

Hampshire & Isle of Wight Fire and Rescue Authority

Auditor's Annual Report
Year ended 31 March 2025
February 2026



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February 2026



Audit & Governance Committee
Hampshire & Isle of Wight Fire and Rescue Authority
Headquarters
Leigh Road
Eastleigh
SO50 9SJ

Dear Members of the Audit & Governance Committee

2024/25 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Hampshire & Isle of Wight Fire and Rescue Authority. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement.

This report is intended to draw to the attention of the Fire Authority any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 05 December 2025.

The [EY UK 2025 Transparency Report](#) provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

Andrew Brittain

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee of Hampshire & Isle of Wight Fire and Rescue Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Hampshire & Isle of Wight Fire and Rescue Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Hampshire & Isle of Wight Fire and Rescue Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.]



01 Executive Summary

Executive Summary

Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Hampshire & Isle of Wight Fire and Rescue Authority and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their draft annual report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued in April 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Fire Authority and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Fire Authority;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in the Fire Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Fire Authority

The Fire Authority is responsible for the preparation of the financial statement, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2024/25 conclusions

Financial statements	<p>As reported in our February 2025 Audit Results Report we issued a disclaimer of opinion on the Fire Authority's 2023/24 financial statements, in addition to the disclaimer opinion on the 2022/23 financial statements, under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements.</p> <p>Taking into account the requirement to conclude our work by the 2024/25 backstop date, we will not be able to rebuild assurance over these balances as part of the 2024/25 audit. We have considered the form of our audit report and have issued a qualified 2024/25 audit opinion on 25 February 2026. This is consistent with LARRIG01 and the illustrative timescale for progress to full assurance, which sets out that there is potential for qualified except for opinions to be issued.</p>
Going concern	<p>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.</p>
Consistency of the other information published with the financial statements	<p>Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.</p>
Value for money (VFM)	<p>We had no matters to report by exception on the Fire Authority's VFM arrangements. We have included our VFM commentary in Section 03.</p>
Consistency of the annual governance statement	<p>We were satisfied that the annual governance statement was consistent with our understanding of the Fire Authority.</p>
Additional powers and duties	<p>We had no reason to use our auditor powers.</p>

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our certificate once we have concluded the audit and our Whole of Government Accounts procedures. We cannot currently conclude on WGA work until the NAO confirms if they would like any additional procedures performed.

Executive Summary (cont'd)

Value for Money Scope

Under the 2024 Code, we are required to consider whether the Fire Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Fire Authority a commentary against specified reporting criteria (see below) on the arrangements the Fire Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

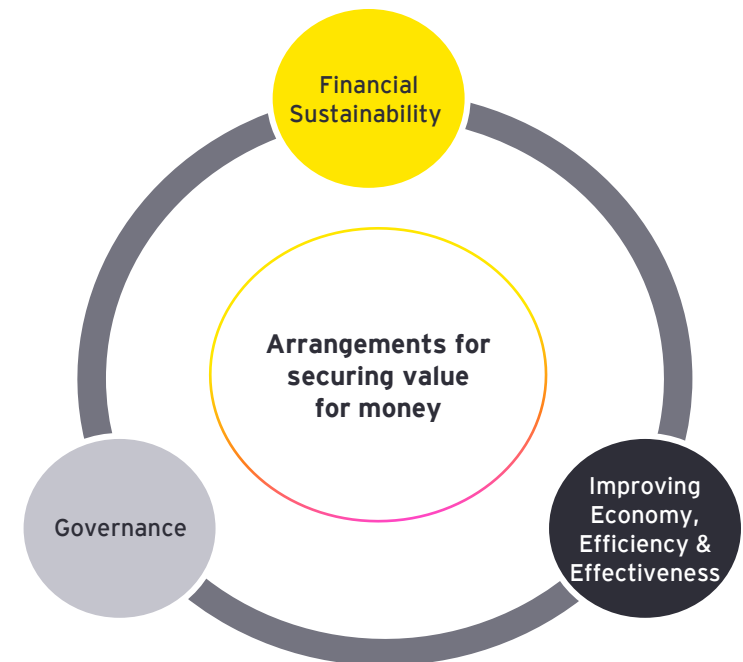
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Fire Authority ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Fire Authority uses information about its costs and performance to improve the way it manages and delivers its services.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Fire Authority committee reports;
- meetings with the Chief Financial Officer and Deputy Chief Financial Officer;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Fire Authority management and the finance team.



Executive Summary (cont'd)

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Fire Authority, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this Auditor's Annual Report. The recommendations we have agreed upon with the Fire Authority are included in Appendices A and B.

The final version of this report will be issued alongside the signed audit report concluding on the 2024/25 year.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Fire Authority uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

Executive Summary (cont'd)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fire Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Fire Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2025:

[EY UK 2025 Transparency Report](#)



02

Audit of financial statements

Audit of financial statements

Key Findings

The Statement of Accounts is an important tool for the Fire Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

Our audit of the 2024/25 financial statements is complete.

Risk	Status of our work
Significant Risk 1 - Misstatements due to Fraud and Error (Presumptive risk of management override of controls)	<ul style="list-style-type: none">Our work in this area is now complete.We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Authority's normal course of business.
Risk of Material Misstatement 1 - Valuation of Land and Buildings	<ul style="list-style-type: none">Our work in this area is now complete.We have utilised our EY Real Estate (EYRE) team to review one site revalued in the current year (Winchester Fire Station). The results of EYRE's review noted three inputs used by the external valuer which were outside of their expectations. This resulted in the valuation of the Fire Station being outside of their supportable range by approx. £0.954 million (overstatement). Management agreed to adjust for this error.In applying the assumptions determined by EYRE to the sample of assets tested by the Audit Team, three of the five assets that were tested also fell outside their expected ranges (all overstatements). The total variance across the three assets was £1.023 million. Management have not adjusted for these differences.As all assets that were revalued by the external valuer used the same methodology, we performed a further review of the untested population to ensure there was not a material variance in the valuation of these assets. From our review, we identified a further error of £0.477 million (understatement). Management have not adjusted for this difference.Finally, we performed a review over all assets which were not formally revalued during 2024/25 to ensure their current valuation was not materially misstated. While we did not identify any issues for buildings, we determined that the initial indices applied to the Authority's Land assets (approx. 14% pa since previous valuation) was not supportable. Management agreed that the percentage was too high and reduced the percentage to 8% pa, resulting a correction of £4.369 million to the closing PPE balance, which they have adjusted for.Through comparison of the Authority's new indices to external support, we identified a further judgemental difference to the closing PPE balance of £0.988 million (overstatement). As this difference is judgemental and not above our materiality threshold, Management have declined to adjust for this.

Audit of financial statements

Key Findings (cont'd)

Risk	Status of our work
Risk of Material Misstatement 2 - Pension Liability Valuation	<ul style="list-style-type: none">▪ Our work is now complete.▪ The Authority received an updated IAS 19 Report following an error identified by the Actuary of the Local Government Pension Scheme. The impact of the misstatement has not resulted in a change to the closing Balance Sheet position due to the impact of the International Financial Reporting Interpretations Committee (IFRIC) 14 Asset Ceiling guidance. However, a £0.798 million amendment has been made within the associated notes to the Financial Statements.▪ We have engaged our specialists EY Pensions to assist in our conclusions over the completeness and accuracy of the model used by the actuaries in determining the obligation attributable to the Authority, in order to satisfy the requirements of the revised ISA540. They have completed their work and did not identify any issues with the updated IAS 19 Report.▪ Additionally, we engaged with the Hampshire Pension Fund audit team to provide assurance over the information supplied to the actuary as well as a review of the Authority's share of the Gross Pension Assets held by the fund. They have also completed their work and did not identify any material issues.
Risk of Material Misstatement 3 - IFRS 16 Implementation	<ul style="list-style-type: none">▪ Our work in this area is now complete.▪ From our procedures, we have confirmed that the Council's current accounting treatment results in the following over and understatements to the primary statements:<ul style="list-style-type: none">▪ £0.601 million understatement in Right of Use Assets▪ £0.296 million overstatement in Property, Plant and Equipment▪ £0.311 million understatement in Lease Liabilities▪ £0.006 million understatement in Expenditure▪ While above our reporting threshold, we are able to conclude that Management's decision not to recognise Right of Use Assets or Lease Liabilities on their Balance Sheet does not result in a material misstatement.

Audit of financial statements

Factors Impacting the Execution of the Audit

Management, and the Audit & Governance Committee, as the Authority's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table below sets out our views on the effectiveness of the Authority's arrangements to support external financial across a range of relevant measures.

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Effective			Minimal internal inconsistencies, typographical and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Effective			The majority of working papers were received prior to the start of the audit.	N/A
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.	N/A
Timeliness and quality of evidence supporting key accounting estimates	Requires Improvement			<p>We have experienced delays in the response time to several of our sample queries. This was partially due to the Finance Team assisting in the requests from the Hampshire County Council audit which was running simultaneously, however the receipt of some samples were only received at the end of October.</p> <p>We experienced some delays in receipt of information from the Authority's external valuers, resulting in additional time being required to finish our testing of this risk area.</p>	N/A

Audit of financial statements

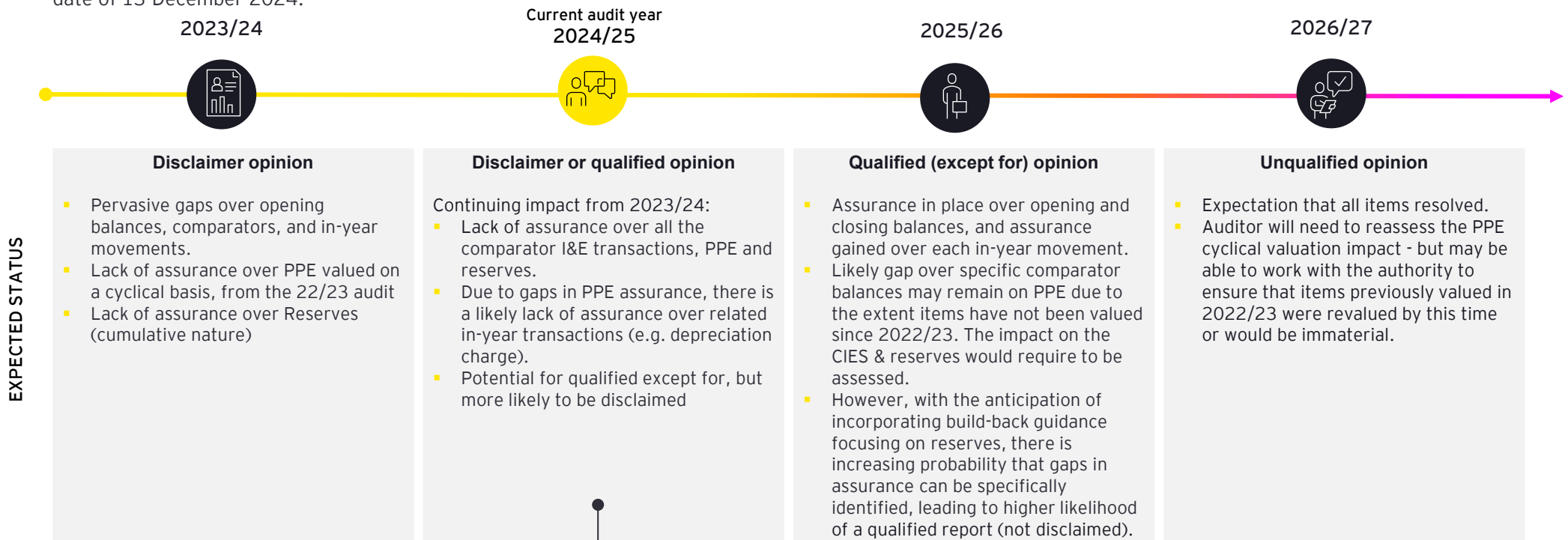
Factors Impacting the Execution of the Audit (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			As noted, several of the Finance Team members were also assisting with the Hampshire County Council audit and this impacted their availability to the Hampshire & Isle of Wight Fire and Rescue Authority audit team.	N/A
Volume and value of identified misstatements	Requires improvement			<p>Other than the misstatement in the pensions valuation, referenced above, as a result of the error by the actuary, throughout our audit we identified a number of errors. In many cases, our original error extrapolations were above our materiality threshold and therefore we were required to perform additional procedures to provide further assurance over the population and therefore the overall extrapolated error to a sufficiently acceptable level. In some cases, the additional work performed brought the anticipated errors down below our reporting thresholds (and therefore we do not need to separately report the value of the errors to the committee), however the areas impacted included:</p> <ul style="list-style-type: none"> • Debtors (error now below reporting threshold) • Creditors (error now below reporting threshold) • PPE Additions (£0.588 million classification misstatement identified) • PPE Existence (£2.337 million adjustment to the closing Gross Book Value and Accumulated Depreciation, immaterial impact to Net Book Value / Expenditure) • Expenditure (error now below reporting threshold) • Income (error now below reporting threshold) 	Due to the volume of additional work required to reduce the errors to an acceptable level, we expect to charge additional scale fee in respect of this.
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.	N/A

Audit of financial statements

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Authority's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



CURRENT AUDIT STATUS OF HAMPSHIRE & ISLE OF WIGHT FIRE AND RESCUE AUTHORITY

- The Authority's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- The main areas where further is necessary to rebuild assurance are:
 - Assurance over valuation of property, plant and equipment;
 - Assurance over Income & Expenditure entries relating to PPE; and
 - Assurance over reserves
- More detail in relation to the assurances we have gained by accounts area will be available in our Audit Results Report.



03

Value for Money commentary

Value for Money

The Authority's responsibilities for value for money

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Our responsibilities

Under the revised NAO Code we are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary is below:

	Significant risk identified	Significant weakness identified	Other matters identified
 <p>Financial sustainability How the Authority plans and manages its resources to ensure it can continue to deliver its services.</p>	No significant risks identified	No significant weaknesses identified	No other matters identified
 <p>Governance How the Authority ensures that it makes informed decisions and properly manages its risks.</p>	No significant risks identified	No significant weaknesses identified	No other matters identified
 <p>Improving economy, efficiency and effectiveness How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.</p>	No significant risks identified	No significant weaknesses identified	No other matters identified



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Fire Authority's arrangements for financial sustainability. In prior years, no significant weaknesses were identified and there are no outstanding recommendations.

The Fire Authority's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Fire Authority had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.



Financial Sustainability considerations

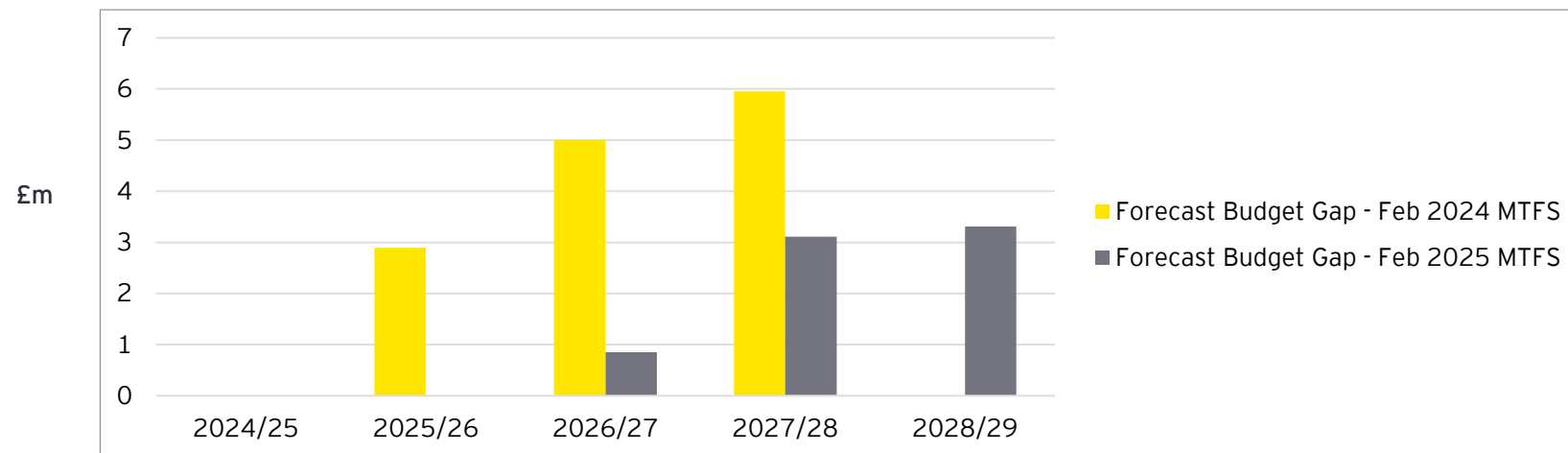
Medium Term Financial Strategy and 2025/26 Budget Forecast

The Authority works to refine budgets and the Medium-Term Financial Strategy (MTFS) to respond to cost pressures as they emerge and recognises that effective financial planning remains difficult due to continuing uncertainties in the funding that will be made available to Authorities. The Fire Authority prepares a revenue budget and a forward financial forecast for three years each year for consideration by the members. This plan considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy.

The Chief Financial Officer is responsible for ensuring that the revenue budget and three-year forward financial forecast are prepared. The members, in consultation with the Chief Financial Officer, are responsible for issuing guidance on the general content of the budget as soon as possible following approval by the Authority. The precept has to be notified to the billing authorities by the end of February in respect of the ensuing financial year. It must be supported by a balanced budget approved by the Authority in consultation with the Chief Fire Officer and Chief Financial Officer.

The most recent MTFS was presented to the Fire Authority in February 2025 to cover the prior 2025/26 to 2028/29. The Authority is now predicting a breakeven position for 2025/26, which is an improvement from the £2.9m deficit predicted in the February 2024 MTFS (see Exhibit A), however this is reliant on £1.9m drawn from the Budget Equalisation Reserve. The remaining balance within the reserve is £2.1m, which is not enough to cover the expected deficit from 2026/27 as a result of increased inflationary pressures on service delivery, expected increased staff costs and reductions in future grant funding. The Authority has stated that it will continue to work on the identification of efficiency opportunities over the next 12 months to reduce the gap further and sustain their financial position. Further information on the Authority's Efficiency Plan and savings strategies can be seen on Page 23.

Exhibit A: Illustration of the Forecast Budget Gaps in the MTFS presented to the Audit & Governance Committee



Note: The February 2024 MTFS did not include a forecast for 2028/29



Financial Sustainability considerations

Budget Monitoring and Outturn Position

Budget monitoring reports are critical for elected members to make decisions about the prioritisation of resources. The Chief Financial Officer is also responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Chief Financial Officer must monitor expenditure against budget allocations and report regularly to the members on the overall position. Updates to the overall budget position is reported through budget update reports which are taken to the Authority on a quarterly basis. These reports provide an update on the current year budget financial monitoring position and the forward-looking budget setting position.

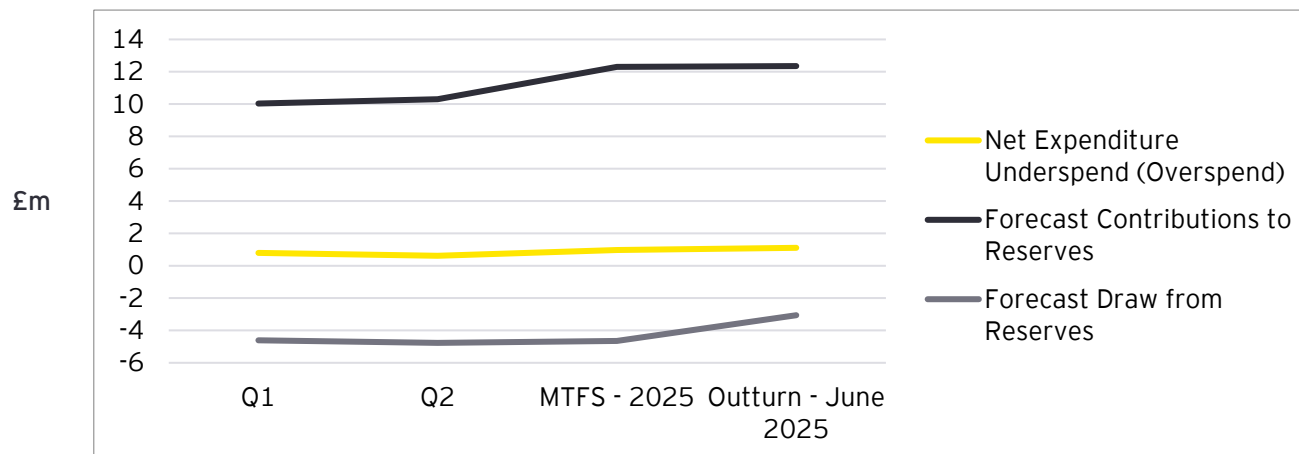
The Authority budgeted for a breakeven position for 2024/25. The actual outturn position as presented to the Fire Authority in June 2025 shows a net underspend against budget of £1.112m. The majority of the Service Expenditure reduction was through lower staff costs which are a result of recruitment and retention challenges across both wholetime and on-call firefighters. This was largely offset by an increase in supplies and services costs which comprised of provisions for uninsured claims and operational asset project funding above the available balance in the Operational Assets reserve.

Service income was also £0.7m higher than budget as a result of additional rental income received as well as income from the sale of vehicles below the capital receipts threshold.

As noted in the previous section, the forward look highlighted that the MTFP had progressed since February 2025 and there is no longer a forecast budget gap for 2025/26. However, the budget gap for 2026/27 remains at approx. £0.8m after to drawdown from the Budget Equalisation Reserve. The net underspend for 2024/25 will help aid the Authority's reserves position.

Exhibit B below shows the monitoring of the budget for 2024/25 across the year.

Exhibit B: The Authority's budget monitoring reports outlined an increasing overspend





Financial Sustainability considerations

Savings plans

The Authority will also look to mitigate any risks by looking for further options for efficiency savings across all areas as part of their drive for continuous improvement. An Efficiency Plan is reported alongside the MTFS to the Fire Authority annually. The plan is in place to deliver cashable efficiencies or limiting future cost increases. This should mean that reinvestment is possible to enhance the Service.

For 2024/25, due to the timing of the presentation of the Efficiency Plan, cashable efficiencies were not incorporated into the MTFS as they were still in the process of identifying and quantifying the initiatives - Extensive work was being done by the Authority to close the budget gaps which had been identified in future years. The Future Fires Board was responsible for overseeing the planning for and delivery of the efficiency and savings programme, headed by the Chief Fire Officer. Progress was then reported alongside the quarterly budget monitoring reports to the Fire Authority.

Examples of efficiencies identified during 2024/25 included the collaborated procurement via the Networked Fire Services Partnership (with Devon & Somerset FRA, Dorset & Wiltshire FRA and Kent FRA). This included a new Command, Control and Integrated Communication system contract agreed in 2024 designed to enhance the efficiency of fire and rescue service deployment across the all partner authorities.

Non-cashable efficiencies were also identified during the year, including a forecast saving of £100,000 in relation to using the staff bank to cover firefighter absence, £20,000 savings from LED lighting upgrades performed by the in-house team (rather than contractors) and £24,000 saved from a renewal of software licencing.

The Efficiency Plan for 2025/26 was presented to the Fire Authority as part of the MTFS in February 2025. Cashable efficiencies (those which have a direct impact on closing the budget gap) have been included within the budget at £1.7m for 2024/25 and an additional £1.0m for 2026/27. The savings are expected to be across the following areas:

- Further crewing changes (£0.3m in 2025/26, £0.9m additional from 2026/27)
- Middle manager review (£0.6m in 2025/26)
- Organisational design (£0.3m in 2025/26, £0.1m additional from 2026/27)
- Savings previously identified (£0.5m in 2025/26)

Non-cashable efficiencies are those which deliver improvement to the organisation or directly impact the communities using existing resources. The impact of these efficiencies are not included in the MTFS directly as they are more difficult to quantify financially, however it is expected the identification and implementation of these will allow for improvement and efficiency of the Fire Authority's service delivery. The non-cashable efficiencies identified for 2025/26 have been developed in-line with the Safety Plan 2025-2030 to align with the Authority's service delivery priorities.

The Authority has a history of delivering savings targets, with over £18.5m of savings delivered since 2010/11. The savings delivered in 2024/25 give a reasonable indication that the savings targets set for 2025/26 are achievable.



Financial Sustainability considerations

Reserves position

The Chief Financial Officer reviews the adequacy of reserves annually and presents the Reserves Strategy for alongside the MTFS to the Fire Authority. The Authority's Usable Reserves are categorised as:

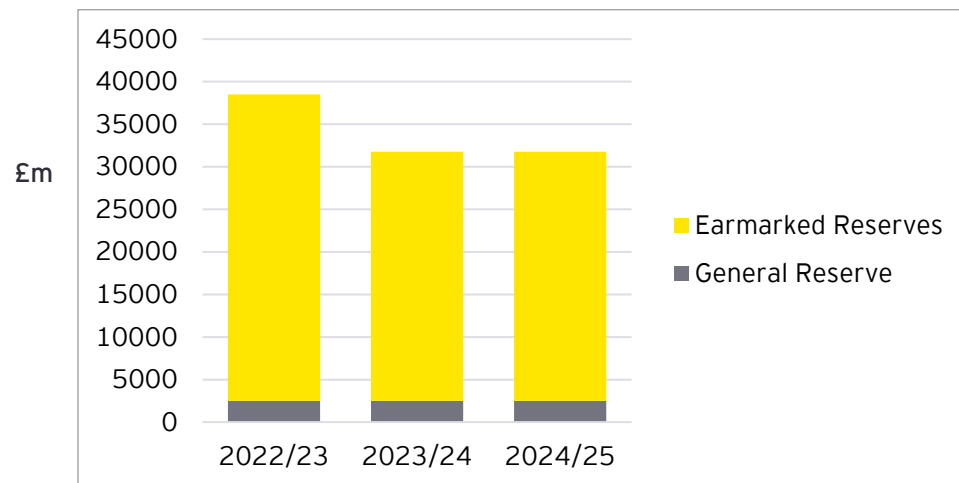
- Reserves which are fully committed to existing spending programmes
- Reserves held to mitigate risk
- Specific Reserves
- General Fund Reserve

In the 2024/25 Reserves Strategy presented in February 2024, the minimum level of reserves to be held as uncommitted general funds was set at £2.5m. This is consistent with prior years and represents approx. 2.5% of the net revenue budget.

As part of the Reserves Held to Mitigate Risk, the Authority holds a Budget Equalisation Reserve designed to mitigate uncertainty around fire service funding and service costs. As at the end of March 2025 the Reserve held approx. £4.0m, with £3.2m contributed to the reserve during the year. This was above the original planned contribution to the reserve of £0.3m in the MTFS which is largely a result of additional funding received during the year (£0.9m) and efficiencies and savings achieved (£1.2m).

These transfers have supported the Authority in being able to produce a balanced budget for 2025/26, as reported in the February 2025 MTFS.

Exhibit C: The level of Usable Reserves available at the Authority since 2022/23





VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Fire Authority's arrangements for governance. In prior years, no significant weaknesses were identified and there are no outstanding recommendations.

The Fire Authority's underlying arrangements in relation to governance are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Fire Authority had proper arrangements in place in 202x/2x to make informed decisions and properly manage its risks.



Governance considerations

Safety Plan (Community Risk Management Plan)

The Authority has a statutory duty to produce a Community Risk Management Plan, and the “Safety Plan” fulfils this function by setting out how the entity looks at risk and how they respond to these risks. The budget has regard to this plan in identifying the financial resources to be allocated towards the priorities within the Safety Plan.

The Fire Safety Plan for 2025-30 was published on the Authority’s website in February. This new plan now covers the following:

- a) Your Fire and Rescue Service
- b) The Risks We Face (including the identification and assessment of risk)
- c) Our Strategic Objectives

The strategic objectives identified in the Safety Plan 2025-30 and year 1 activities are:

- Protecting people, especially those who need it most
- Working with others to make buildings safer
- Preparing for emergencies and being there if you need us
- Empowering our teams to do their best
- Ensuring the best use of our funding, people and assets

To help with the production of the Safety Plan, the Authority produced an ‘Identification of Risk’ report. The report summarises the findings of the discussions with the community to understand the risks that concern them. The Authority have used this information to:

- Identify the risk - This was based on the results of the engagement with the community, as well as use of internal and external data sources
- Classify the risk - To ensure the risks captured all areas of service, the Authority classified each identified risk into one of the following categories:
 - Fires
 - Rescues
 - Transport
 - Specialist Risk
 - Other Activity



Governance considerations

Safety Plan (Community Risk Management Plan) (cont'd)

- Score the risk - Each risk is scored based on the likelihood and consequence of the hazard occurring. Each of these is given a 1-5 point system, where 1 is low likelihood / consequence with no input from HIWFRA or other blue light partners, while 5 is the highest likelihood / consequence.

As noted in the published Safety Plan, the Authority has now developed mitigation plans and has resources in place to ensure the consequences are not realised.

Finally, even after production of the Safety Plan, the Authority will be performing ongoing monitoring and assurance over the mitigations in place to ensure effectiveness against the associated risks. The Authority notes the importance of continuing to learn and improve.

Risk Management

The Authority has an effective corporate risk management framework in place to identify, mitigate and monitor the risks to the Authority in delivering strategic objectives. This includes both financial and non-financial risks.

The risk register is reviewed throughout the year and presented to the Audit & Governance Committee regularly. The highest rated risks on the Risk Register as presented in March 2025 relates to potential cyber attacks impacting the Service and Fatalities at Work. The Authority has also included a risk in relation to the closing of the forecast budget gap following the presentation of the MTFS in February 2025.

We have reviewed the risks included in the Risk Register and confirmed the risks included in all documents appear reasonable and realistic based on the risk profile of the Authority and the activities in which the Authority engages in.

Internal audit arrangements

The Authority has an internal audit service to help gain assurance over the effective operation of internal controls. The Audit & Governance Committee is responsible for ensuring that Internal Audit's programme of work considers the Authority's risks. The Authority's management is responsible for responding to the internal audit findings appropriately and in a timely manner with appropriate challenge from the Audit & Governance Committee.

Quarterly reports are received from the internal auditors highlighting work carried out including a breakdown of fraud investigations with any significant issues detailed in summary format. Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives.

The annual Internal Audit Plan incorporates an appropriate level of coverage in respect of the Authority's system of internal control. Progress updates against the plan are presented to the Audit & Governance Committee throughout the year, with a final Internal Audit Opinion provided at year. For 2024/25 the overall assessment by Internal Audit was that 'Reasonable Assurance' was given regarding the internal control framework working correctly.



Governance considerations

Internal audit arrangements (cont'd)

There were no “No Assurance” opinions issued during the year. Internal audit work found there to be a sound control environment in place across several review areas that were working effectively to support the delivery of corporate objectives. Six areas were issued “Limited Assurance” throughout the 2024/25:

- Overtime - Bank staff
- Unwanted fire signals
- Fire safety audits and use of enforcement powers
- Premises risks
- Flexible duty crewing system

Our review of each of these limited assurance reports has not identified any risks of significant weakness in VFM arrangements. The issues identified in the reports appear limited to the specific areas they relate to, and do not have significant implications on the wider arrangements at the Authority.

Informed decision making and member challenge

The Authority has a number of arrangements in place to ensure that appropriate decisions are made.

Throughout 2024/25 the Authority met several times in the year with the role to be to take decision on strategic and policy matters and establish the framework within which Hampshire and Isle of Wight Fire and Rescue Service operated. The Authority is made up of elected members from its constituent authorities in proportion to the number of electors in each constituent authority. (Eight from the County Council, and one each from Isle of Wight, Portsmouth and Southampton),

The Authority's Standards and Governance Committee was responsible for audit and scrutiny functions. From December 2024 this has evolved to an Audit & Governance Committee.

The Authority is also able to establish sub-committees of the Authority for a wide range of purposes and can delegate responsibility for taking certain decisions to subcommittees. The Authority is not able to delegate decisions to the Chairman or any other single member of the Authority.

Audit & Governance Committee

The Committee is in charge of the following areas:

- Standards - To oversee the discharge of the Authority's duty to promote and maintain high standards of conduct.
- Governance - To consider and approve the annual Statement of Accounts and the Annual Governance Statement incorporated within it, in compliance with the statutory deadline, to consider and approve the annual Assurance Statement



Governance considerations

Informed decision making and member challenge (cont'd)

- Governance - To consider and approve the annual Statement of Accounts and the Annual Governance Statement incorporated within it, in compliance with the statutory deadline, to consider and approve the annual Assurance Statement
- Audit - To consider reports from Internal and External audit.
- Risk Management - To receive and review the annual monitoring of the Organisational Risk Register
- Scrutiny - To consider the report of any inspection of the Service and make recommendations as required and to provide scrutiny, where appropriate, on the extent to which the Service is aligned with standards from the Fire Standards Board

A Code of Corporate Governance is in place to ensure that the intended outcomes for stakeholders are defined and achieved. This is included within the Constitution.

To ensure effective leadership throughout the entity, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution including those for the Audit and Governance Committee and the rules under which they operate. In particular, it looks at how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute and regulations by Governmental and other bodies (e.g. CIPFA) while the Authority has determined others locally.

The Authority has a sound management philosophy, demonstrates clarity of purpose and focus, with emphasis on performance and risk management. Our experience and knowledge of senior management is that they act with integrity, have good standards of behaviour and performance and lead by example. Both management and those charged with governance maintain an ethical stance and respond to instances of non-compliance with remedial action. There is an ethos of compliance with laws and regulations.

The Authority has adopted a number of codes and protocols that govern the standards and behaviour expected of members and officers. These include codes of conduct for both officers and members and cover conflicts of interest and gifts and hospitality and appropriate policies for partnership working. These are communicated as part of the induction process (all staff and members are provided with a copy of the respective codes of conduct when joining the entity and are required to read and comply with them), ongoing awareness training is made available via the entity's intranet, Hantsnet.

There are appropriate policies and procedures for ethical and behavioural standards, declaration of and protocol for conflicts of interest, and security practices that are adequately communicated throughout the organisation.



Governance considerations

Annual Governance Statement (AGS)

The AGS reports on the effectiveness of the Authority's governance arrangements during the financial year, to ensure that business is conducted in accordance with the law and proper standards and public money is effectively safeguarded and utilised. The report contains sections which are compliant with the requirements of the CIPFA Framework 'Delivering Good Governance in Local Government: Framework (2016)'.

Section 6 of the AGS sets out the actions required to ensure continuous improvement of key governance issues that will be carried out over the next year:

- Review the Service's Corporate Governance Framework incorporating the Authority's Policy Framework
- Review the Service's Policy, Procedures and Guidance framework including establishing a revised overarching procedure and ensuring alignment with the Authority's Policy Framework
- Complete an internal review of Financial Management using CIPFA tools and the CIPFA approach
- Produce an annual performance report of the Audit & Governance Committee aligned to CIPFA guidance
- Maintain oversight of the progression of Devolution to ensure direct impacts to the Authority are understood

This list is therefore not indicative of a current failure in governance, but rather, shows that the Authority has appropriate arrangements in place to identify these governance risks as or before they arise, and therefore has the opportunity to take timely action.

Devolution

The government's devolution agenda will change the landscape of how fire and rescue is governed. New mayors, with multi-year funding and responsibility for a broad policy remit across their regions, are set to take on powers currently held by Fire Authority's. In preparation, the Authority has set up a Devolution Board chaired by the Director of Corporate Services with leads from the service for each of the different workstreams currently present. Senior Officers at the Authority are also in regular discussions with other Fire Authorities nationally to consider the potential impacts of devolution and understand any challenges currently identified. Additionally, the MTFS going forward has earmarked some funding from the transformation reserve to support transition costs.

These are arrangements that we will consider as part of our 2025/26 value for money work given the likely timing of transition is April 2027.

Failure to prevent fraud

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures.

It is recommended that authorities review existing fraud policy and procedures against the latest Home Office guidance. If this review has not yet taken place, it should be prioritised to ensure compliance with the Act and to mitigate the risk of enforcement action.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Fire Authority's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations.

The Fire Authority's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Fire Authority had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Financial and performance information

The Authority has a large number of ways of measuring its own performance across all aspects of its operations. Throughout 2024/25 the Authority operated under the Safety Plan 2020-25. The Safety Plan was launched in April 2020 sets out how the entity looks at risks and how they respond to these risks. It sets out a long term approach to achieving the purpose of “Together We Make Life Safer” and the Authority developed 5 priorities that they are committed to for the life of the plan:

- Our Communities - Working together to understand different community needs and deliver accessible, local services which build safer places
- Our People - Creating great places to work and promoting the health, wellbeing and safety of the people
- Public Value - Ensuring that decisions and actions deliver efficient and effective public services
- High Performance - Ensuring that diverse teams are trusted, skilled and feel equipped to deliver services
- Learning & Improvement - Ensuring that policies and guidance is used to do the right thing, learning from themselves and others

The Authority has a comprehensive set of performance indicators that enable them to monitor performance against the plan. Reviewing the performance ensures that services remain tailored to specific risks and opportunities facing the Authority.

Management conduct an annual planning process to ensure that the Safety Plan remains current. The output of this process is a list of activities that the Service will complete during that particular year to fulfil the Authority’s strategic priorities. The 2024/25 improvements were approved by the Fire Authority in February 2024 which focused on further investing in, and supporting, healthy workplaces and staff wellbeing.

Additionally, the Authority publishes a mid-year and full-year performance report each financial year. The latest report was presented to the Fire Authority in June 2025 which covers the financial year 2024/25. As per the report, the Authority has completed 5 of the 6 planned activities in the Fire Safety Report:

- Review and implementation of recommendations from the Grenfell Phase 2 Inquiry Report
- Establishment and publication of the Authority’s Policy Framework for new policies
- Development of the analysis within the Service’s 2023 Identification of Risk document, including consultation on proposals around how the Service could best mitigate risks it faces
- Publication of the Medium Term Financial Plan containing cashable and non-cashable efficiencies
- Delivery of training packages from the National Operational Guidance (NOG) e-learning project. 83 packages were completed and are published or awaiting publication, and one final package is 70% complete at the time of the report publication.

The remaining planned activity, the feasibility study on the future provision of PPE and laundry options to enhance the management of fireground contamination, remains ongoing. This has been added to the list of 2025/26 actions to be completed.



Improving economy, efficiency and effectiveness considerations

Procurement and contract management

Whenever money is being spent with an external provider, staff are required to follow the Authority's "Contract Standing Order" to ensure that relevant legislation is complied with, and that professional standards and internal policies are complied with.

The "Contract Standing Order" can be seen in Part 4.3 of the Authority's Constitution and has been issued in accordance with Section 135 of the 1972 Local Government Act. These are intended to promote good purchasing practice and public accountability and deter corruption. The Orders detail the minimum requirements and procedures appropriate for the acquisition and disposal of all goods, services and works undertaken on behalf of the Authority.

These arrangements help to ensure that when the Authority procures services, this is done in accordance with relevant legislation, professional standards and internal policies, and to monitor whether the procured services are realising the expected benefits aligned to the strategy of the Authority and its future plans.

Partnership working

3SFire Ltd

The most significant partnership/collaboration arrangement held by Hampshire and Isle of Wight Fire is with 3SFire Ltd. The Fire Authority has sole control over a company. It is a company limited by shares held by the Authority and was formed on 20 February 2013. The company has five directors who are independent of the Fire Authority; this ensures that there is no conflict of interest around payment of any dividend to the Fire Authority. The Authority has delegated all shareholder functions to a committee of the Authority known as the "3SFire CIC Stakeholder Committee" ("the Committee").

The day-to-day direction and management of the Company will solely be a matter for the Directors. The role of the Committee is to:

- Appointing and removing Directors
- Reviewing and amending the Articles
- Receiving reports from the Directors in relation to the following:
 - Proposed resolutions, approvals and actions
 - The Company's accounts
 - The Company's business plan

Integrated Business Centre (IBC)

This arrangement is in place for joint working in relation to support services. The IBC is hosted by Hampshire County Council and was launched in 2014/15 for the provision of shared financial and HR services across a number of entities including Hampshire and Isle of Wight Fire and Rescue Authority.



Improving economy, efficiency and effectiveness considerations

External Review by His Majesty's Inspectorate of Constabulary Fire & Rescue Services (HMICFRS)

HMICFRS independently assesses the effectiveness and efficiency of Fire and Rescue services and assess how well they look after their people. Their previous inspection of the Authority in 2021/22 resulted in two of their three areas of focus scoring "Requires Improvement", with the third rated as "Good".

Following the result, the Authority implemented an action plan against which it monitored and reported process, with updates provided regularly to the Audit & Governance Committee (previously the Standards & Governance Committee). In addition, some Areas of Improvement are included in the Authority's Annual Improvement Plan presented to the Fire Authority.

We are aware that a new inspection took place by HMICFRS from January 2025 to April 2025. This report will be reviewed as part of our 2025/26 VFM work.

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