023/24 £'000		2024/25 £'000
16	In year payments	13
	<i>Future minimum payments:</i>	
16	Not later than one year	19
60	Later than one year and not later than five years	78
506	Later than five years	626
582	Total future payments	723

The Authority as a lessor

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

The Authority grants operating leases to third parties for example for parking and or storage by other emergency services. The substantial increase seen in 2024/25 is due to a lease issued for premises at the new Cosham Fire Station.

2023/24 £'000		2024/25 £'000
417	In year receipts	519
	<i>Future minimum receipts:</i>	
429	Not later than one year	520
980	Later than one year and not later than five years	1,203
445	Later than five years	2,143
1,854	Total future receipts	3,866

NOTE 19. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

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

Recognition

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

Measurement

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

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

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

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

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

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

NOTE 19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Impairment

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

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

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

Depreciation

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

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

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

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

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

NOTE 19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Disposals and assets held for sale

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

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

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

Capital Commitments

At 31 March 2025 there were contractual capital commitments of £3.333m

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

2024/25	Other land & buildings £'000	Vehicles and equipment £'000	Assets under construction £'000	Total £'000
Cost or Valuation:				
At 31 March 2024	212,329	47,746	24,214	284,289
Adjustment to opening balance (note i)	(2,250)			(2,250)
At 1 April 2024	210,079	47,746	24,214	282,039
Additions in year	5,006	5,283	3,456	13,745
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8,096)	0	0	(8,096)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1)	0	0	(1)
Derecognition - Disposals	(981)	(5,403)	0	(6,384)
Assets reclassified (to)/from held for sale	(390)	0	0	(390)
Other movements in cost or valuation	18,835	6,314	(25,149)	0
Gross book value as at 31 March 2025	224,452	53,940	2,521	280,913
At 31 March 2024	(12,612)	(32,448)	0	(45,060)
Adjustment to opening balance (note i)	2,250			2,250
At 1 April 2024	(10,362)	(32,448)	0	(42,810)
Depreciation Charge	(4,568)	(2,872)	0	(7,440)
Depreciation written out on revaluation	4,345	0	0	4,345
Impairment (losses)/reversals recognised in the Revaluation Reserve	(355)	0	0	(355)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(165)	0	0	(165)
Derecognition - Disposals	981	5,120	0	6,101
Accumulated depreciation as at 31 March 2025	(10,124)	(30,200)	0	(40,324)
Net book value 31 March 2025	214,328	23,740	2,521	240,589
Net book value 1 April 2024	199,717	15,298	24,214	239,229

Note (i) The adjustment to opening balances in 2024/25 balances relates to write back of in year depreciation for revalued assets. The differences have no impact on the NBV of the assets of the assets or any other sections of the accounts

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

2023/24	Other land & buildings £'000	Vehicles and equipment £'000	Assets under construction £'000	Total £'000
Cost or Valuation:				
At 1 April 2023	194,369	43,116	8,400	245,885
Additions in year	97	4,265	21,637	25,999
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,914	0	0	14,914
Derecognition - Disposals	(1,569)	(940)	0	(2,509)
Other movements in cost or valuation	4,518	1,305	(5,823)	0
Gross book value as at 31 March 2024	212,329	47,746	24,214	284,289
Accumulated depreciation:				
At 1 April 2023	(11,115)	(30,856)	0	(41,971)
Depreciation Charge	(4,079)	(2,481)	0	(6,560)
Depreciation written out on revaluation	2,579	0	0	2,579
Impairment (losses)/reversals recognised in the Revaluation Reserve	(1,251)	0	0	(1,251)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(316)	0	0	(316)
Derecognition - Disposals	1,570	889	0	2,459
Accumulated depreciation as at 31 March 2023	(12,612)	(32,448)	0	(45,060)
Net book value 31 March 2024	199,717	15,298	24,214	239,229
Net book value 1 April 2023	183,254	12,260	8,400	203,914

NOTE 20. FINANCIAL INSTRUMENTS

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

Financial assets

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

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

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

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

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

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

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

NOTE 20a. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments - Assets

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

Financial Assets	Long Term		Short Term	
	31/03/2024	31/03/2025	31/03/2024	31/03/2025
	£'000	£'000	£'000	£'000
Investments:				
<i>At amortised cost</i>				
- Principal	0	0	1,020	20
- Accrued interest	0	0	27	0
<i>At Fair Value through profit & loss</i>				
- Fair value (FVPL)	3,007	3,065	0	0
Total investments	3,007	3,065	1,047	20
Cash & cash equivalents:				
- Cash (including bank accounts)			(3,027)	(1,091)
- <i>At amortised cost</i>			1,470	3,680
- <i>At Fair Value through Profit & Loss</i>			11,640	19,240
Total cash and cash equivalents			10,083	21,829
Loans and receivables:				
- financial instrument debtors	0	0	2,160	2,616
- loans made for service purposes	6	6	0	0
Total financial assets	3,013	3,071	13,290	24,465

Long-term investments

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

Short-term investments

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

Cash and Cash Equivalents

Balances classified as 'cash equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and for which there is an insignificant risk of changes in value.

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

2023/24		2024/25
£'000		£'000
0	Bank overdraft	(2)
1,470	Cash and cash equivalents measured at amortised cost	3,680
11,640	Cash and cash equivalents measured at fair value through profit & loss	19,240
(3,027)	Uncleared BACS payments	(1,089)
10,083	Total cash and cash equivalents	21,829

NOTE 20b. FINANCIAL INSTRUMENTS (CONTINUED)

Short-term Debtors

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

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

	2023/24	2024/25
	£'000	£'000
Financial instrument debtors	2,160	2,616
Non-financial instrument debtors	11,478	4,890
Total short-term debtors	13,638	7,506

Long-term debtors

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

	2023/24	2024/25
	£'000	£'000
Financial instrument debtors	6	6
Non-financial instrument prepayments	0	0
Total long-term debtors	6	6

NOTE 20c. FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

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

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

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

	Long Term		Short Term	
	31/03/2024	31/03/2025	31/03/2024	31/03/2025
	£'000	£'000	£'000	£'000
Loans at amortised cost:				
-Principal sum borrowed	(14,431)	(13,662)	(1,119)	(769)
-Accrued interest	0	0	(68)	(66)
Total borrowing	(14,431)	(13,662)	(1,187)	(835)
Liabilities at amortised cost:				
-Financial instrument creditors	0	0	(2,867)	(3,176)
Total other liabilities	0	0	(2,867)	(3,176)
Total	(14,431)	(13,662)	(4,054)	(4,011)

Long-term borrowing

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

Short-term borrowing

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

Creditors

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

	2023/24	2024/25
	£'000	£'000
Financial instrument creditors	(2,867)	(3,176)
Non-financial instrument creditors	(4,254)	(4,334)
Total creditors	(7,121)	(7,510)

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

NOTE 20d. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

NOTE 20e. FINANCIAL INSTRUMENTS AND FAIR VALUES

Basis of valuation

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

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

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

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

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

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

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

NOTE 20f. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

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

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

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

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

The fair value of long-term liabilities held at amortised cost is different from the balance sheet carrying amount where the interest rates payable for the portfolio of loans are different from the current rates available for similar loans as at the Balance Sheet date.

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

	Fair Value level	Balance Sheet		Fair Value	
		31/03/2024 £'000	31/03/2025 £'000	31/03/2024 £'000	31/03/2025 £'000
Financial Liabilities					
Long term loans from PWLB	2	(15,550)	(14,431)	(15,561)	14,066
Accrued interest		(68)	(66)		
Total loans borrowed		(15,618)	(14,497)	(15,561)	14,066
Liabilities for which fair value is not disclosed*		(2,867)	(3,176)		
Total financial liabilities		(18,485)	(17,673)	(15,561)	14,066
<i>Recorded on balance sheet as:</i>					
Short term creditors		(2,867)	(3,176)		
Short term borrowing		(1,187)	(835)		
Long term borrowing		(14,431)	(13,662)		
Total financial liabilities		(18,485)	(17,673)		
Financial Assets					
<i>Held at fair value:</i>					
Money market funds	1	11,640	19,240	11,640	19,240
Property funds	2	3,007	3,065	3,007	3,065
Total		14,647	22,305	14,647	22,305
Assets for which fair value is not disclosed*		1,656	5,231		
Total financial assets		16,303	27,536		
<i>Recorded on balance sheet as:</i>					
Long term investments		3,007	3,065		
Long term debtors		6	6		
Short term investments		1,047	20		
Cash and cash equivalents		10,083	21,829		
Short term debtors		2,160	2,616		
Total financial assets		16,303	27,536		

NOTE 21. NATURE AND EXTENT OF RISK

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

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

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

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

The main risks covered are:

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

NOTE 21a. NATURE AND EXTENT OF RISK (CONTINUED)

Credit Risk

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

A limit of £5m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £2.5m applies. HIWFRA also sets limits on investments in certain sectors. No more than £12m in total can be invested for a period longer than one year.

The table summarises the credit risk exposures of HIWFRA's investment portfolio by credit rating.

Credit rating	Long term		Short term	
	2023/24	2024/25	2023/24	2024/25
	£'000	£'000	£'000	£'000
AA+	0	0	1,450	1,190
A+	0	0	30	2,500
A	0	0	10	10
AAA Money Market Funds	0	0	11,640	19,240
Unrated local authorities	0	0	1,027	0
Unrated pooled funds	3,007	3,065	0	0
Total Investments	3,007	3,065	14,157	22,940

NOTE 21b. NATURE AND EXTENT OF RISK (CONTINUED)

Liquidity Risk

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

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

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

Time to maturity (years)	Discounted (principal)		Undiscounted (principal plus interest)	
	31/03/2024 £'000	31/03/2025 £'000	31/03/2024 £'000	31/03/2025 £'000
Not over 1	(1,119)	(835)	(1,842)	(1,437)
Over 1 but not over 2	(769)	(869)	(1,437)	(1,501)
Over 2 but not over 5	(2,408)	(2,308)	(4,183)	(3,968)
Over 5 but not over 10	(6,296)	(7,197)	(8,403)	(8,994)
Over 10 but not over 20	(4,958)	(3,288)	(5,375)	(3,499)
Total	(15,550)	(14,497)	(21,240)	(19,399)

NOTE 21c. NATURE AND EXTENT OF RISK (CONTINUED)

Market Risks: Interest Rate Risk

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

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

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

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

The Treasury Management Strategy aims to mitigate these risks through the interest rate risk indicator. At 31 March 2025, the entire net principal borrowed (i.e. debt net of investments) was exposed to fixed rates, a small proportion of these will mature during 2025/26 and if re-financed would be at prevailing market rates. All £26.2m of HIWFRA's investment balance at 31 March 2025 was exposed to variable interest rates,.

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

	£'000
Increase in interest payable on variable rate borrowings	2
Increase in interest receivable on variable rate investments	(211)
Decrease in fair value of investments held at FVPL	24
Impact on (Surplus) or Deficit on the Provision of Services	(185)
Decrease in fair value of investments held at FVOCI	0
Impact on Comprehensive Income and Expenditure	(185)

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

Market Risks: Price Risk

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

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

NOTE 22. PROVISIONS

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

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

- Pension liabilities – these relate to temporary promotions where the cost of some pensions are required to be funded by the Authority. This provision was cleared in the financial year 2024-25.
- Holiday pay for overtime claims. A legislative change on 6 April 2020 by virtue of The Employment Rights (Employment Particulars and Paid Annual Leave) (Amendment) Regulations 2018 amended the Working Time Regulations 1998. As a result, normal remuneration is interpreted to include payments that are normally received, i.e., including overtime directly and intrinsically linked to the work that the worker is required to do. Final claims were settled in the financial year 2024-2025.
- Uninsurable and other claims. This covers the excess on insurance claims and claims relating to a historic period when the Authority was not insured. Cases may take a number of years to settle. There is an excess of £25,000 on employee liability claims and £50,000 on motor vehicle claims.
- Long-term provision for Business Rate appeals - this is the Authority's share of the provision made by billing authorities for refunding ratepayers who are successful in appealing against the rateable value of their properties on the rating list.

	Balance as at 1 April 2024 £'000	Payments made in the year £'000	(Increase) /decrease £'000	Balance as at 31 March 2025 £'000
Pension liabilities	(98)	52	46	0
Holiday pay on overtime claims	(26)	26	0	0
Total short-term provisions	(124)	78	46	0
Uninsurable and other claims	(43)	25	(617)	(635)
Long-term provisions charged to net cost of services	(43)	25	(617)	(635)
Total Provisions charged to net cost of services	(167)	103	(571)	(635)
Long-term provision for Business Rate appeals	(692)	0	145	(547)
Total provision made	(859)	103	(426)	(1,182)

NOTE 23. PENSION SCHEMES

Participation in Pension Schemes

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

The Authority participates in a number of pension schemes:

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

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

The 2015 scheme is a career average scheme (CARE), and is available to operational firefighters appointed on or after 1 April 2015. All serving firefighters transferred into the scheme from 1 April 2022.



NOTE 23a. PENSION SCHEMES

Transactions relating to post-employment benefits

The cost of post-employment benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge required to be made against the Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

	Firefighters' Pension Schemes		Injury Pensions (firefighters)		LGPS (Staff)		All schemes - Total	
	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000
Comprehensive Income and Expenditure Statement								
Cost of Services								
- Current service cost	5,614	4,225	408	351	2,122	2,451	8,144	7,027
- Past service costs	2,824	135	0	0	0	13	2,824	148
- (Gain)/loss from settlements	0	0	0	0	0	0	0	0
Financing and Investment Income and Expenditure								
Net interest expense	28,688	29,526	1,487	1,325	173	40	30,348	30,891
Total Charge to the Surplus or Deficit on the Provision of Services	37,126	33,886	1,895	1,676	2,295	2,504	41,316	38,066
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
- Return on plan assets	0	0	0		(2,655)	479	(2,655)	479
- Government contribution for Firefighter Schemes	(15,543)	(16,259)	0		0		(15,543)	(16,259)
- Actuarial (Gains)/Losses arising	(5,866)	(92,105)	(4,439)	(3,433)	(1,538)	(12,569)	(11,843)	(108,107)
- Effect of asset ceiling						11,238	0	11,238
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	15,717	(74,478)	(2,544)	(1,757)	(1,898)	1,652	11,275	(74,583)
Movement in Reserves Statement								
Reverse charge to Provision of Services	(37,126)	(33,886)	(1,895)	(1,676)	(2,295)	(2,504)	(41,316)	(38,066)
Actual amount charged against the General Fund Balance for pensions in the year								
Employer's contributions to the scheme	9,424	11,867	0	0	2,254	2,484	11,678	14,351
Benefits paid direct to beneficiaries	0	0	1,520	1,473	0	0	1,520	1,473
Charge on General Fund	9,424	11,867	1,520	1,473	2,254	2,484	13,198	15,824

NOTE 23b. PENSION SCHEMES

Net Pensions Liability

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

	LGPS		Firefighters' Pension Schemes		Injury		All schemes -Total	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 April	65,574	68,121	622,766	629,059	32,388	28,324	720,728	725,504
Current service cost	2,122	2,451	5,614	4,225	408	351	8,144	7,027
Interest cost	3,048	3,337	28,688	29,526	1,487	1,325	33,223	34,188
Contributions by scheme participants	882	1,031	4,142	4,157	0	0	5,024	5,188
Actuarial (gains) and losses	(1,538)	(12,569)	(5,866)	(92,105)	(4,439)	(3,433)	(11,843)	(108,107)
Net benefits paid out	(1,967)	(2,016)	(29,109)	(32,283)	(1,520)	(1,473)	(32,596)	(35,772)
Past service costs	0	13	2,824	135	0	0	2,824	148
31 March	68,121	60,368	629,059	542,714	28,324	25,094	725,504	628,176

NOTE 23c. PENSION SCHEMES

Local Government Pension Scheme Assets

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

2023/24 £'000		2024/25 £'000
60,590	1 April	67,289
2,875	Pensions interest income on assets	3,297
2,655	Actuarial gains and (losses)	(479)
0	Effect of asset ceiling	(11,238)
2,254	Employer contributions	2,484
882	Contributions by scheme participants	1,031
(1,967)	Net benefits paid out	(2,016)
67,289	31 March	60,368

Fair value means:

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

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

The actual return on assets in the year was a gain of £2.020m.

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

31 March 2024 %		31 March 2025 Quoted %	31 March 2025 Unquoted %	31 March 2025 Total %
37.94	Equities	33.31	0.00	33.31
7.45	Property	0.00	9.13	9.13
14.50	Government Bonds	14.57	0.00	14.57
9.86	Corporate bonds	4.53	4.71	9.24
0.80	Cash	1.94	0.00	1.94
29.45	Other (hedge funds, currency holdings, futures, private equities)	9.16	22.65	31.81
100.0		63.51	36.49	100.00

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

The asset ceiling is an adjustment calculated to determine the value of the pension scheme surplus that the Authority should recognise on its balance sheet. The LGPS is currently assessed to be in surplus (i.e. it is assessed to have more assets than needed to pay future pensions). However, the circumstances in which an Authority can access or benefit from the surplus are extremely rare. Nevertheless, under IAS 19 the Authority is required to report on its balance sheet the present value of any potential economic benefits it can receive from the surplus, which is determined by the asset ceiling value calculated by the actuary.

NOTE 23d. PENSION SCHEMES

Impact on the Authority's cash flows

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

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

The most recent triennial valuation of the LGPS identified that the fund was in surplus. The objectives of the LGPS are to keep the employer's contribution rate as constant as possible. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

The employer's regular contributions to the LGPS fund for the accounting period to 31 March 2026 are estimated to be £2.5m. In addition, pension strain contributions may be required.

NOTE 23e. PENSION SCHEMES

Basis for estimating assets and liabilities

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

- Financial assumptions
- Post Retirement Mortality
- Commutation.

All schemes have been assessed by independent actuaries. The Local Government Pension Scheme was assessed by Hymans Robertson LLP and the Firefighters' Pension Schemes by AON Hewitt Limited, against formal actuarial valuations as at the following dates:

Scheme	Date
Local Government Pension Scheme – funded	31 March 2022
1992 Firefighters' Pension Scheme	31 March 2023
2006 Firefighters' Pension Scheme	31 March 2023
2015 Firefighters' Pension Scheme	31 March 2023
Firefighters' Injury and Ill-Health Pensions	31 March 2023

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

31 March 2024		31 March 2025
2.75%	Rate of Inflation (CPI) (LGPS)	2.75%
2.60%	Rate of Inflation (CPI) Firefighter Schemes)	2.50%
3.75%	Rate of increase in salaries (LGPS)	3.75%
3.60%	Rate of increase in salaries (Firefighter Schemes)	3.50%
2.75%	Rate of increase in pensions (LGPS)	2.75%
2.60%	Rate of increase in pensions (Firefighter Schemes)	2.50%
4.85%	Rate for discounting scheme liabilities (LGPS)	5.80%
4.80%	Rate for discounting scheme liabilities (Firefighter Schemes)	5.80%
	Longevity at 65 for current Pensioners (years):	
22.1	Men (LGPS)	22.0
24.7	Women (LGPS)	24.7
21.2	Men (Firefighter Schemes)	21.0
23.8	Women (Firefighter Schemes)	23.7
	Longevity at 65 for future Pensioners (years):	
22.6	Men (LGPS)	22.5
25.7	Women (LGPS)	25.6
22.8	Men (Firefighter Schemes)	22.3
25.5	Women (Firefighter Schemes)	25.1

NOTE 23e. PENSION SCHEMES

Basis for estimating assets and liabilities (continued)

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

The commutation assumptions used by the independent actuary for the year ending 31 March 2025 are:

Local Government Pension Scheme	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 70% of the permitted maximum.
Firefighter pension Schemes	1992 Scheme: 90% of members commute 25% of their pension. 2006 & 2015 Schemes: 80% of members commute 25% of their pension.

NOTE 23f. PENSION SCHEMES

Basis for estimating assets and liabilities (continued)

Sensitivity analysis of financial assumptions

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

Local Government Pension Scheme	Increase in assumption		Decrease in assumption	
	£'000	%	£'000	%
Discount rate (increase / decrease 0.1% per annum)	-1,120	-2%	1,120	2%
Salary increase rate (increase / decrease 0.1% per annum)	28	0%	-28	0%
Pension increase rate (increase / decrease 0.1% per annum)	1,123	2%	-1,123	-2%
Longevity (increase / decrease by 1 year)	2,415	4%	-2,415	-4%

Firefighter Pension Schemes	Increase in assumption		Decrease in assumption	
	£'000	%	£'000	%
Discount rate (increase / decrease 0.1% per annum)	-7,176	-1%	7,200	1%
Salary increase rate (increase / decrease 0.1% per annum)	1,085	0%	-1,085	0%
Pension increase rate (increase / decrease 0.1% per annum)	6,114	1%	-6,091	-1%
Longevity (increase / decrease by 1 year)	11,940	2%	-12,482	-2%

NOTE 24. CONTINGENT LIABILITIES

Contingent liabilities

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

Transitional Protections in relation to the 2015 Firefighter's Pension Scheme (McCloud Remedy)

The transitional protections provided as part of the introduction of the 2015 Fire Fighter's Pension scheme have been ruled as unlawful and the estimated impact of this has already been included in the pension valuations reported in these accounts. The legislation enabling the resolution of these cases came into force on 1 October 2023. Cases for pensioner members are now settled and the impacts for deferred and active members have been assessed. At the next triennial valuation the impacts of the actual settlement will be compared to the assumptions within the previous valuation. Outstanding issues remain to be resolved that are outside the control of the Authority.

O'Brien vs Ministry of Justice (Matthews Remedy)

In the case O'Brien vs Ministry of Justice, it was found in favour of the claimant that part time periods of service should also count in calculating future pension benefits. This has implications for the Firefighter's pension schemes particularly in relation to the Modified scheme covering RDS staff who by their very nature are part time.

Legislation enabling the resolution of these cases came into force on 1 October 2023, however challenges with implementation mean that the deadline for completion of the remedy will be extended for 12 months after the laying of new legislation (likely to be in March 2026). Good progress is being made in implementing this remedy but as very few cases have been finalised, and with new legislation to be considered, the full impact of the remedy is not yet clear.

Virgin Media Limited vs NTL Pension Trustees II Limited

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment was upheld by the Court of Appeal in July 2024.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, Hampshire & Isle of Wight Fire & Rescue Authority does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

NOTE 24. CONTINGENT ASSETS

Contingent assets

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

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

NOTE 25. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 25 February 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Mutually Agreed Resignation Scheme (MARS)

In April 2025 the Authority launched a MARS for green book staff. This is a process where an employee can voluntarily choose to leave their job, with the agreement of their employer, in exchange for a severance payment. The scheme was made available as part of the organizational design review to help the Service to identify savings opportunities.

Truck Cartel

The Authority previously disclosed a contingent asset in relation to an ongoing legal case in against manufacturers and vendors of trucks, alleging an unlawful price cartel. This case has now been settled with income to be received in the 2025/26 financial year, and will therefore be included in the 2025/26 Statement of Accounts when those are produced. This is a non-adjusting event as the settlement arose after the end of the reporting period. The contingent asset has been removed from these updated accounts.

Devolution

A new Mayoral Combined County Authority (MCCA) is due to be created for Hampshire and the Solent, covering the area served by the existing HIWFRA. Fire and rescue functions are due to be transferred to the MCCA in future. Progress has continued to be made in preparation since the Balance Sheet date but the timescales and exact arrangements have not yet been confirmed.



NOTE 26. CASH FLOW STATEMENT NOTES

The cash flows for operating activities include the following items:

2023/24 £'000		2024/25 £'000
(1,136)	Interest received	(1,335)
265	Interest paid	(718)
<u>(871)</u>		<u>(2,053)</u>
(6,560)	Depreciation	(7,440)
(314)	Impairments & downward revaluations	(165)
0	Amortisations	0
1	(Increase)/Decrease in expected loss allowance for receivables	0
3,942	(Increase)/Decrease in creditors	(7,827)
(1,398)	Increase/(Decrease) in debtors	(6,158)
44	Increase/(Decrease) in inventories	39
241	(Increase)/Decrease in provisions	(426)
535	Actual cash payments made from provisions	103
(28,118)	Movement in pension liability	(22,242)
85	Movement in the value of investment properties & financial instruments	412
(50)	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	(283)
<u>(31,592)</u>	Total adjustment to net surplus or deficit on the provision of services for non-cash movements	<u>(43,987)</u>

NOTE 26. CASH FLOW STATEMENT NOTES (CONTINUED)

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

2023/24 £'000		2024/25 £'000
51	Proceeds from the sale of fixed assets	118
66	Capital grants and contributions received	370
117	Total adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	488

The cash flow from investing activities comprises the following items:

2023/24 £'000		2024/25 £'000
25,876	Purchase of property, plant and equipment	13,784
9,042	Purchase of short-term and long-term investments	43,564
(51)	Proceeds from the sale of property, plant and equipment	(118)
(15,781)	Proceeds of sale of short-term and long-term investments	(45,538)
(981)	Reclassification of short-term investments to cash equivalents	974
(66)	Capital grants received	(370)
18,039	Total cash outflow from investing activities	12,296

The cash flow from financing activities comprises the following items:

2023/24 £'000		2024/25 £'000
	Cash outflows	
350	Repayments of long and short term borrowing	1,119
	Cash inflows	
(10,000)	Cash receipts of long and short term borrowing	0
(9,650)	Total cash inflow from financing activities	1,119

NOTE 27. ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

General principles

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

Going Concern

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

Financial sustainability

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

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

Quarterly financial updates are prepared by budget managers across the service and with support from finance these are presented and discussed quarterly at the Executive Group. The MTFP and current assumptions on funding, priorities and pressures informs the annual budget setting process, with outcomes monitored throughout each financial year taking a risk-based approach with the escalation of issues through senior officers and elected members as appropriate.

At the end of 2024/25 reserves stood at £31.7m of which 8% comprised the General Fund balance. Reserves balances are expected to fall as the Authority delivers its capital programme and other planned expenditure from reserves. The capital programme also includes schemes funded by borrowing. The Chief Financial Officer is working with the treasury advisors Arlingclose to manage the Authority's borrowing in line with the Treasury Management Strategy. Where the Authority's capital programme includes schemes to be funded by prudential borrowing, the revenue impacts have been factored into the MTFS and are affordable.

The Authority will hold lower cash and investment balances as reserves fall and needs to deliver savings to support the Medium Term Financial Plan. Assuming these savings are delivered, financial forecasts and cash flows for 2025/26 and assumptions for 2026/27 support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2027.

The local government finance settlement provided more information for the subsequent three years, which will aid financial planning. The impact of devolution on the Authority is also not yet known. In addition are external pressures such as inflation, carbon reduction requirements and the need to modernise the estate. These factors together all mean that the longer-term position of the Authority remains unclear and the Authority may need to consider further changes to remain financially sustainable

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

Accounting policies

Accruals of income and expenditure

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

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

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

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

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

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

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

Intangible assets

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

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

Inventories and long-term contracts

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

VAT

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

Interests in Companies and Other Entities

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

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

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



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

Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. The Authority has made decisions as to how much it should be adding to reserves in order to help minimise the risk of reduced funding.
- Judgements have been made on whether any contracts for services include embedded leases. None have been identified.
- Judgements about the likelihood of pending and potential liabilities have been made and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties and legal claims that could eventually result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending cases based on experience in previous years or in other local authorities.

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

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

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

In the case of 3SFire Ltd they have been judged to be a subsidiary of the Authority and therefore group accounts will be required when their turnover becomes material. However, for 2024/25 this has been judged immaterial as their turnover is less than 0.5% of the Authority's total income.

NOTE 28. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

The additional disclosures that will be required in the 2025/26 financial statements in respect of accounting changes introduced in the 2025/26 Code are:

- Property, Plant and Equipment (IAS 16) and Intangible Assets (IAS 38)
 - The Code includes adaptations and interpretations of these two accounting standards, which both relate to how non-investment assets are valued. Those relating to IAS 16 set out three revaluation processes for operational property, plant and equipment as well as requiring indexation of tangible non-investment assets. Those relating to IAS 38 require intangible assets to be valued using the historical cost approach. There will be no impact on the accounts for prior years, as these new accounting requirements will not be applied retrospectively. We will value operational property, plant and equipment assets in 2025/26 in line with the requirements, however this is not a diversion from our existing approach to valuations and so we do not expect this to have a material impact. We do not have any material amount of intangible assets, so do not expect that the IAS 38 changes will have any impact on the accounts.
- The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) (IAS 21)
 - The changes to this accounting standard relate to how to address situations where one currency cannot be exchanged into another (e.g. due to Government currency controls). The Fire Authority does not have anything denominated in a foreign currency, so there will be no effect on the accounts.
- Insurance Contracts (IFRS 17)
 - IFRS 17 is a new standard which sets out principles for the accounting treatment of insurance contracts. Although we have some insurance contracts, this accounting standard is aimed at companies which issue insurance contracts (i.e. the insurance industry), so it will not have any impact on our accounts.

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

There are two significant items on the Authority's Balance Sheet for which there is a risk of adjustment in the forthcoming financial year owing to uncertain events. These are the estimated values for the pension liability and property, plant and equipment (PPE). However, variations in these values do not impact the usable reserves of the Authority.

PPE

The Authority commissions a 5 year rolling programme of PPE valuations, unless events indicate that a valuation is required ahead of the next planned valuations. Valuations are undertaken by external qualified valuers (Charlecote Estates Ltd) in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards and using recognised measurement techniques. These take account of current trends in building costs, local planning policies and other relevant factors. For assets not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices. However, because valuations cannot be determined with complete certainty, actual results could be different from the assumptions and estimates. A 1% change in valuations equates to £2m.

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex assumptions related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension fund assets (for the Local Government Pension Scheme) and the actual remedy agreed for transition provisions. The Authority engages a firm of consulting actuaries to provide expert advice on the assumptions to be applied. The effects of changes in individual assumptions on the pension liability can be measured and a sensitivity analysis is provided in note 23f.



A photograph of firefighters in full protective gear spraying a large volume of water. The water is captured in mid-air, creating a dense field of white droplets that partially obscures the firefighters. The scene is set outdoors, with a building's structural elements visible in the background. The overall tone is dynamic and heroic.

FIREFIGHTER PENSION FUND ACCOUNT

FIREFIGHTER PENSION FUND ACCOUNT

The accounting policies for the Pension Fund Account are the same as those of the main Authority and can be found in note 23 of the main Authority's financial statements.

Funding arrangements

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

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

Accounting for future liabilities

These accounts do not take into account the liabilities to pay pensions and other benefits after the end of the financial year. As this liability rests with the Authority, it is included in the Authority's own Income and Expenditure Account and Balance Sheet. Further details can be found in note 23 to the main Authority accounts.

2023/24 £'000		2024/25 £'000
	Contributions receivable:	
(9,181)	Normal contributions from employer	(11,745)
(243)	Early retirement contributions from employer	(134)
(4,142)	Contributions from members	(4,163)
(13,566)		(16,042)
(66)	Transfers in	(199)
	Benefits payable:	
25,414	Pensions	23,668
3,627	Commutations and lump sum retirement benefits	6,823
120	Lump sum death benefits	0
29,161		30,491
	Payments to and on account of leavers:	
0	Refunds of contributions	14
14	Individual transfers out to other schemes	0
14		14
15,543	Net amount payable for the year before top-up grant receivable from the Government	14,264
(15,543)	Top up grant receivable from the Government	(14,264)
0	Net amount receivable/payable for the year	0

2023/24 £'000		2024/25 £'000
	Net current assets and liabilities	
6,169	Pension top-up grant receivable from / (payable to) Government	(6,127)
(6,169)	Temporary (borrowing) / lending	6,127
0	Net assets	0



ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

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

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

1.2. This Annual Governance Statement (AGS) is a retrospective statement for the previous financial year.

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

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

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

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2. The purpose of corporate governance

- 2.1. Governance comprises the arrangements put in place to ensure intended outcomes are defined and achieved. Good governance will enable fire and rescue authorities (FRAs) to set a strategic agenda that meets the needs of communities and discharges its statutory responsibilities efficiently and effectively. For HIWFRA this is carried out through the Service implementing the Authority's Safety Plan alongside other key activities.
- 2.2. The Service's Corporate Governance Framework includes the systems, processes and values by which the Service is directed and controlled. It provides the mechanism to enable the Authority to make decisions and monitor the achievement of its priorities and to consider whether they have led to the delivery of appropriate, cost effective and efficient services. The Corporate Governance Framework is designed to provide a robust governance process, streamline decision making and support efficient and effective operations for the Service. The effectiveness of the framework is evaluated throughout the year.
- 2.3. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. The Authority cannot eliminate all risk of failure to achieve its aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.4. The Authority sets strategic direction, monitors, scrutinises and ensures delivery of services, whilst accountability for the achievement of the Authority's priorities sits with the Service. The Service's Corporate Governance Framework demonstrates and enables the ability to deliver its core purpose of 'together we make life safer' through cohesive working and clear routes of governance.

3. Core principles of good governance

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

- 3.1.1 The Authority operates with 11 Members. The Police and Crime Commissioner (PCC) is invited to attend Authority meetings and has the ability to speak on items on the agenda. The structure and the related arrangements have resulted in a strategic and business focus from the Authority with good Member engagement and scrutiny. The current structure of the Authority puts them in a strong position to continue to lead the Service in delivering excellent quality services to the residents of Hampshire and the Isle of Wight, whilst remaining resilient and responsive to challenges in the future.
- 3.1.2 The Authority has a Constitution, the purpose of which is to set out in a single place and in clear language how Hampshire and Isle of Wight Fire and Rescue Authority ("the Authority") works and how it makes decisions. The Constitution sets out the roles and responsibilities of the Authority, its committees and Members. The key policies that set out the scope of responsibilities for Members and delegation to officers are detailed within the Scheme of Delegation, Contract Standing Orders and Financial Regulations. Members and officers are aware of their responsibilities within these policies. The Authority reviews and approves amendments to the Constitution at their Annual General Meeting (AGM) and as needed throughout the year. The Authority is committed to the highest ethical standards. A code of corporate governance is included within the Constitution, which demonstrates a comprehensive commitment on the part of the Authority to accountability, integrity, ethical values and the rule of law. There is a system in place for any complaint received that a Member or Co-opted Member of the Authority has failed to comply with the Authority's Code of Conduct for Members.

ANNUAL GOVERNANCE STATEMENT

3.1.3 During 2024-2025, the Authority has established its Policy Framework. The Policy Framework defines the principles which act as the Authority's commitment to our communities and sets expectation for delivery of service activity. The Authority's Policy Framework includes the following policies all of which are [published](#): Health and Safety, Operational Response, Prevention, Protection, People and Organisational Development, Corporate Governance, Financial Management, Environmental, Asset Management

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

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

3.1.5 The Authority has an Audit and Governance Committee to ensure effective scrutiny of Service activity and to promote and maintain high standards of conduct by Members. The Audit and Governance Committee have given due regard to CIPFA's Position Statement on Audit Committees in Local Authorities and Policing 2022 and during 24-25 have made changes to strengthen current governance arrangements. These changes include changing the name of the Committee from Standards and Governance to Audit and Governance, updating the terms of reference to more accurately reflect the duties of the Committee, to carry out training for Members of the Committee, to ensure an annual evaluation report is completed and to carry out a training needs gap analysis to inform future training. The Committee are also exploring the inclusion of an independent Member onto the Committee.

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

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

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

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- 3.1.9 The Fire Standard Code of Ethics, published in May 2021 by the Fire Standards Board, has been adopted and aligns to the organisation's values and behaviours. The overall assurance rating for this Fire Standard is reasonable. The Fire Standard ensures the organisation's policies, procedures and decision making reflect the ethical behaviour expected from the workforce. The Authority holds the Chief Fire Officer to account for the implementation of the Code at a local level, and both the Deputy Chief Fire Officer and Director of People and Organisational Development are responsible for promoting the Core Code throughout the Service and ensuring that all those who work for, or on behalf of the Service understand its contents and what is expected of them.
- 3.1.10 Staff are required to comply with the Staff Code of Conduct which includes the requirement for them to declare interests and register the offer and acceptance of gifts and hospitality.
- 3.1.11 Whistleblowing, Bullying, Harassment and Sexual Harassment, Grievance, Anti-theft, Fraud, Bribery and Corruption, Complaint procedures and Say So (a confidential reporting line for staff) are in place, enabling staff and members of the public to raise issues if they believe that appropriate standards have not been met.
- 3.1.12 The Executive Group is chaired by the Chief Fire Officer and its purpose and responsibilities are clearly defined within its terms of reference. The Executive Group considers reports identified on the organisation's Forward Plan (a tool that supports the effective operation of the Corporate Governance Framework identifying agenda, report topics and the responsible Directors). The Forward Plan supports a robust planning and control cycle for strategic and operational plans, ensuring informed decision making and transparency of decisions being recorded. Senior Management have the relevant professional external networks and expertise to identify the impacts of new legislation and where necessary, legal advice is provided to ensure the Authority continues to comply with legislation and regulations. The statutory roles of Chief Fire Officer, Monitoring Officer and Chief Financial Officer are set out to provide robust assurance and ensure that expenditure and decisions are lawful.

- 3.1.13 Within the Corporate Governance Framework to underpin the Executive Group, there are Directorate Boards to oversee key areas. These boards provide cohesive working, clear routes of governance and extra scrutiny on behalf of the Executive Group. The Directorate Boards review their terms of reference regularly, with the support of the Governance Team. Furthermore, these Directorate Boards are supported by other forums and Groups, to support good governance across the Service.
- 3.1.14 The creation of a Corporate Governance Procedure with an Officer Scheme of Authorisation strengthens the robust decision-making processes already in place. This procedure provides clarity on decision making for officers and illustrates where the Constitution's Scheme of Delegation links with the Officer Scheme of Authorisation. The Officer Scheme of Authorisation has been reviewed this year to ensure continued openness, transparency, accountability and clarity.
- 3.1.15 A policy, procedure and guidance (PPG) framework has been implemented across the organisation. The PPG are documents that capture and define the way the organisation operates and how it delivers its services and functions. The framework establishes how to manage those documents in a robust and sustainable way. The PPG framework includes Authority owned Policies. Now that the Authority's Policy Framework has been established, a review of the Service's PPG framework is underway to create one framework which works seamlessly together to create clarity relating to 'what we do' and 'how we do it'.

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3.1.16 In January 2022 the Fire Standard for Safeguarding was introduced. This enabled the Service to demonstrate how it works to promote safeguarding in our communities and amongst our staff and volunteers. Assurance against the Fire Standard has taken place with the subject matter experts. The current assurance rating is Substantial which means that there is a sound system of assurance in place with evidence of compliance along with relevant policies and procedures.

3.2 Principle: Ensuring openness and comprehensive stakeholder engagement.

3.2.1 Every Fire Authority must have a Community Risk Management Plan (CRMP) as required by the Fire and Rescue National Framework for England. For HIWFRA, this is locally called the Safety Plan. The Authority approved the Hampshire and Isle of Wight Safety Plan 2020-2025 in February 2020 with 2024-2025 being year 5 of the plan.

3.2.2 The Safety Plan 2020-2025 is a live document which is updated annually. This approach to managing risk in our communities will ensure the organisation is able to report on how effective its risk reduction activities are. The Safety Plan is on the website and available to stakeholders electronically and in paper format (upon request).

3.2.3 In the Summer of 2022, HIWFRS agreed a business case to produce the next Safety Plan 2025-2030. The Authority's new CRMP was produced by carrying out a two-stage approach. Stage one took place from September 2022 until summer 2023 and involved gaining a clear understanding of, and identification of, the risks HIWFRS face in our communities. This involved discussions with our staff, communities and local partners, as well as using qualitative and quantitative data. Our assessment of risk was approved by HIWFRA in October 2023. Stage two began shortly thereafter and developed control measures and mitigations to meet the risks identified in stage one. Stage two included consulting with partners, staff and the public on the nature of our proposals. A strategic plan covering 2025-2030 was approved by the HIWFRA in February 2025. Work has also taken place embed a new approach to strategic planning so that it becomes business as usual.

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

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

ANNUAL GOVERNANCE STATEMENT

- 3.2.6 The Authority, through the Service, enjoys a constructive relationship with the trade unions and associations representing staff groups across the organisation, through which meaningful consultation and negotiation on Service issues takes place. The Service regularly monitors Trades Union Facilities Time and publishes information in line with reporting requirements for public sector organisations outlines in The Trade Union (Facility Time Publication Requirements) Regulations 2017.
- 3.2.7 Public consultation enables the Service to listen and understand the needs of our communities to inform our decision making. In line with the national fire standard on producing Community Risk Management Plans, consultation was an important element in the production of our next Safety Plan covering 2025-2030. To ensure we design a robust and comprehensive consultation process, we worked with The Consultation Institute. This external organisation ensured our approach was comprehensive, met national standards and our equality obligations. Over the two stages of the project, we discussed with our communities what it is they expect from us. Our engagement was specifically designed and appropriately accessible.
- 3.2.8 Consultation on our Safety Plan covered the new strategic objectives for the Service over 2025-2030 and our high-level proposals. The Service will continue to consult on specific work packages as part of our Safety Plan 2025-2030 over the coming five years, as required. Consultation will be tailored to each work package. For major changes such as any changes to fire stations, a full publication consultation will be carried out.

- 3.2.9 The Authority has a long history of collaborative working with partner agencies. In particular, with Hampshire County Council as part of the Shared Services Partnership and blue light collaboration with South Central Ambulance Service (SCAS) and Hampshire and Isle of Wight Constabulary which continues as business as usual. The COVID-19 pandemic has really demonstrated the need for collaboration, all working together towards the same goal. The Service has continued to work closely with the Local Resilience Forum (LRF), Local Authorities and the National Health Service (NHS) as well as our blue light partners, to ensure good governance and robust frameworks in the collaborative environment.

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

- 3.3.1 Delivery of fire and rescue services and the associated community safety activity remains the Authority's core activity. In February 2020, the Authority approved the Hampshire and Isle of Wight Safety Plan 2020-2025 which sets out our five-year strategy that establishes a long-term approach to achieving our purpose of 'Together We Make Life Safer'. The Safety Plan ensures we constantly provide a service to our communities that makes life safer and that our staff are proud to deliver.
- 3.3.2 Year five of the Safety Plan has now been completed. Performance against the priorities is measured and reported to the Authority in mid-year and end of year performance reports, with the latest performance report submitted to the Authority in December 2024.

ANNUAL GOVERNANCE STATEMENT

3.3.3 Our ongoing and live strategic assessment of risk provides the understanding for us to set out our services and priorities to manage, control and mitigate that risk. We use this and other intelligence – such as from performance reporting, service learning, the progress of change activities, and assurance reporting – to support our refreshed approach to organisational planning, ensuring our decisions are data-led. We also consider the learning from significant events locally, regionally, nationally and internationally to inform our planning. Whilst also, gaining information about best practice from inspections by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), as well as from other internal and external assurance activity, which is outlined in our assurance procedure and the associated annual assurance programme.

3.3.4 Our Safety Plan is underpinned by our internal strategic assessment of risk and the published [Identification and analysis of risk to inform the 2025-30 Safety Plan](#), which is a detailed and regularly updated analysis, developed by:

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

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

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

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

3.3.7 During October 2024, the Service commenced a new way to carry out annual planning. The new planning cycle, which all Directorates will follow, provides consistency across Directorate's and creates clarity for everyone. The planning cycle was introduced part way through the year to establish activity which starts on 1st April 2025. The 2025-2026 year will see a first year on the new cycle.

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- 3.3.8 The Safety Plan is underpinned by Directorate plans and our Service change management portfolio of projects and programmes. Progress against these plans is monitored through regular performance updates to assess the deliverables reporting to the Executive Group and the Authority on an exceptions basis when required.
- 3.3.9 The Directorate Plans provide the link from the Safety Plan through to an individual's objectives and goals and enables everyone to see how the work they do contributes to the bigger picture and the Safety Plan.
- 3.3.10 People Impact Assessments (PIAs) are used to identify any significant impact on people and those who share a characteristic which is protected under equality law. Impact Assessments also identify any environmental, economic and legislative risks. These assessments are carried out prior to implementing a policy, procedure, change or decision with a view to ascertaining its potential impact. Impact Assessments are also carried out during formal report writing to identify any impact on the recommendations within reports. A screening tool has been developed to help our people understand when supplementary (Stage 2) impact assessments are required.
- 3.3.11 The Service's Change Management Framework and its supporting procedure has a core focus on the outcomes and benefits achieved by projects and programmes (change activity) – with these being considered throughout the lifecycle of change activity. During November 2024, the Service commenced a review of the Change Management Framework with an aim to streamline the process, remove unnecessary bureaucracy and to align it to the Service's Corporate Governance Framework. The review was carried out over the latter part of 2024-2025 and resulted in a new process being implemented on 1st April 2025.
- 3.3.12 The Service uses internal audit and our risk-based internal audit plan as a core part of our annual assurance programme, as a 'third line of defence'. There is regular reporting into the Audit & Governance Committee on progress of any audit management actions (recommendations), with extensive internal reporting and monitoring as well – including into Executive Group and Directorate Boards.
- 3.3.13 Furthermore, a Service Learning Tool is in place with further work planned to communicate to our staff more widely on action taken in response to their feedback – via a "You Said, We Did" page on our intranet.
- 3.3.14 Since taking advantage of technology for holding remote meetings, many internal Service meetings and those Member, officer meetings that are not public, such as Chairman's Briefings and the Authority Policy Advisory Group (APAG) continue to be held remotely in order to save Member and officer time, travel and carbon emissions.

ANNUAL GOVERNANCE STATEMENT

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

- 3.4.1 There are clear guidance and protocols for decision making. The involvement of legal and finance officers in all significant decisions of the Authority ensures that decisions are only made after relevant options have been weighed and associated risks assessed. The Organisational Risk Register captures current operational and organisational risks that could affect delivery of the Safety Plan. The Organisational Risk Register is continually reviewed and submitted to Executive Group every quarter for review. The Authority has delegated to the Audit and Governance committee, regular monitoring of the Organisational Risk Register through formal reporting.
- 3.4.2 The Authority continue to optimise the achievement of intended outcomes through alignment and the embedding of activity to Fire Standards and through acting on improvements identified through internal audit and HMICFRS inspections.

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

- 3.5.1 The relationship between Members and officers is established on a professional culture of mutual respect, trust and cooperation. Within the Constitution, the Member officer Protocol is included providing clarification around the two roles.
- 3.5.2 The role of scrutiny by Members to holding officers to account is central to exercising effective governance. Members provide constructive challenge to officers, it is this 'critical friendships' that tests the reliability and consistency of advice, information and quality decision making.
- 3.5.3 The Authority holds pre-authority meetings which supports awareness and preparation. Effective questioning is a crucial component of constructive challenge offered by 'critical friends' and achieved through combination of good preparation, knowing which questions to ask and when to ask them; pre-meetings are helpful to determine how the meetings will be conducted.
- 3.5.4 A Member's Champion scheme is operated in support of an effective and professional relationship between Members and officers in which both understand each other's role. Officers engage proactively to provide information and in support of scrutiny activity, using their professional expertise to help Members better understand the context within which the organisation is operating and make robust judgements about performance. The current focus areas for Member Champions are Governance, Effectiveness & Performance, People, Community Safety, Carbon reduction and Fire Cadets and Children and Young People.

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- 3.5.5 The Authority has appointed substitute Members to its two standing committees. This means that any potential attendance and representation issues are addressed. These formal appointments ensure that appropriate governance is in place to ensure lawful decision making when substitute members attend meetings.
- 3.5.6 Members receive copies of key internal staff communications. There is also a Members Newsletter which is sent prior to an Authority meeting to ensure Authority Members are equipped with relevant Service information which strengthens their knowledge and understanding.
- 3.5.7 Members' knowledge and understanding is developed through the delivery of an induction programme and periodic training and awareness sessions. A Members Induction session was held in June 2024. Additional training that Members have completed during 2024 includes an introduction to Equality, Diversity and Inclusion and Safeguarding training. Audit and Governance Committee Members also received additional awareness training on internal audit, external audit and financial management. Both Members and officers enjoy Local Government Association (LGA) membership that entitles them to attendance at training and conferences, targeted at raising awareness of national themes and in development of their leadership and scrutiny roles.
- 3.5.8 Members attend the Authority Policy Advisory Group (APAG) meetings which are delivered during the year. The meetings are chaired by the Chief Fire Officer and facilitate the two-way exchange and update of information between Members and officers. It is a forum providing the opportunity for Members and officers to informally discuss and shape policy. The Group receives updates on matters of interest and considers the future strategic direction of the Authority and Service business.
- 3.5.9 To ensure capability of leadership, the Executive Group have been enrolled on to the Institute of Directors (IOD) Certificate in Company Direction, with professional membership to the IOD included. In order to achieve this accreditation, all Directors passed exams to test their knowledge and application. The leadership training ensures professionalism of the Executive Group, governance and leadership, imparting wider benefits of resilience and skills to the Service.
- 3.5.10 The Authority, its committees and the Chief Fire Officer have access to a full range of professional advisers to enable them to carry out their functions effectively and in compliance with statutory requirements. Some legal and democratic services are provided through service level agreements with Hampshire County Council (HCC). The shared service partnership with HCC and Hampshire Constabulary provides a wide pool of professional advice for areas such as human resources, finance and procurement.
- 3.5.11 Our People and Organisational Development Directorate (POD) includes a Learning and Development function, which delivers operational training including incident command, leadership and management as well as commissioning technical and professional development provision such as health and safety qualifications and apprenticeship programmes. During April 2024, the HR function was brought back in house. This change enabled the strengthening of governance processes in relation to HR alongside introducing specific training for all staff.

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

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

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

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

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

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

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

ANNUAL GOVERNANCE STATEMENT

3.5.19 The Service has adopted the Fire Standards Board Leading the Service and Leading and Developing People Fire Standards. These standards, like the other 16 fire standards, have been subject to a detailed gap analysis to identify what assurance the Service has in these areas, as well as any additional actions required to support these standards being adopted across the Service. The Leading and Developing People Fire Standard and Leading the Service Fire Standard both have a reasonable assurance rating. The Authority holds the Chief Fire Officer to account for implementation of the Standards at a local level. The Service has a robust procedure in place for assessing the assurance of all Fire Standards. Each Fire Standard has an accountable Director and Head of Service who are responsible for promoting Fire Standards throughout the Service. There is routine (every six months) reporting into the HIWFRA Audit & Governance Committee on our position against the full suite of Fire Standards. This reporting also provides members with updates on other developments, such as future Fire Standards.

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

3.6.1 The Fire Authority has a risk management Policy which delegates responsibility to the Executive Group for the day-to-day management of the Service's organisational risks. Oversight of the arrangements were provided by the Policy, Planning and Assurance Board up until October 2024 after which responsibility transferred to the Corporate Services Management Board, which reports to the Executive Group. To ensure the most effective management of risks across the Authority and continued delivery of the Safety Plan priorities, a new risk management system, JCAD, was introduced to the Service on 1 April 2021. Risks associated with the delivery of the Safety Plan, as well as the work of each directorate, are recorded in JCAD in line with our risk management procedure. Risks are escalated from the Directorate risk register to the Organisational Risk Register when necessary. The risk registers capture risk mitigations and the impact these mitigations are having.

3.6.2 Performance management is in place to measure progress against aims and priorities to prompt remedial action where appropriate. The Directorate Boards are supported by other forums and Groups, such as the Operations Performance Management Group, POD Performance Group, and Equality, Diversity, Inclusion, Culture and Wellbeing Board to support good performance management and scrutiny across the Service.

ANNUAL GOVERNANCE STATEMENT

- 3.6.3 The Service has also introduced a range of new, improved and interactive performance dashboards to support staff and directorates in understanding and interpreting their performance in key areas. These dashboards have been developed to simplify reporting, make information more accessible and ensure there is improved clarity on what areas of performance are most important across the Service. New dashboards have been supported by increased communications, station engagement visits and feedback, and regular review of dashboard usage statistics (which are showing a positive uplift in user engagement). Most recently, in 2025, a new People & Culture dashboard was launched (aligned to NFCC good practice) and a new On-Call Ways of Working dashboard was launched to further support our on-call colleagues. More information is available via the Annual Statement of Assurance and the Mid-Year and Annual Performance Reports.
- 3.6.4 The Executive Group reviews key performance indicators (KPIs) on a regular basis and the Chief Fire Officer holds Directors to account for performance of their areas across the organisation.
- 3.6.5 The Authority regularly monitors its performance with timely and relevant information. The Authority holds the Chief Fire Officer to account and receives regular performance reports at its public meetings. The Service also has a performance procedure in place, which outlines the responsibilities that staff have in relation to performance management. In addition, there is a Data Quality procedure. Both of which align to the Data Management Fire Standard.
- 3.6.6 We compare our performance to that of other fire and rescue services; for example, we make use of national and family group (similar services) benchmarking information. This continues to show that we are performing well in many areas when compared with other similar fire and rescue services. Where applicable, we also utilise external data and research to supplement our performance insights, for example this may include Home Office research or data, ONS data such as from the Census, CIPFA data on fire and rescue service costs, or CIPD research looking at UK sickness data trends. For further information, please see the Service's Mid-Year and Annual Performance Reports: [Performance - Hampshire & Isle of Wight Fire & Rescue Service](#).
- 3.6.7 The Internal Audit Plan is developed to operate at a strategic level, providing a value-adding and proportionate level of assurance aligned to the Authority's key risks and priorities. This includes a regular review of the organisation's risk management processes. The Internal Audit Plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an Anti-Theft, Fraud, Corruption and Bribery Policy. The Service's approach to its Audit Plan is to identify areas that could present greatest risk or where managers have identified indicators that improvement is needed. The delivery of the resulting Internal Audit Plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Authority and later published within the Annual Statement of Accounts in compliance with statute.

3.6.8 The Authority's Audit and Governance Committee has a clear terms of reference, which were reviewed and updated during 2024, to align to CIPFA best practice to, provide an effective source of scrutiny, challenge, and assurance regarding the arrangements for managing risk and maintaining an effective control environment. The Committee considers the delivery and outcomes of the Internal Audit Plan, along with scrutinising the Service's performance in delivering against agreed actions.

3.6.9 The budget setting process is well established and prioritises budgets and spending to achieve intended outcomes. Budget setting and medium-term financial planning follow the principles set out in the Authority's financial management policy:

- We will ensure that a corporate approach is taken to the development of budgets and savings programmes
- We will aim to deliver savings at the right time so that we can set a balanced budget and ensure medium term financial sustainability
- We will ensure that financial planning assumptions are realistic and prudent.
- We will ensure that one-off and recurring growth supports the delivery of the Safety Plan, while delivering value for money and financial sustainability
- We will ensure that revenue contributions to reserves are maintained at appropriate levels to enable ongoing investment in our assets
- We will ensure that our financial plans support the delivery of our organisation's purpose for the period of the current Safety Plan and beyond
- We will drive efficiencies by looking at best practice, using technology and matching our resources to risk

3.6.10 As a part of our financial planning, reserves can be used to balance the budget. Should it be necessary we will temporarily reduce revenue contributions to reserves, although this should only be done if other options are not available

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

3.6.12 The Authority has strong financial management arrangements at both the strategic and operational level. The external audit of the accounts has been impacted by the national audit backlog and the measures put in place to address this. This is the reason for the disclaimed audit opinions for 2022/23 and 2023/24 rather than any issues identified by the auditors with the accounts. The auditor has provided a positive assessment of arrangements to deliver value for money and prior to the audit backlog, the Authority consistently obtained unqualified opinions for its annual accounts.

3.6.13 The Section 151 Officer is the Chief Financial Officer and all formal significant financial decision making has the benefit of advice and review from this officer or the wider finance team. The Chief Financial Officer is a full member of the Service's Executive Group and is supported by an appropriately qualified finance team.

ANNUAL GOVERNANCE STATEMENT

3.6.14 Day to day financial management is conducted in line with the Authority's constitution and the delegated responsibilities set out within the corporate governance policies and procedures. It is built into the way the Service is managed, with regular monitoring carried out at a directorate level and reported through to the Executive Group on a quarterly basis or by exception. Financial reporting happens both at a subjective level (ie. income and expenditure types) and by directorate, meaning it is aligned to the Service's operational structure and its roles and responsibilities. Support is provided by the finance team. Capital programme expenditure and forecasts are also regularly monitored. Treasury management activity is conducted, monitored and reported on by an appropriately qualified team.

3.6.15 Training is provided to new budget managers to enable them to effectively use the suite of financial reports made available through the shared services portal and to ensure roles and responsibilities are understood. This is supported by access to online guidance and advice from the finance team. Further support and training can be arranged as appropriate.

3.6.16 At its February 2025 budget setting meeting the Authority also considered an updated Medium-Term Financial Plan (MTFP). The MTFP covers the four-year period to 2028/29, however the single year Local Government Finance Settlement for 2025/26 means there is increased uncertainty when planning beyond the first year of this period. There continues to be a significant amount of uncertainty in the national and international position that has the potential to impact on the Fire Authority during the course of the plan. The risks associated with this uncertainty are mitigated by the use of prudent financial assumptions within the MTFP and the contingencies built into the budget. Further mitigation comes from the level of reserves held by the Authority and the contributions to reserves that continue to be built into the base budget. The robustness of estimates included in the budget and the adequacy of financial reserves are assessed by the Chief Financial Officer in the Section 25 report prepared alongside the revenue budget. The MTFP and in-year financial position are monitored by our Executive Group and are regularly formally reported to the Authority at its public meetings.

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

ANNUAL GOVERNANCE STATEMENT

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

- 3.7.1 The Authority meetings are open to the public and reports are written in an understandable style appropriate to the audience and published on the website ensuring that they are easy to access and interrogate. Authority meetings remained open to the public during the Coronavirus Pandemic, ensuring transparency and accountability.
- 3.7.2 The Authority publishes data in line with the Local Government Transparency Code 2015 to provide open data sources ensuring transparency and accountability.
- 3.7.3 We use social media to demonstrate and highlight our response to incidents to the public, as well as raise awareness of safety messages, calls to actions and fire and rescue service campaigns.
- 3.7.4 Members provide performance oversight and bring a mixture of experience and expertise from their professional backgrounds as well as their time in politics. It is also important to have access to requisite knowledge regarding the subject matter, so Members are supported by officers for any knowledge needs.
- 3.7.5 The 'Internal Audit Charter' is presented annually for approval by the Audit and Governance Committee. The purpose of the Internal Audit Charter is to formally define its purpose, authority, and responsibility. The Chief Internal Auditor has direct access to elected Members of the Authority and those who serve on the Audit and Governance Committee. The on-going work of Internal Audit is presented routinely through the progress reports to the Committee, providing an overview of Service performance. It considers delivery against the plan and the progress made by the Service in the implementation of management actions that have been agreed to mitigate risks identified through internal audit work.

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

- 3.7.6 Representatives of External Audit routinely attend Audit and Governance Committee meetings and present external audit reports. Any recommendations for corrective action detailed within internal or external audit reports are highlighted to Members.
- 3.7.7 Financial reporting complies with relevant statute, codes and good practice guidance. Financial and performance information are reported consistently throughout the year. Where relevant and appropriate, performance comparisons are made to other organisations.
- 3.7.8 The Authority has a community interest company, 3SFire. The company operates under the governance of a Board of Directors and the 3SFire CIC Stakeholder Committee. The 3SFire CIC Stakeholder Committee ensure appropriate controls and scrutiny are in place for the trading company. To ensure and maintain separation of the Service and 3SFire CIC, which are separate legal entities, the internal governance of reports and performance is monitored by the Company Board and is reported to the Authority at its public committee meetings twice yearly, or as needed. 3SFire CIC are bound by the Regulator of Community Interest Companies (CIC) which requires full compliance with the regulation in order to operate.
- 3.7.9 Our Pay Policy Statement is approved annually by the Authority and published on the Service's website.
- 3.7.10 Governance of our internal safeguarding arrangements are provided through various safeguarding audit activity work which is generated from both the local Adults Safeguarding Boards and the Local Children's Safeguarding Partnership.

ANNUAL GOVERNANCE STATEMENT

4. Effectiveness of key controls.

- 4.1 Key controls relating to risks, internal control (including financial management) and governance processes are identified by senior managers as part of the governance framework. Senior managers complete the annual Certificate of Assurance which is a self-assessment and declaration that they and their teams are familiar and operate within policy and internal control mechanisms.
- 4.2 The Authority receives an Annual Assurance Statement which is published on the website. The Annual Assurance Statement provides an accessible way in which communities, local authorities and other partners may make a valid assessment of their local fire and rescue authority's management of performance and show how they have due regard to the expectations set out in the CRMP.
- 4.3 Risks are managed as determined by the Authorities Corporate Governance Policy and the Service's Risk Management Procedure and progress monitored through risk registers.
- 4.4 Internal Audit, as part of its planned review of internal controls, regularly evaluates the key controls to determine their adequacy and carries out tests to confirm the level of compliance. An audit opinion on effectiveness is provided to management and any actions for improvement to be agreed.
- 4.5 Our ICT environment has been critical to the maintenance of services and business as usual activity, with the use of Teams well-established and crucial. In addition, there is the provision of necessary IT, IT security and two-factor authentication, DSE and other equipment to staff to support homeworking. This has led to positive impacts to the environment with reduced commuting time, reduced costs to some staff and the Service (reduced use of pool cars and reduced travel and subsistence).
- 4.6 There is also significant focus on staff wellbeing, such as sessions on nutrition, rest and recovery (supported by survey insights and communications), which are well-received. There is also an ongoing focus on business continuity and degradation planning across all departments.
- 4.7 The Service received its round three His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection which started on 20 January 2025. The outcome of the round three inspection is expected during the Summer of 2025. Much like internal audit inspection is a crucial part of our wide-ranging assurance programme and we are committed to using inspection as an opportunity to learn. The inspection report also provides our communities with a view of how we are performing across the Service, for example in terms of how we understand, prevent and respond to fires and other incidents and risks. The Service's last inspection in 2022 rated the Service as 'Good' for effectiveness, but 'Requires Improvement' for efficiency and how we support our people. The Service provides ongoing reporting into the Authority's Audit & Governance Committee on our progress against the findings of the inspectorate report including any Areas For Improvement.

ANNUAL GOVERNANCE STATEMENT

4.8 Other external reviews include the following:

- Cyber Essentials accreditation meaning that HIWFRS are compliant to the Government backed certification standard
- Complete annual audit and Code of Connection (CoCo) statement return for emergency communications.
- Annual penetration tests by authorised third-party companies to conform to Public Sector Network and Emergency Services Network accreditation requirements.
- Inspection from HMI covering ICT management activities, methodology, technology and Security.
- Complete audits of ICT functions conducted by the Southern Internal Audit Partnership, two to four audits per year of our operational teams and or processes.
- Regular Internal audits assessing the competence and compliance of ICT staff in line with the ISO27001 standards
- Validation exercises relating to ICT scenarios testing business continuity plans, disaster recovery plans and day to day processes
- Assessment from the Home Office of our Cyber Assessment Framework (CAF) which assesses our cyber resilience.
- Statutory requirement to comply to Section 11 of The Children Act 2004 and to the statutory guidance of the Care Act 2014. This includes a programme of continuous audit, assurance and reporting arrangements in order to demonstrate and evidence our compliance to the legislation.

5. Evaluate assurances and identify gaps

- 5.1 One of the key elements of the Corporate Governance Framework and the production of the Annual Governance Statement (AGS) is the methodology applied to obtain the necessary assurance. This has included:
- a self-assessment assurance statement (certificate of assurance) being sent every year to members of senior management.
 - consultation with other relevant officers throughout the organisation.
- 5.2 The Certificate of Assurance covers a range of corporate governance and assurance issues, and they refer to the existence, knowledge and application within departments of governance policies generally.
- 5.3 The HIWFRS Corporate Governance Framework sets out how decisions are made and by whom. This Framework works alongside the HIWFRA Constitution to ensure clarity around all governance arrangements. To provide a greater understanding around this an HIWFRS Corporate Governance procedure has been created which contains an Officer Scheme of Authorisation. This provides further assurances to all stakeholders on governance arrangements.

ANNUAL GOVERNANCE STATEMENT

6. Action Plan 2025-2026 to ensure continuous improvement of the system of governance.

- 6.1 There is a requirement for the AGS to include an agreed action plan showing actions taken or proposed to deal with significant governance issues.
- 6.2 The following identifies the actions to ensure continuous improvement of key governance issues that will be carried out over the next year 2024-2025:
 - 6.2.1 Review the Service's Corporate Governance Framework incorporating the Authority's Policy Framework.
 - 6.2.2 Review the Service's Policy, Procedure and Guidance framework including establishing a revised overarching procedure and ensuring alignment with the Authority's Policy Framework.
 - 6.2.3 Complete an internal review of Financial Management using CIPFA tools and the CIPFA approach.
 - 6.2.4 Produce an annual performance report of the Audit and Governance Committee aligned to CIPFA guidance.
 - 6.2.5 Maintain oversight of the progression of Devolution to ensure direct impacts to the Authority are understood.

7. In response to the Action Plan outlined in the 2024-2025 Annual Governance Statement:

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

7.2 The following identifies the actions resolved in 2024/2025:

- 7.2.1 To assess ourselves against the Internal Governance and Assurance Fire Standard and adopt the desired outcomes following the Service's Fire Standard Procedure: this Fire Standard's desired outcomes have been considered and assessed against Service activity. Further work is to be undertaken to ensure full alignment.
- 7.2.2 To review the Hampshire and Isle of Wight Fire and Rescue Authority's Policy framework and to complete identified gaps by agreeing a full suite of policies with Authority members (Safety Plan activity year 5): this activity is now complete. The full suite of Authority Policies were approved by the Fire Authority throughout 2024-2025 and they are now published on the Authority's website.
- 7.2.3 Produce the Safety Plan 2025 which includes the completion of the assessment and adoption of the Fire Standard for Community Risk Management Planning (Safety Plan activity year 5): the Safety Plan 2025-2030 has been produced and was approved by the Fire Authority in February 2025. The Safety Plan 2025-2030 was published on 1 April 2025.
- 7.2.4 Ensure all employees and Authority Members complete the revised 'Understanding our Code of Conduct' Training: during 2024-2025, 1550 staff attended EDI training which incorporates our Code of Conduct and sets out expectations relating to behaviours and standards. Training continues to be delivered.

Declaration

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

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

Signed:

Neil Odin

Chief Fire Officer

Date: 28 August 2025

Signed:

Rhydian Vaughan

HIWFRA Chairman

Date: 28 August 2025

GLOSSARY



GLOSSARY

Accruals basis

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

Actuary

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

Actuarial gains and losses

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

Amortisation

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

Asset held for sale

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

Budget requirement

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

Capital adjustment account

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

Capital expenditure

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

Capital receipt

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Comprehensive Income and Expenditure Statement (CIES)

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

Contingent asset

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

Contingent liability

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

Council tax

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

GLOSSARY

Creditor

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

Current asset

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

Current liability

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

Current service costs

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

Debtor

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

Deferred liability

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

Defined benefit pension scheme

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

Deposit

Receipt held that is repayable in prescribed circumstances.

Depreciated historical cost

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

Depreciated replacement cost

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

Depreciation

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

Discretionary increase in pension payments

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

Earmarked reserve

See Reserve.

Exceptional item

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

Expected credit loss

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

GLOSSARY

Expected loss allowance

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

Fair value

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

Finance lease

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

Financial instruments

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

Fixed asset

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

General Fund

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

Gross book value (GBV)

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

Gross expenditure

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

Historical cost

The amount originally paid for a fixed asset.

Impairment loss

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

Internal trading account

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investment property

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

GLOSSARY

Lessee

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

Lessor

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

Local Government Pension Scheme (LGPS)

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

Long-term asset

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

Long-term borrowing

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

Long-term debtor

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

Minimum revenue provision (MRP)

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

Net assets

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

Net book value (NBV)

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

Net current liabilities

The amount by which current liabilities exceed current assets.

Net worth

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

Non-ringfenced government grants

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

Operating lease

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

Operational asset

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

GLOSSARY

Past service cost

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

Payment in advance

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

Precept

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

Provisions

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

PWLB

PWLB loans (named after the former **Public Works Loan Board**) are provided by the Government to local authorities on request to help fund capital projects.

Receipt in advance

A receipt that is attributable to a future financial year.

Related party

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

Reserve

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

Revaluation reserve

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

Revenue contributions to capital

The use of revenue funds to finance capital expenditure.

Revenue expenditure

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

Revenue expenditure funded from capital under statute (REFCUS)

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

Short-term investments

An investment that is readily realisable within one year.

Specific grants

Central Government grants provided for a specific purpose.

Straight-line basis

Dividing a sum equally between several years.

Surplus assets

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

Transfer value

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

Useful life

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

Write-off

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

INDEPENDENT AUDITORS REPORT



INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMPSHIRE & ISLE OF WIGHT FIRE AND RESCUE AUTHORITY

Qualified Opinion

We have audited the financial statements of Hampshire & Isle of Wight Fire and Rescue Authority ('the Authority') for the year ended 31 March 2025. The financial statements comprise the:

- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- Comprehensive Income and Expenditure Statement,
- the related notes 1 to 29 including material accounting policy information
- and include the Firefighters' Pension Fund Financial Statements comprising Fund Account, the Net Assets Statement, and the related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section, the financial statements:

- give a true and fair view of the financial position of Hampshire & Isle of Wight Fire and Rescue Authority as at 31 March 2025 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended).

INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

As a result of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024, we do not have sufficient appropriate audit evidence over:

- the valuation of land and building property, plant and equipment that were last revalued in the financial year 2022/23, amounting to £31.703 million, and additions of £13.144 million made in the financial year 2022/23 that are held at cost, and the consequential impact of these on the Comprehensive Income and Expenditure Statement; and
- the classification of reserves between useable and unusable including the General Fund Reserves, Earmarked Reserves, the Revenue Grants Unapplied Reserve, the Revaluation Reserve, the Capital Adjustment Account and the Collection Fund Adjustment Account. Our inability to audit the classification is a consequence of the disclaimer of opinion on the reserve balances as at 31 March 2023. We have obtained assurance over the in year movements in reserves for the year ended 31 March 2025 and the comparative year.

Our opinion on the current period's financial statements is also modified because of the possible effect of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024 on the comparability of the current period's figures and the corresponding figures contained within the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Firefighters' Pension Fund Account.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

The audit of the financial statements for the year ended 31 March 2023 and 31 March 2024 for the Authority was not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 05 December 2024 and 24 February 2025.

INDEPENDENT AUDITOR'S REPORT

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period to 31 March 2027.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2024/25, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts 2024/25.

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

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

As described in the Basis for qualified opinion section of our report, our audit opinion is qualified due to a lack of assurance over property, plant and equipment valuations for those assets valued in 2022/23, additions in 2022/23 not revalued in subsequent years and the classification of certain reserves balances and comparative values. Information on these elements of the financial statements is included in the Narrative Report and accordingly we have concluded that the other information may be materially misstated for the same reason.

INDEPENDENT AUDITOR'S REPORT

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended); or
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the Firefighters Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

INDEPENDENT AUDITOR'S REPORT

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014 (as amended),
- The Accounts and Audit Regulations 2015

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Hampshire & Isle of Wight Fire and Rescue Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Management, Head of Internal Audit and Those Charged with Governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

INDEPENDENT AUDITOR'S REPORT

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified management override of controls to be our fraud risk.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We also considered whether management bias was present in key accounting estimates and judgements in the financial statements, and undertook procedures to identify significant unusual transactions outside the normal course of business.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Hampshire & Isle of Wight Fire and Rescue Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Hampshire & Isle of Wight Fire and Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

INDEPENDENT AUDITOR'S REPORT

Delay in Certificate

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as the component auditors of the Hampshire & Isle of Wight Fire and Rescue Authority.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Hampshire & Isle of Wight Fire and Rescue Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading

25 February 2026