Hampshire & Isle of Wight
FIRE & RESCUE AUTHORITY





2025/26 Statement of Accounts

NAVIGATION GUIDE

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- 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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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 2025/26;
- 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.

The audit of the accounts has been impacted in recent years by the national audit backlog and the measures put in place by central government to address this backlog. An update is provided within the accounts for context.

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 2026 and is structured as below:

- An Introduction to Hampshire and the Isle of Wight Fire and Rescue Authority
- The Fire and Rescue Authority's Non-Financial Performance
- Financial Performance of the Authority 2025/26
- Looking forward
- Summary Position including an explanation of the financial statements and changes during 2025/26
- Where you can get further information
- Update on the national audit backlog and the measures to address this

Introduction to Hampshire and Isle of Wight Fire and Rescue Authority

Introduction from the Chief Financial Officer

This document contains the Statement of Accounts for Hampshire and Isle of Wight Fire and Rescue Authority. The accounts have been prepared to meet the requirements of the CIPFA Code of Practice on Local Authority Accounting. This means they are complex and technical to meet accounting requirements based on International Financial Reporting Standards, adapted for the public sector where appropriate.

The narrative report is designed to help readers better understand the Authority and to support with interpreting the Statement of Accounts. 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 non-financial information about performance during the year.

The accounts are for the financial year 2025/26, with a Balance Sheet date of 31 March 2026.

Thank you for taking the time to read the Authority's Statement of Accounts. 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

Introduction to Hampshire & Isle of Wight Fire and Rescue Authority

These accounts cover the year to 31 March 2026 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.

NARRATIVE REPORT

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 2025-2030

The 2025/26 statement of accounts reflects the first year of the period covered by the Safety Plan 2025-30. It was updated in February 2026.

In line with our statutory requirements, we must produce a 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.

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.

We will keep talking to our communities, partners, and staff over the next five years as we work on specific projects to make our service better for everyone.

Our service planning cycle includes an annual refresh of our Assessment of Risk ensuring we understand the current risks to our communities. This helps us shape a list of improvement activity every year. The Service reports progress against these activities, in performance reporting to the Fire Authority every six months.

Our Safety Plan 2025-2030

OUR PURPOSE

Together we make life safer

We want our work to help our communities live safer lives, this drives us in everything we do.

Together means:

- All of us who work for the fire and rescue service, working towards the same goal
- Working with our partners, like other emergency services, local authorities and other agencies in our **Local Resilience Forum**, to be there when our communities need us
- Listening to our communities and helping them to keep themselves safe
- Sharing what we learn with others in the fire sector and beyond, so we can keep improving

OUR VALUES

SHOWING RESPECT

SUPPORTING OTHERS

EVERYONE PLAYING THEIR PART

REACHING FURTHER

Our values are at the heart of how we work; how we connect with our communities, welcome new people, support our teams and lead our organisation.

We show our dedication to these values through our everyday actions, and in how we work together. Our Service values and behaviours, developed in consultation with our staff, help us overcome barriers and make our Service more accessible. We all have a role to play in making our Service stronger and more effective by celebrating diversity and fostering inclusion.

We want to create a safe, supportive, and welcoming environment where no one feels bullied, harassed, or discriminated against. We developed our values through consultation with our teams and have articulated the behaviours that we all want to see from ourselves and others.

We also follow the National Fire Chiefs Council's (NFCC) Core Code of Ethics' five ethical principles, and we are committed to learning and developing, and holding each other accountable for inappropriate behaviour.

We will keep improving our Service by making it clear what behaviours are unacceptable, speaking up when we see something wrong, providing safe and confidential ways to report issues, dealing with issues through transparent policies, and taking prompt and fair action.

OUR STRATEGIC OBJECTIVES

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**

Our objectives are not just words, they are our actions. They show you how we will run our fire and rescue service and the high quality of service you can expect from us. We keep these in mind when making our decisions and make sure our actions meet the needs of the community.

AREAS OF FOCUS

These three clear Areas of Focus help the Service and our people make decisions and prioritise, to ensure the actions we take are focused on achieving Strategic Objectives.

OPERATIONAL EXCELLENCE

We deliver an excellent service to the public and give our people the tools they need. All parts of the Service understand their role in making life safer.

CULTURE & CONNECTIVITY

We champion our Values, build a proud, supportive, and engaged workforce, and communicate meaningfully and openly with each other and the communities we serve.

ORGANISATIONAL ACCOUNTABILITY

We remain accountable for our actions as a Service, as individuals, and to the public by ensuring our decisions are informed by data and lessons learnt from others, and are supported by effective processes and frameworks.

HIWFRA Safety Plan 2025-2030 Year 2 February 2026

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 during the year covered by the accounts is shown in the following table.

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	

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

Local elections in May 2026 changed the political composition of the Authority. At the time of publishing the draft statement of accounts the Authority had not concluded its Annual General Meeting (AGM) as the meeting on 9 June 2026 was adjourned.

Appointments to the Authority were confirmed on 28 July 2026 with the political composition of 6 x Lib Dem, Labour and Independent Group, 3 x Conservative Group, 2 x Reform UK Group.



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 6 Directors led by the Chief Fire Officer. The Executive Group is accountable for the strategic leadership of the Service.

The members of the Executive Group at the end of the 2025/26 financial year are set out below:

- Chief Fire Officer – Sabrina Cohen-Hatton
- Deputy Chief Fire Officer – Shantha Dickinson
- Assistant Chief Fire Officer – Rob Cole
- Assistant Chief Fire Officer – Ben Allen
- Director of Corporate Services – Matt Robertson
- Director of People and Organisational Development – Molly Rowland
- Chief Financial Officer – Rob Sarfas

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

In September 2025, Sabrina Cohen-Hatton became Chief Fire Officer, replacing Neil Odin.

In June 2025, Rob Sarfas became Chief Financial Officer, replacing Catherine Edgecombe.

In January 2026, Ben Allen was appointed as a second Assistant Chief Fire Officer. At this point, Shantha Dickinson took on overall responsibility for the newly formed Service Delivery directorate. Within this directorate, Rob Cole has responsibility for Prevention, Protection and Resilience and Ben Allen has responsibility for Response, Specialist Capability and Improvement.

More detail is provided in the note to the accounts on senior officer remuneration.

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

NARRATIVE REPORT

Overview from the Director of Corporate Services

"The Annual Performance Report provides an overview of our performance in 2025/26 (April 2025 to March 2026).

As noted in the Mid-Year Performance Update Report, 2025/26 has been a year of challenge and change, with financial pressures requiring a wide range of changes, the HMICFRS inspection publishing, and the appointment of our new Chief Fire Officer. The challenges for this year have not been confined to finances, as the summer saw high numbers of fires in the open – with tremendous efforts by on-call and whole-time crews (both within Hampshire and the Isle of Wight and supporting other fire and rescue services over the border), Fire Control colleagues, the Incident Command Unit and our support teams.

For the first time in a number of years, we saw our response times stay the same as the previous financial year, at 9 minutes and 49 seconds, and well below the average primary fire response time for similar services.

Incident volumes for 2025/26 have increased very slightly compared to the previous year, with an increase in fires owing to a 54% increase in outdoor fires, offset by a reduction in false alarms due to our operational policy change to no longer attend Automatic Fire Alarms at low-risk commercial premises between the hours of 08:00 and 18:00, unless there is a confirmed fire. Following concerted efforts, our response to medical incidents also increased by 15% in 2025/26 which is a positive change compared to the previous year where we saw a reduction.

"Despite a year of change in response to financial pressures, the Service has achieved strong performance and delivered across Response, Protection, Prevention and support teams."

In community safety, we have exceeded our 2025/26 Home Fire Safety Visit target, along with various preventative campaigns for road safety, wildfire awareness and cooking. The number of fire safety audit related interventions increased versus last year, with targets being met, and improvements in enforcements recording have been made.

We continue to make positive progress in our carbon reduction activity by improving energy efficiency across our estate; generating income; and delivering efficiencies.

More broadly, the report outlines how the Service has delivered a significant amount of improvement activities in 2025/26, which is testament to the efforts and dedication of colleagues across the Service."

Matt Robertson

Director of Corporate Services



Information we publish - Performance

The approach to performance

The Service assesses 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. This is structured around the 2025-30 Safety Plan objectives. The Service uses performance reporting and data analysis to assess its 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

The Service's approach to corporate planning was refreshed in April 2025 meaning that a wider range of activities are monitored and evaluated centrally. There has also been significant focus on enhancing the Service's approach to impact assessment, the collective oversight of the progress of improvement activity, and ensuring evaluation and benefits realisation are at the heart of our work.

The Service has a prioritisation approach to its activities whereby they are assessed as 'must', 'should' or 'could' be completed. All 'must', 'should' and 'could' activity is tracked internally. 49 out of 49 'must' activities were completed in 2025/26. Examples are included in the Annual Performance 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/

2024/25	Performance metric	2025/26
20,664	Number of incidents	21,333
09:49 mins	Average critical response time incl call handling	09:49 mins
98%	Whole-time availability	97%
62%	On-call availability	64%
12 (8)	Fire fatalities (of which confirmed)	6 (0)
88	Fire casualties	85
17,249	Home fire safety visits	16,675
1,458	Fire safety audit related interventions	1,544

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 above may not therefore match the information included in the previous year's accounts.

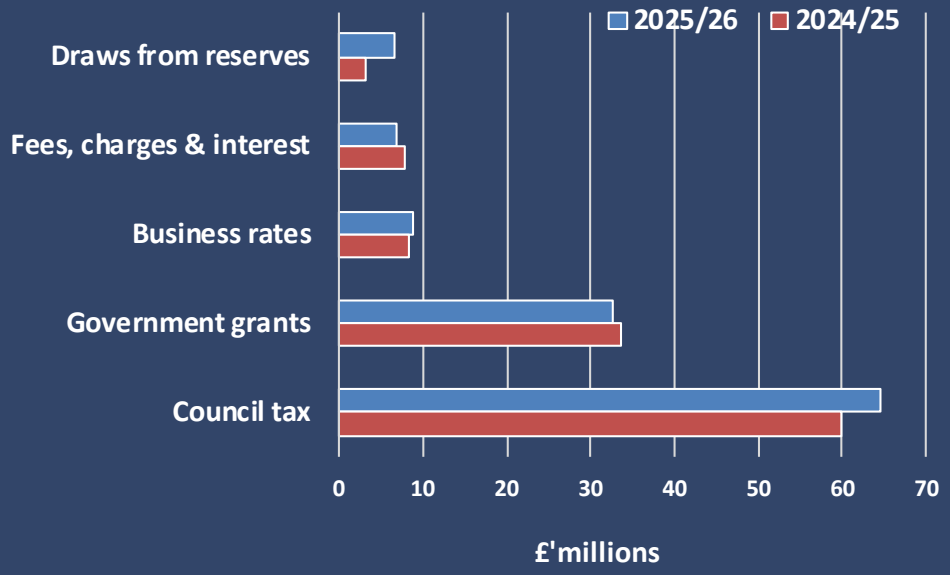
Hampshire and Isle of Wight Fire and Rescue Authority: Financial performance

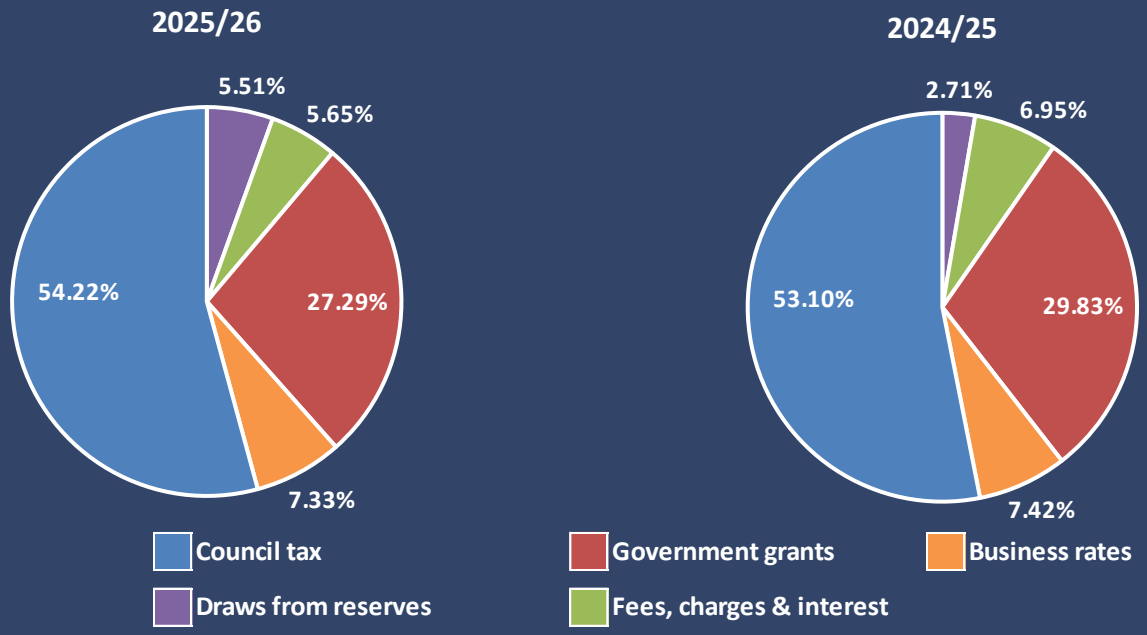
The Fire and Rescue Authority's Financial Performance

Funding the Authority's revenue budget

The 2025/26 budget included a 6.04% increase in Council Tax (£5 for a Band D property), which is the maximum permitted without triggering a referendum. As Council Tax represents the Authority's largest source of funding, this increase was essential to achieve a balanced budget and to address inflationary and service delivery pressures. Despite applying the maximum increase, a planned drawdown from reserves was still required to set a balance the budget.

The Fire and Rescue Authority's main income streams are Government grants, Council Tax, and business rates. In addition, the Authority generates income primarily from its estate and investment activities. The value and proportion of income from these sources, along with changes over the past two years, are set out below. The draws from reserves include expenditure for planned activity in line with the approved Reserves Strategy, such as the purchase of ICT and equipment.





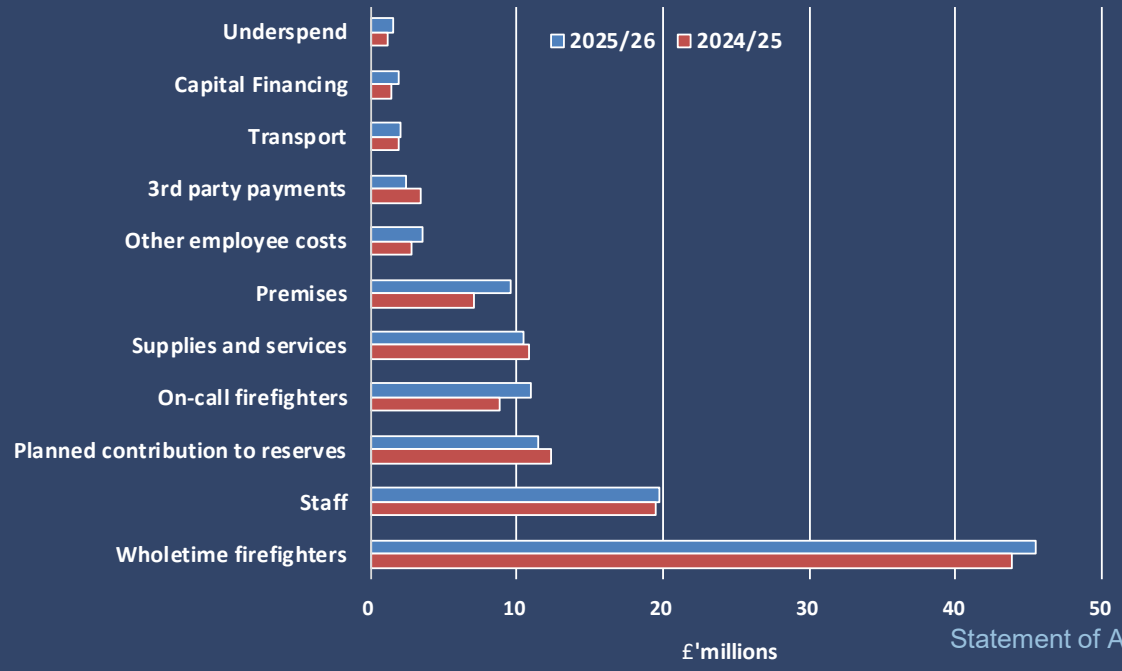
How the revenue budget is spent

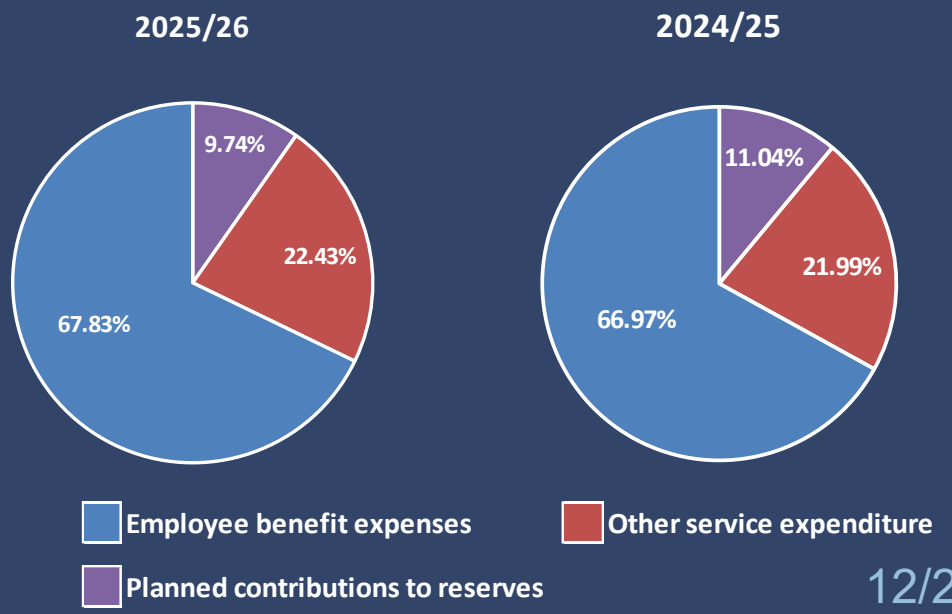
The day-to-day costs of operating the Fire and Rescue Authority are known as revenue expenditure. Given the nature of the services provided, the majority of this expenditure relates to staffing costs. Other areas of spending primarily include the operation and maintenance of vehicles, property and IT systems, as well as the cost of borrowing to finance capital investment.

In addition, a portion of the funding received each year is transferred into reserves on a planned basis. These reserves are intended to maintain the financial stability of the Authority and to support the funding of longer-term projects. More information is contained within the approved Reserves Strategy.

The graphs below illustrate how revenue expenditure has been spent over the past two financial years. Although overall costs have increased during this period, the proportion of spending across each area has remained relatively stable.

The revenue budget underspend for 2025/26 of £1.572m is included in the table to provide context. This represents 1.32% of the Authority's total gross expenditure for the year.





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 £'000	Total other income & expenditure £'000	(Surplus) / deficit on the provision of services £'000
Management outturn	**98,944**	**(100,516)**	**(1,572)**
Adjustments between accounting and funding basis (EFA)			
- Capital adjustments	9,961	(2,687)	7,274
- Pensions adjustments	14,929	31,825	46,754
- Other adjustments	0	714	714
Other adjustments			
- Adjustment for net contribution from reserves	0	(1,759)	(1,759)
- Other adjustments	2	(1)	1
CIES figure	**123,836**	**(72,424)**	**51,412**

Capital expenditure

In 2025/26 the Fire and Rescue Authority spent £11.95m on capital projects. The capital programme focuses on investment in the estate and fleet used to support the provision of fire and rescue services.

The following table summarises the nature of the 2025/26 capital projects and their sources of funding:

Scheme	**£'000**
Estates	10,037
Vehicles	1,852
Carbon reduction and EV charging	61
Total	**11,950**

Source of funding:	**£'000**
Reserves	3,131
Prudential borrowing	8,206
Capital receipts	613
Total	**11,950**

End of year revenue budget outturn

The Authority set the budget for 2025/26 in February 2025. To allow a balanced budget to be set, the Authority agreed to a target for in-year savings of £1.734m and a one-off draw from the Budget Equalisation Reserve of £1.813m.

The year end position for 2025/26 was an underspend of £1.572m (1.6% of net expenditure) against the revised budget. This would have equated to an overspend of £0.241m without the draw from the BER. The variance against the budget was largely the result of underspends against staffing budgets (including vacancies being held during the organisational design programme), early achievement of savings, and one-off higher income. The was partially offset by pressures relating to the estate in particular.

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 and Rescue Authority. The underspend from this year will be used to provide financial resilience through transfers to the Budget Equalisation Reserve, the Insurance Risk Reserve, and the Capital and Investment Risk Reserve.

Reserves balances have increased during the year due to a combination of planned contributions and one-off additions, offset in part by draws for planned expenditure. Reserves are forecast to fall in future years as explained on later pages of this narrative report.

The main components of the 2025/26 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	10,173	10,115	(58)
Operations	57,402	56,764	(638)
Corporate Services	31,222	30,229	(993)
Finance	1,634	1,836	202
Net cost of Fire and Rescue Services	**100,431**	**98,944**	**(1,487)**
Net Contribution from Reserves	1,759	1,759	0
Revenue Contributions to Capital	3,131	3,131	0
Capital Financing and Investment Income	619	451	(168)
Funding	(105,940)	(105,857)	83
Other income and expenditure	**(100,431)**	**(100,516)**	**(85)**
Net (under)/over spend	**0**	**(1,572)**	**(1,572)**

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. The Authority took on £15.587m of new external borrowing during 2025/26 as part of its treasury management strategy (see below). This was in part to refinance scheduled repayment of loans during the year.

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 2025/26. Further information is provided in the outturn report presented to the Fire Authority.

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 2025/26, and all relevant statute, guidance and accounting standards. Further information is provided in the Treasury Management Appendix to the outturn report for 2025/26.

Pension Fund Liability

The estimated future pension liability as calculated by the Authority's actuary to meet IAS 19 accounting requirements is £661.0m. The liability net of LGPS assets has been calculated to be £595.2m at 31 March 2026.

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 Firefighters 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 2025/26 financial year the Fire and Rescue Authority's usable reserves stand at £35.3m – an increase of £3.5m. This net movement includes the overall underspend for the year and agreed contributions to reserves, offset by planned draws from reserves to cover expenditure in the year. Investment balances totalled £27.9m 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 2026/27

The local government finance settlement issued by government confirmed a £5 band D referendum limit for fire and rescue authorities for 2026/27. After careful consideration of the impacts of a Council Tax increase 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 62% of the Authority's budget requirement for 2026/27.

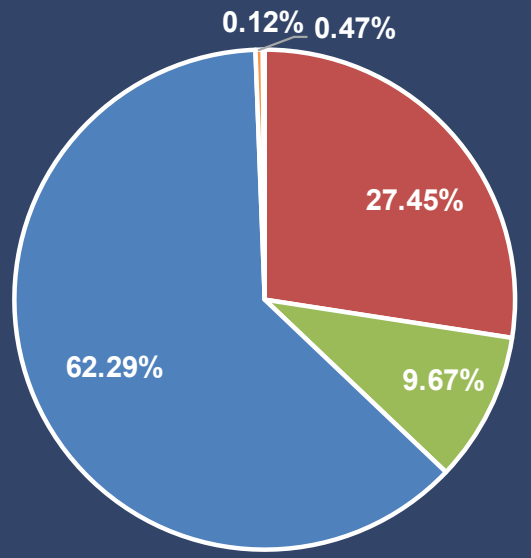
The funding that the Authority receives through the local government settlement (government grants and business rates) is due to reduce by £2.9m between 2025/26 and 2028/29 based on the settlement information published by the government in February 2026. When combined with inflationary increases in pay and non-pay costs and a number of essential delivery pressures this has a significant impact on the Authority's financial forecasts. The Authority also doesn't receive any regular capital funding from government, so all investment in the estate and vehicles needed to provide services also has to come from the revenue budget.

In mitigation, about £3.3m has been removed from the budget across 2025/26 and 2026/27 as a result of cashable efficiencies to help the Authority to balance its budget. The Authority also agreed to a number of temporary mitigations to allow a balanced budget to be set for 2026/27. The forecast gap for 2027/28 at the time of the last published update to the Medium Term Financial Plan in February 2026 was however £2.7m. Global events have also impacted expectations for inflation and interest rates since February.

Ensuring the best use of funding, people and assets is one of the five strategic objectives within the Safety Plan. Options to close the forecast budget gap sustainably have been considered by the Authority with a multipronged approach agreed in October 2026

Sources of funding 2026/27

	£'000
Government grants	30,056
Business rates	10,591
Council tax	68,219
Surplus on collection fund	516
One off draw from reserves	130
	109,512



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, albeit this has temporarily been reduced for 2026/27, which was made possible by one-off additions to reserves in 2025/26. 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 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 2025/26, usable reserves stood at £35.3m of which 7.8% comprised the General Fund balance. The Reserves Strategy includes a plan to increase the general fund reserve as other reserves balances fall to maintain appropriate mitigation.

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 already been factored into the MTFP.

The Authority will hold lower cash and investment balances as reserves fall and needs to identify options to close the forecast budget gap in the Medium Term Financial Plan. This creates financial challenges for the Authority, but current assumptions and the mitigation provided by the Authority's reserves and access to the PWLB for approved borrowing supports the Chief Financial Officer in assessing and confirming the Authority's financial sustainability for the required 12 months beyond the date of these accounts.

Current global events create additional uncertainty and will be factored into the next published update to the MTFP where possible. The impact of devolution on the Authority is not yet fully known. With a forecast budget gap within the MTFP, plans are being developed to ensure the Authority is able to set a balanced budget from 2027/28 in a way consistent with achieving the Safety Plan objectives, the Authority's financial management principles and other applicable requirements.

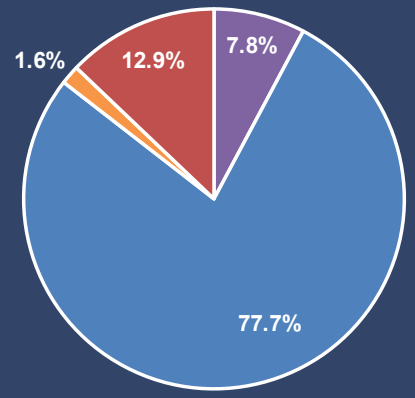
The table below summarises the total level of reserves and balances that the Fire and Rescue Authority holds.

The General Fund Balance has been increased from £2.5m to £2.7m (2.5% of the budget requirement) and 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. The Reserves Strategy includes a plan to increase this to 5% of the budget requirement in future as other reserves fall.

Although reserves balances are currently relatively high, about 78% is earmarked for future spend, including for investment in the estate, vehicles and planned future replacement of IT and equipment. The Authority also holds risk mitigation reserves (about 13% of the total balance), with a smaller amount in specific reserves relating to HQ maintenance.

Useable reserves at 31 March 2026

Reserve	£'000
General fund	2,745
Fully committed to existing spend programmes	27,453
Specific reserves	571
Risk mitigation	4,544
	35,313



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. Specific risks relating to partnerships and projects have been incorporated into the Annual Governance Statement where appropriate.

Key financial risks and areas of uncertainty are set out within the Medium Term Financial Plan (MTFP) along with the identified mitigation. This includes an appropriate contingency built into the revenue budget, the ability to temporarily reduce planned contributions to reserves, and the risk mitigation reserves held by the Authority. Financial monitoring and horizon scanning helps to ensure that issues can be identified and addressed in a timely manner.

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

NARRATIVE REPORT

Summary Position

The Authority delivered an underspend against the revenue budget of £1.57m in 2025/26 while also continuing to progress with delivering the capital programme. The Authority has continued to contribute to reserves to support financial resilience and set aside funding for future planned expenditure, including the investment in vehicles, equipment, ICT and the estate.

The underspend against reserves has been transferred to the Budget Equalisation Reserve, the Insurance Risk Reserve and the Capital and Investment Risk Reserve.

The Authority has sufficient reserves and balances to provide financial resilience for 2026/27 although uncertainty and factors outside of the Authority's control continue to make forecasting challenging. A balanced budget was set for 2026/27 after applying a number of temporary mitigations, but a budget gap of £2.7m was forecast for 2027/28 in the Medium Term Financial Plan. Plans are being developed for addressing this gap in a way consistent with the Safety Plan objectives, the Authority's financial management principles, and other requirements.

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 2026. 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 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 2025/26 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 reserves between usable and unusable reserves.
- **Balance Sheet:** This sets out assets and liabilities as at 31 March 2026.
- **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

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 has published its accountability statements for previous financial years in accordance with the updated regulations. The accountability statements can be found on the Service's website.

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 for 2022/23 to allow publication of the accountability statements by the backstop date. This opinion was purely due to the impact of the national audit backlog and the measures put in place to address the backlog. The opinion was not the result of any issues identified with the Authority's accounts.

The disclaimed audit opinion for 2022/23 has impacted the audit opinion issued by the auditor for 2023/24 and 2024/25. Although the auditor carried out audits for these two years, the disclaimed opinion for 2022/23 impacted the auditor's ability to obtain sufficient evidence and assurance to issue an unqualified opinion for 2023/24 or 2024/25. The Authority therefore received a disclaimed opinion for 2023/24, moving to a qualified opinion for 2024/25 as the auditor continued the process of building back assurance. Both opinions were again due to the impact of the audit backlog and not any issues identified with the Authority's accounts.

The auditor has reported regularly to the Authority's Audit and Governance Committee on progress with rebuilding assurance and confirmed that the Authority is on track to return to unqualified audit opinions in line with national expectations.



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 Chair's Statement

I certify that the Statement of Accounts for 2025/26 were considered and approved at the Audit and Governance Committee Meeting on 9 September 2026.

Cllr David Harrison 12 November 2026

Chair, 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 2026 and its income and expenditure for the year ended 31 March 2026.

Rob Sarfas 12 November 2026

Chief Financial Officer / Section 151 Officer

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CORE FINANCIAL STATEMENTS

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.

Usable reserves includes the General Fund Balance as well as earmarked revenue reserves held for specific purposes.

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.

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 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**	*Note 1*
Net (Increase)/Decrease in year	**15**	**(90,219)**	**(90,204)**	
Balance as at 31 March 2025	**(31,771)**	**354,235**	**322,464**	
Movements During 2025/26:				
Total Comprehensive Income and Expenditure	**51,412**	(28,999)	**22,413**	
Adjustments between accounting basis and funding basis under regulations	**(54,742)**	**54,742**	**0**	*Note 1*
Transfer from Firefighters Pension operating account to usable reserves*	**(212)**	**0**	**(212)**	
Net (Increase)/Decrease in year	**(3,542)**	**25,743**	**22,201**	
Balance as at 31 March 2026	**(35,313)**	**379,978**	**344,665**	

* *Transfer corrects a historic mis-posting of firefighter pension top up claim overpayment from 2013/14*

Table Links
Note 1

BALANCE SHEET

31 March 2025		31 March 2026	
£'000		£'000	
240,589	Property, plant and equipment	250,360	Note 19
1,310	Investment property	1,729	
3,065	Long term investments	3,065	Note 20
6	Long term debtors and pre-payments	6	Note 20
244,970	**Long term assets**	**255,160**	
390	Assets held for sale	0	
1,218	Inventories	1,324	
7,506	Short term debtors	8,259	Note 20
20	Short term investments	7,035	Note 20
21,829	Cash and cash equivalents	17,195	Note 20
30,963	**Current assets**	**33,813**	
(7,510)	Short term creditors	(9,847)	Note 20
(835)	Short term borrowing	(3,844)	Note 20
(7,400)	Grants receipts in advance	(6)	Note 10
(15,745)	**Current liabilities**	**(13,697)**	
15,218	**Net current assets**	**20,116**	
(567,808)	Net liabilities relating to defined benefit pension schemes	(595,206)	Note 23
(1,182)	Long term provisions	(851)	Note 22
(13,662)	Long term borrowing	(23,884)	Note 20
(582,652)	**Long Term Liabilities**	**(619,941)**	
(322,464)	**Net Liabilities**	**(344,665)**	
	Financed by:		
	Usable reserves		
(2,500)	General Fund	(2,745)	
(28,990)	Earmarked reserves	(32,095)	
(281)	Revenue grants unapplied reserve	(473)	
(31,771)	**Total usable reserves**	**(35,313)**	Note 8
354,235	**Unusable reserves**	**379,978**	Note 2
322,464	**Total reserves**	**344,665**	

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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 2026 and its income and expenditure for the year then ended. The unaudited accounts were issued on 29 June 2026, and the audited accounts were authorised for issue on 12 November 2026.

Signed

Rob Sarfas 12 November 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.

2024/25 £'000		2025/26 £'000	
18,338	Net (surplus) or deficit on provision of services	51,412	*CIES*
(43,987)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(50,748)	*Note 26*
488	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	613	*Note 26*
(25,161)	**Net Cash Flows from Operating Activities**	**1,277**	
12,296	**Net Cash Flows from Investing Activities**	16,356	*Note 26*
1,119	**Net Cash Flows from Financing Activities**	(12,999)	*Note 26*
(11,746)	**Net (increase)/decrease in cash and cash equivalents**	**4,634**	
(10,083)	Cash and cash equivalents at the beginning of the reporting period	(21,829)	*Balance Sheet*
(21,829)	**Cash and cash equivalents at the end of the reporting period**	**(17,195)**	*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.

2024/25 Gross Expenditure	2024/25 Gross Income	2024/25 Net Expenditure		2025/26 Gross Expenditure	2025/26 Gross Income	2025/26 Net Expenditure		Table Links
£'000	£'000	£'000		£'000	£'000	£'000		
97,119	(6,594)	**90,525**	Fire & Rescue Services	129,236	(5,400)	**123,836**		
97,119	**(6,594)**	**90,525**	**Net cost of Fire and Rescue Services**	129,236	(5,400)	**123,836**		
			Other income and expenditure:-					
282	(118)	**164**	Other operating income and expenditure	1,839	(613)	**1,226**		
34,496	(4,632)	**29,864**	Financing and investment income and expenditure	37,141	(5,647)	**31,494**	*Note 11*	11
			Taxation and non-specific grant income					
	(33,702)	**(33,702)**	Non-ring fenced grants		(32,518)	**(32,518)**	*Note 10*	10
	(8,211)	**(8,211)**	Locally retained business rates		(8,375)	**(8,375)**		
	(59,932)	**(59,932)**	Council Tax Income		(64,251)	**(64,251)**		
	(370)	**(370)**	Capital grants and contributions		0	**0**		
34,778	(106,965)	**(72,187)**	**Total other income and expenditure**	**38,980**	**(111,404)**	**(72,424)**		
131,897	**(113,559)**	**18,338**	**(Surplus)/deficit on the provision of services**	**168,216**	**(116,804)**	**51,412**	*Note 9*	9
		4,107	(Surplus) or deficit on revaluation of PPE assets			**(9,643)**		
		(112,649)	Net (gain)/loss on the pension assets and liabilities			**(19,356)**		
		(108,542)	**Other Comprehensive (Income)/Expenditure**			**(28,999)**		
		(90,204)	**Total Comprehensive (Income)/Expenditure**			**22,413**		



NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 1. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis (EFA) reconciles the difference between the funding basis and the accounting basis.

The **funding basis** shows how the funding the Authority receives - such as government grants, council tax and business rates - has been used to provide services. This is also the basis used for budgeting and decision making. This is shown in the net expenditure chargeable to the General Fund column.

The **accounting basis** in the Comprehensive Income and Expenditure Statement shows the full cost of providing services under generally accepted accounting practice and includes things which are not chargeable to the revenue budget due to statutory provisions. Further detail on the adjustments between the funding and accounting basis can be found on the following pages.

2024/25 Net Expenditure chargeable to the General Fund Balance	2024/25 Adjustments between accounting and funding basis (see note 1b)	2024/25 Net expenditure in the CIES		2025/26 Net Expenditure chargeable to the General Fund Balance	2025/26 Adjustments between accounting and funding basis (see note 1a)	2025/26 Net expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
91,569	(1,044)	90,525	Fire & Rescue Services	98,946	24,890	123,836
91,569	**(1,044)**	**90,525**	**Net cost of Fire and Rescue Services**	**98,946**	**24,890**	**123,836**
(91,554)	19,367	(72,187)	Other income and expenditure	(102,276)	29,852	(72,424)
15	**18,323**	**18,338**	**(Surplus) or deficit on the provision of services**	**(3,330)**	**54,742**	**51,412**
(31,786)			**Opening General Fund (including earmarked reserves) balance at 1 April**	(31,771)		
15			Plus (surplus)/deficit on provision of services	(3,330)		
0			Plus Transfer from Firefighters Pension operating account to usable reserves*	(212)		
(31,771)			**Closing General Fund (including earmarked reserves) balance at 31 March**	(35,313)		

* *Transfer corrects a historic mis-posting of firefighter pension top up claim overpayment from 2013/14*

NOTE 1a.
ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Notes to the EFA – 2025/26

2025/26 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	9,961	14,929	0	24,890
Net cost of services	**9,961**	**14,929**	**0**	**24,890**
Other income and expenditure from the funding analysis	(2,687)	31,825	714	29,852
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	**7,274**	**46,754**	**714**	**54,742**

Note a) Adjustments for capital purposes:	Total £'000
Charges to services for depreciation and impairment	9,961
Current value of assets disposed	1,839
Statutory minimum revenue provision for capital financing	(772)
Revenue contributions to capital	(3,131)
Capital grants and contributions applied	0
Movement in the market value of investment properties	(10)
Total transferred to capital adjustment account	**7,887**
Transfer asset sale proceeds to capital receipts reserve	(613)
Note a) Total	**7,274**

Note b) Net Change for the Pensions Adjustments:	Total £'000
Current service cost of funded local government pensions	4,191
Past service pension costs	27,818
Interest cost net of pensions interest income on assets	31,825
Total transferred to Pension Reserve	63,834
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(17,080)
Note b) Total	**46,754**

Note c) Other adjustments:	Total £'000
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account	0
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	714
Note c) Total	**714**

NOTE 1b.
ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Notes to EFA – 2024/25 (prior year comparators)

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 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 b) Net Change for the Pensions Adjustments:	Total £'000
Current service cost of funded local government pensions	7,027
Past service cost of funded local government pensions	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 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 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:

a) 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

b) 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.

	Balance 31 March 2024 £'000	Movement in 2024/25 £'000	Balance 31 March 2025 £'000	Movement in 2025/26 £'000	Balance 31 March 2026 £'000	note
Revaluation Reserve	(124,823)	6,970	**(117,853)**	(5,430)	**(123,283)**	3
Capital Adjustment Account	(88,093)	(6,967)	**(95,060)**	3,061	**(91,999)**	4
Pensions Reserve	658,215	(90,407)	**567,808**	27,398	**595,206**	5
Collection Fund Adjustment Account	(1,088)	243	**(845)**	714	**(131)**	6
Pooled Investment Fund Adjustment Account	243	(58)	**185**	0	**185**	7
Total Unusable Reserves	**444,454**	**(90,219)**	**354,235**	**25,743**	**379,978**	

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.

2024/25 £'000		2025/26 £'000
(124,823)	Balance at 1 April	**(117,853)**
(7,988)	Upward revaluation of assets	(20,452)
12,095	Downward revaluation of assets and impairment losses not charged to the (surplus) / deficit on the cost of services	10,809
4,107	Surplus or deficit on revaluation of non-current assets not posted to the (surplus) / deficit on the cost of services	**(9,643)**
2,863	Difference between fair value depreciation and historic cost depreciation	3,008
0	Write down of revaluation reserve on assets sold	1,205
2,863	**Sub total written off to the capital adjustment account**	**4,213**
(117,853)	**Balance at 31 March**	**(123,283)**

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.

2024/25 £'000		2025/26 £'000
(88,093)	**Balance as at 1 April**	(95,060)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
7,605	Charges for depreciation and impairment of non-current assets	9,961
(354)	Revaluation (gain)/loss on investment property	(10)
282	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES	1,839
7,533		**11,790**
(2,863)	Adjusting amounts written out of the revaluation reserve	(4,213)
4,670	**Net written out amount of the cost of non-current assets consumed in the year**	**7,577**
	Capital financing applied in the year:	
(118)	Use of the Capital receipts Reserve to finance new capital expenditure	(613)
(370)	Capital grants and contributions credited to the Comprehensive Income and Expenditure	0
(729)	Statutory provision for the financing of capital investment charged against the general fund	(772)
(10,420)	Capital expenditure charged against the general fund	(3,131)
(11,637)		**(4,516)**
(95,060)	**Balance as at 31 March**	**(91,999)**

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.

2024/25 £'000		2025/26 £'000
658,215	**Balance 1 April**	**567,808**
(108,107)	Actuarial (gains) or losses on pensions assets and liabilities	2,440
11,238	Remeasurement changes on the effect of the asset ceiling	245
(16,259)	Government contribution for Firefighter Schemes	(20,814)
479	Return on plan assets	(1,227)
38,066	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit in the Comprehensive I&E Statement	63,834
(15,824)	Employer's pension contributions and direct payments to pensioners in the year	(17,080)
567,808	**Balance 31 March**	**595,206**



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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.

	2024/25 £'000	2025/26 £'000
Balance 1 April	**243**	**185**
Fair value adjustment (movement in year)	(58)	0
Balance 31 March	**185**	**185**



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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 2024	Movement in 2024/25	Balance 31 March 2025	Movement in 2025/26	Balance 31 March 2026	note
	£'000	£'000	£'000	£'000	£'000	
Revenue Reserves						
A. General Fund Balance	(2,500)	0	(2,500)	(245)	(2,745)	
B. Earmarked Revenue Reserves Fully Committed to Existing Programmes						
Designated Underspend Reserve	(315)	(681)	**(996)**	(58)	**(1,054)**	*a*
Capital Payments Reserve	(18,198)	4,652	**(13,546)**	(4,365)	**(17,911)**	*b*
Revenue Grants Unapplied	(971)	690	**(281)**	(192)	**(473)**	*c*
IT Services Reserve	(2,021)	(671)	**(2,692)**	(345)	**(3,037)**	*d*
Equipment Replacement Reserve	(2,337)	(1,117)	**(3,454)**	554	**(2,900)**	*e*
Transformation Reserve	(1,622)	(1,237)	**(2,859)**	781	**(2,078)**	*f*
	(25,464)	**1,636**	**(23,828)**	**(3,625)**	**(27,453)**	
C. Specific Reserves						
HQ Maintenance Reserve	(868)	8	**(860)**	289	**(571)**	*g*
	(868)	**8**	**(860)**	**289**	**(571)**	
D. Risk Mitigation						
Budget Equalisation Reserve	(833)	(3,248)	**(4,081)**	796	**(3,285)**	*h*
Capital and Investment Risk Reserve	(2,121)	1,619	**(502)**	32	**(470)**	*i*
Insurance Risk Reserve	0	0	**0**	(789)	**(789)**	*j*
	(2,954)	**(1,629)**	**(4,583)**	**39**	**(4,544)**	
Total Earmarked Revenue Reserves Available	**(29,286)**	**15**	**(29,271)**	**(3,297)**	**(32,568)**	
Total Revenue Reserves and Balances	**(31,786)**	**15**	**(31,771)**	**(3,542)**	**(35,313)**	
Total Usable Reserves	**(31,786)**	**15**	**(31,771)**	**(3,542)**	**(35,313)**	

a. The Designated Underspending Reserve enables departments to carry forward specific underspends into the next financial year.

b. 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.

c. 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.

d. The IT Services Reserve holds funds set aside for IT refresh programmes.

e. The Equipment Replacement Reserve holds funds available to offset the impact of large-scale equipment replacement.

f. The Transformation Reserve is used to fund service improvements or to provide one-off funding to deliver efficiency savings.

g. The HQ Maintenance Reserve is used to fund large repairs and maintenance projects at the headquarters building.

h. The Budget Equalisation Reserve is held to mitigate funding and cost risks.

i. The Capital and Investment Risk Reserve mitigates investment risks and inflationary and interest rate risks associated with the capital programme.

j. The Insurance Risk Reserve mitigates the risk of future costs that are not covered by the Authority's arrangements with the Fire and Rescue Indemnity Company (FRIC).

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NOTE 9. NATURE OF INCOME AND EXPENDITURE CHARGED TO SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES

The net deficit on the provision of services in the Comprehensive Income and Expenditure Statement (CIES) includes the following items of income and expenditure:

2024/25* restated £'000		2025/26 £'000
66,285	Employee Benefit Expenses	94,685
23,229	Other Service Expenses	24,591
7,605	Depreciation, Amortisation and Impairment	9,960
164	Net Loss on disposal of non-current assets	1,226
34,908	Financing & Investment Expenditure	37,141
(2,969)	Fees, charges and other service income	(2,525)
(68,143)	Income from council tax, non-domestic rates, district rate income	(72,626)
(37,697)	Government Grants and Contributions	(35,393)
(5,044)	Financing & Investment Income	(5,647)
18,338	**Surplus or deficit on the provision of services**	**51,412**

* For 2025/26 a new presentation has been adopted for the nature of income and expenditure note to reconcile it to the surplus or deficit on the provision of services in the CIES, rather than to the Net Cost of Services. 2024/25 has therefore been restated to match this presentation and aid comparability between years.

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, Amortisation and Impairment:

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.

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.

Any capital grants or contributions received are credited to the Comprehensive Income and Expenditure Statement and then 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. The Authority does not receive any regular capital grant funding.

2024/25 £'000		2025/26 £'000
	Credited to taxation and non specific grant income:	
(27,775)	General Government grants	(26,819)
(4,832)	S31 Grant funding	(4,758)
(941)	New Dimension grant	(941)
(146)	Firelink grant	0
(8)	Transparency Code grant	0
(33,702)	**Total**	**(32,518)**
	Credited to services:	
(258)	Protection Uplift grant	(258)
0	Remediation Enforcement New Burdens funding	(180)
(55)	Building Safety Regulator grant	(126)
(78)	Apprenticeship Levy	(95)
(14)	Local Audit grant	(41)
(24)	Maritime MTA Emergency Response Grant	(14)
(583)	Pensions Administration and Remedy Compensation	(103)
(40)	Non-government grants	(17)
(1,052)	**Total**	**(834)**

NOTE 10. GOVERNMENT GRANTS AND CONTRIBUTIONS

Grants received in advance

The Authority may receive 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.

Revenue Grants Receipts in Advance

2024/25 £'000	Revenue grants receipts in advance	2025/26 £'000
(1,262)	Revenue Support Grant	0
(6,127)	Firefighters Pension Scheme Top-up Grant	0
0	Maritime MTA Emergency Response Grant	(6)
(11)	Non-government grants	0
(7,400)	**Total**	**(6)**

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.

2024/25 £'000		2025/26 £'000	
720	Interest payable	1,111	
(1,335)	Interest and dividends from short-term investments	(1,432)	
(412)	Pooled Investment Funds & Investment property (gains) & losses	(10)	
0	Investment assets (gains) & losses	0	
34,188	Pensions interest cost	35,379	*Note 23(B)*
(3,297)	Pensions interest income on assets	(4,205)	*Note 23(C)*
0	Pensions interest on the effect of the asset ceiling	651	
0	Expected credit losses	0	
29,864	**Total**	**31,494**	

Table Links

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External audit costs

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

2024/25 £'000		2025/26 £'000
115	Fees payable to the appointed auditor for services carried out for the year	118
34	Scale fee variations paid to the appointed auditor for services carried out in the prior year	44
149	**Total**	**162**

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.

NOTE 12(A). OFFICERS' REMUNERATION CONTINUED

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.

	Number of Employees	
Including termination payments	**2024/25**	**2025/26**
£50,000 - £54,999	100	112
£55,000 - £59,999	46	60
£60,000 - £64,999	40	44
£65,000 - £69,999	26	37
£70,000 - £74,999	16	20
£75,000 - £79,999	9	13
£80,000 - £84,999	8	13
£85,000 - £89,999	3	3
£90,000 - £94,999	3	1
£95,000 - £99,999	1	3
£100,000 - £104,999	2	0
Total	**254**	**306**

	Number of Employees	
Excluding termination payments	**2024/25**	**2025/26**
£50,000 - £54,999	99	111
£55,000 - £59,999	46	61
£60,000 - £64,999	40	42
£65,000 - £69,999	26	36
£70,000 - £74,999	16	19
£75,000 - £79,999	9	13
£80,000 - £84,999	8	13
£85,000 - £89,999	3	3
£90,000 - £94,999	3	1
£95,000 - £99,999	1	3
£100,000 - £104,999	1	0
Total	**252**	**302**

NOTE 13. SENIOR OFFICERS' REMUNERATION

Senior Officer Remuneration

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

2025/26	Salary	Benefits in kind (e.g. car allowance)	Employers pension contributions	Total remuneration
	£	£	£	£
Chief Fire Officer - Neil Odin (01/04/2025 to 12/11/2025)*	117,822	0	0	**117,822**
Chief Fire Officer - Sabrina Cohen-Hatton (01/09/2025 to 31/03/2026)	114,745	0	43,144	**157,889**
Deputy Chief Fire Officer - Shantha Dickinson (01/04/2025 to 18/01/2026)	126,487	0	20,491	**146,978**
Deputy Chief Fire Officer and Director of Service Delivery - Shantha Dickinson (19/01/2026 to 31/03/2026)	31,082	0	5,035	**36,117**
Assistant Chief Fire Officer and Director of Operations (01/04/2025 to 18/01/2026)	118,018	0	46,270	**164,288**
Assistant Chief Fire Officer Prevention, Protection and Resilience (19/01/2026 to 31/03/2026)	29,822	0	9,318	**39,140**
Assistant Chief Fire Officer Response, Specialist Capability and Improvement (19/01/2026 to 31/03/2026)	29,822	799	9,318	**39,939**
Director of Corporate Services	146,118	268	21,146	**167,532**
Director of People and Organisational Development	118,654	0	19,222	**137,876**

*Following a handover period Neil Odin was on secondment to the National Fire Chiefs Council from mid-September until his leaving date.

For Comparison, remuneration paid to the Authority's senior employees in 2024/25 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**

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 these officers.

The pay figures for 2024/25 for gold book staff include the impact of the backdated pay award. The pay figure for the Director of Corporate Services in 2025/26 includes the impact of a backdated pay change for pay related to part of 2024/25.

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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:

2025/26 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	5	25	30	**£607,139**
£100,001 to £200,000	2	0	2	**£263,076**
	7	**25**	**32**	**£870,215**

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**

Note: a Mutually Agreed Resignation Scheme (MARS) was in place during 2025/26 as part of the Authority's organisational design work that contributed to the delivery of cashable savings

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 2025/26 (11 in 2024/25). The Authority paid allowances to its members of £0.103m in 2025/26 (£0.099m in 2024/25) 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 2025/26 or 2024/25.

	2024/25 £'000	2025/26 £'000
Allowances	99	103
Expenses	0	0
	99	**103**



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 2025/26 there were no known 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 2025/26, 3SFire CIC paid £93,000 (24/25: £143,000) to HIWFRS for the services they received from HIWFRS, including lease of office space. This is in the context of turnover of £393,000 (24/25: £493,000). Please note that the 3SFire turnover figure is provisional until their accounts are finalised.

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 2025/26 HIWFRS incurred net expenditure of £442,000 (24/25: £721,000) in respect of 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. It comprises Property, Plant and Equipment and Investment Property assets, the Revaluation Reserve and the Capital Adjustment Account.

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.

2024/25 £'000		2025/26 £'000
27,270	**Opening capital financing requirement**	**29,378**
	Capital investment:	
13,745	Property, plant and equipment	11,949
	Sources of finance:	
(118)	Capital receipts	(613)
(370)	Government grants and contributions	0
	Sums set aside from revenue:	
(10,420)	Direct revenue contributions (budgeted)	(3,131)
(729)	Minimum revenue provision	(772)
29,378	**Closing capital financing requirement**	**36,811**
	Explanation of movements in year:	
2,835	Increase in borrowing requirement	8,205
(729)	Minimum revenue provision	(772)
2,106	**Increase / (decrease) in capital financing requirement**	**7,433**

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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 from 1 April 2024, the Authority chose 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 in place are material in nature, the Authority chose not make adjustments to the accounts to bring these leases onto the balance sheet upon adopting IFRS 16 from 1 April 2024. This position is reviewed annually and any new leases are assessed on the same basis.

In the interests of transparency, however, the details of the leases held 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 used when the Authority enters into any new leases. When that occurs, consideration is given to 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 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 as at 31 March 2026, neither of which are considered to be material and therefore have not been presented as part of the Authority's balance sheet.

The Authority has also 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:

2024/25 £'000		2025/26 £'000
13	In year payments	20
	Future minimum payments:	
19	Not later than one year	20
78	Later than one year and not later than five years	78
626	Later than five years	620
723	**Total future payments**	**718**

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.

2024/25 £'000		2025/26 £'000
519	In year receipts	424
	Future minimum receipts:	
520	Not later than one year	450
1,203	Later than one year and not later than five years	1,416
2,143	Later than five years	3,145
3,866	**Total future receipts**	**5,011**

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 on a five-year rolling basis, supported by indexation in the intervening years, as permitted under the CIPFA Code of Practice on Local Authority Accounting.

The freehold and leasehold properties of the Authority's property portfolio have been valued under a rolling programme, for which the Authority has utilised an in-house valuer to undertake PPE valuations, supported by external oversight from 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 buildings not included in the current year’s valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices.

No appropriate indices are available for land, therefore a self created index is used. This index is based upon land assets valued in the year for HIWFRA and non schools land valued for Hampshire County Council by RICS qualified valuers. Since these assets are from the same asset class, have similar use and are in the same geographical region, it is felt that that this is the most appropriate and reasonable approach to estimate any change in value of these assets.

NOTE 19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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 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:

NOTE 19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- 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.

Where assets have been re-valued, the revaluation gains held in the 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 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 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). At the end of the financial year all capital receipts received in year had been used to fund capital expenditure in year. This means that there is no balance currently held on the Capital Receipts reserve.

Capital Commitments

At 31 March 2026 there were contractual capital commitments of £8.6m.

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

2025/26	Other land & buildings £'000	Vehicles and equipment £'000	Assets under construction £'000	Total £'000
Cost or Valuation:				
At 1 April 2025	**224,452**	**53,940**	**2,521**	**280,913**
Additions in year	6,406	1,828	3,715	**11,949**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,637	0	0	**5,637**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,570)	0	0	**(2,570)**
Derecognition - Disposals	(2,032)	(3,290)	0	**(5,322)**
Other movements in cost or valuation	(443)	2,271	(2,271)	**(443)**
Gross book value as at 31 March 2026	**231,450**	**54,749**	**3,965**	**290,164**
Accumulated depreciation:				
At 1 April 2025	**(10,124)**	**(30,200)**	**0**	**(40,324)**
Depreciation Charge	(5,392)	(3,726)	0	**(9,118)**
Depreciation written out on revaluation	5,590	0	0	**5,590**
Depreciation written out on the Surplus/Deficit on the Provision of Services	1,769	0	0	**1,769**
Impairment (losses)/reversals recognised in the Revaluation Reserve	(1,585)	0	0	**(1,585)**
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(42)	0	0	**(42)**
Derecognition - Disposals	706	3,166	0	**3,872**
Other movements in cost or valuation	34	0	0	**34**
Accumulated depreciation as at 31 March 2026	**(9,044)**	**(30,760)**	**0**	**(39,804)**
Net book value 31 March 2026	**222,406**	**23,989**	**3,965**	**250,360**
Net book value 1 April 2025	**214,328**	**23,740**	**2,521**	**240,589**

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

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)**	**0**	**0**	**(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**
Accumulated depreciation:				
At 31 March 2024	(12,612)	(32,448)	0	**(45,060)**
Adjustment to opening balance (note i)	2,250	0	0	**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 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:

	Long Term		Short Term	
Financial Assets	**31/03/2025**	**31/03/2026**	**31/03/2025**	**31/03/2026**
	£'000	**£'000**	**£'000**	**£'000**
Investments:				
At amortised cost				
- Principal	0	0	20	7,020
- Accrued interest	0	0	0	15
At Fair Value through profit & loss				
- Fair value (FVPL)	3,065	3,065	0	0
Total investments	3,065	3,065	20	7,035
Cash & cash equivalents:				
- Cash (including bank accounts)			(1,091)	(385)
- *At amortised cost*			3,680	2,010
- *At Fair Value through Profit & Loss*			19,240	15,570
Total cash and cash equivalents			21,829	17,195
Loans and receivables:				
- financial instrument debtors	0	0	2,616	2,381
- loans made for service purposes	6	6	0	0
Total financial assets	**3,071**	**3,071**	**24,465**	**26,611**

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:

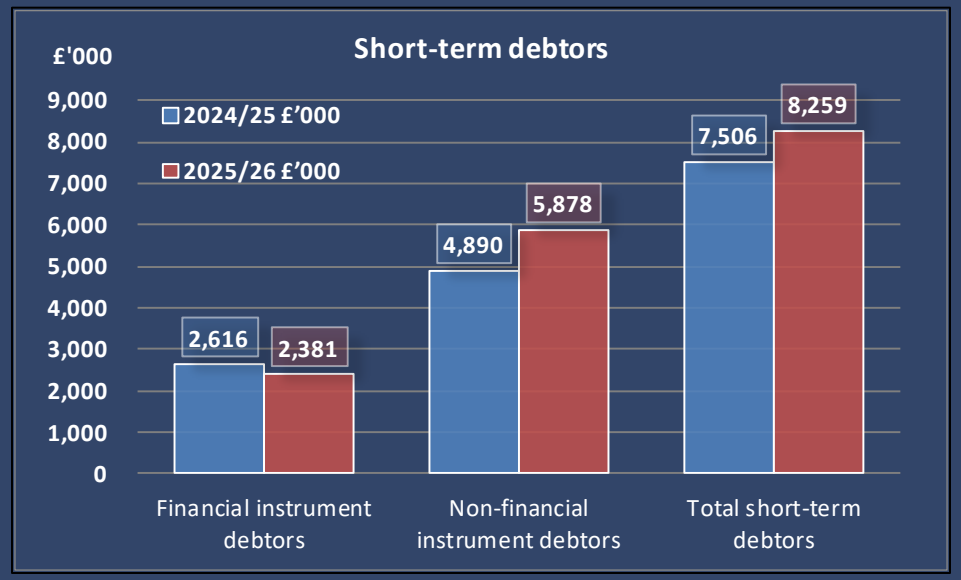
2024/25		**2025/26**
£'000		**£'000**
(2)	Bank balance / (overdraft)	8
3,680	Cash and cash equivalents measured at amortised cost	2,010
19,240	Cash and cash equivalents measured at fair value through profit & loss	15,570
(1,089)	Uncleared BACS payments	(393)
21,829	**Total cash and cash equivalents**	**17,195**

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.



Long-term debtors

Long-term debtors are analysed between financial instruments and non-financial instruments. The Authority held financial instrument debtors of £6,000 at 31 March 2026 (£6,000 at 31 March 2025). No non-financial instrument debtors were held at either date.

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	
	31/03/2025 £'000	31/03/2026 £'000	31/03/2025 £'000	31/03/2026 £'000
Loans at amortised cost:				
-Principal sum borrowed	(13,662)	(23,884)	(769)	(3,546)
-Accrued interest	0	0	(66)	(298)
Total borrowing	**(13,662)**	**(23,884)**	**(835)**	**(3,844)**
Liabilities at amortised cost:				
-Financial instrument creditors	0	0	(3,176)	(4,612)
Total other liabilities	**0**	**0**	**(3,176)**	**(4,612)**
Total	**(13,662)**	**(23,884)**	**(4,011)**	**(8,456)**

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:

	2024/25 £'000	2025/26 £'000
Financial instrument creditors	(3,176)	(4,612)
Non-financial instrument creditors	(4,334)	(5,235)
Total short-term creditors	**(7,510)**	**(9,847)**

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, the 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 31/03/2025 £'000	Balance Sheet 31/03/2026 £'000	Fair Value 31/03/2025 £'000	Fair Value 31/03/2026 £'000
Financial Liabilities					
Long term loans from PWLB	2	(14,431)	(27,430)	14,066	(27,181)
Accrued interest		(66)	(298)		
Total loans borrowed		(14,497)	(27,728)	14,066	(27,181)
Liabilities for which fair value is not disclosed*		(3,176)	(4,612)		
Total financial liabilities		**(17,673)**	**(32,340)**	**14,066**	**(27,181)**
Recorded on balance sheet as:					
Short term creditors		(3,176)	(4,612)		
Short term borrowing		(835)	(3,844)		
Long term borrowing		(13,662)	(23,884)		
Total financial liabilities		**(17,673)**	**(32,340)**		
Financial Assets					
Held at fair value:					
Money market funds	1	19,240	15,570	19,240	15,570
Property funds	2	3,065	3,065	3,065	3,065
Total		**22,305**	**18,635**	**22,305**	**18,635**
Assets for which fair value is not disclosed*		5,231	11,047		
Total financial assets		**27,536**	**29,682**		
Recorded on balance sheet as:					
Long term investments		3,065	3,065		
Long term debtors		6	6		
Short term investments		20	7,035		
Cash and cash equivalents		21,829	17,195		
Short term debtors		2,616	2,381		
Total financial assets		**27,536**	**29,682**		

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.

The current TMS was approved in February 2026. A limit of £6m 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 £3m applies. HIWFRA also sets limits on investments in certain sectors. No more than £4m 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	
	31/03/2025	31/03/2026	31/03/2025	31/03/2026
	£'000	£'000	£'000	£'000
AA+	0	0	1,190	1,000
A+	0	0	2,500	1,020
A	0	0	10	10
AAA Money Market Funds	0	0	19,240	15,570
Unrated local authorities	0	0	0	7,015
Unrated pooled funds	3,065	3,065	0	0
Total Investments	**3,065**	**3,065**	**22,940**	**24,615**

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)	
	31/03/2025 £'000	31/03/2026 £'000	31/03/2025 £'000	31/03/2026 £'000
Not over 1	(835)	(3,845)	(1,437)	(4,801)
Over 1 but not over 2	(869)	(3,446)	(1,501)	(4,532)
Over 2 but not over 5	(2,308)	(9,429)	(3,968)	(11,703)
Over 5 but not over 10	(7,197)	(9,390)	(8,994)	(11,007)
Over 10 but not over 20	(3,288)	(1,619)	(3,499)	(1,699)
Total	**(14,497)**	**(27,729)**	**(19,399)**	**(33,742)**

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 2026, the entire net principal borrowed (i.e. debt net of investments) was exposed to fixed rates, a small proportion of these will mature during 20226/27 and if re-financed would be at prevailing market rates. All £27.9m of HIWFRA's investment balance at 31 March 2026 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	19
Increase in interest receivable on variable rate investments	(226)
Decrease in fair value of investments held at FVPL	19
Impact on (Surplus) or Deficit on the Provision of Services	**(188)**
Decrease in fair value of investments held at FVOCI	0
Impact on Comprehensive Income and Expenditure	**(188)**

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. If it had occurred, the impact of a 5% fall in prices would have been £145,000 at 31 March 2026 (£123,000 at 31 March 2025). The change in impact from year to year can reflect both the differing asset allocation of the pooled property fund, as well as fluctuations in the fair value of the Authority's investment.

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:

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 2025	Payments made in the year	(Increase) /decrease	Balance as at 31 March 2026
	£'000	£'000	£'000	£'000
Uninsurable and other claims	(635)	497	(233)	(371)
Long-term provisions charged to net cost of services	**(635)**	**497**	**(233)**	**(371)**
Total Provisions charged to net cost of services	**(635)**	**497**	**(233)**	**(371)**
Long-term provision for Business Rate appeals	(547)	0	67	(480)
Total provision made	**(1,182)**	**497**	**(166)**	**(851)**

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 needs 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	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Comprehensive Income and Expenditure Statement								
Cost of Services								
- Current service cost	4,225	2,181	351	287	2,451	1,723	**7,027**	**4,191**
- Past service costs	135	27,332	0	0	13	486	**148**	**27,818**
Financing and Investment Income and Expenditure								
- Net interest expense	29,526	30,431	1,325	1,414	40	(671)	**30,891**	**31,174**
- Effect of asset ceiling	0	0	0	0	0	651	**0**	**651**
Total Charge to the Surplus or Deficit on the Provision of Services	**33,886**	**59,944**	**1,676**	**1,701**	**2,504**	**2,189**	**38,066**	**63,834**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
- Return on plan assets					479	(1,227)	**479**	**(1,227)**
- Government contribution for Firefighter Schemes	(16,259)	(20,814)					**(16,259)**	**(20,814)**
- Actuarial (Gains)/Losses arising	(92,105)	674	(3,433)	104	(12,569)	1,662	**(108,107)**	**2,440**
- Effect of asset ceiling					11,238	245	**11,238**	**245**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**(74,478)**	**39,804**	**(1,757)**	**1,805**	**1,652**	**2,869**	**(74,583)**	**44,478**
Movement in Reserves Statement								
Reverse charge to Provision of Services	**(33,886)**	**(59,944)**	**(1,676)**	**(1,701)**	**(2,504)**	**(2,189)**	**(38,066)**	**(63,834)**
Actual amount charged against the General Fund Balance for pensions in the year								
Employer's contributions to the scheme	11,867	12,747	0	0	2,484	2,869	**14,351**	**15,616**
Benefits paid direct to beneficiaries	0	0	1,473	1,464	0	0	**1,473**	**1,464**
Charge on General Fund	**11,867**	**12,747**	**1,473**	**1,464**	**2,484**	**2,869**	**15,824**	**17,080**

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	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
1 April	68,121	60,368	629,059	542,714	28,324	25,094	725,504	628,176
Current service cost	2,451	1,723	4,225	2,181	351	287	7,027	4,191
Interest cost	3,337	3,534	29,526	30,431	1,325	1,414	34,188	35,379
Contributions by scheme participants	1,031	1,059	4,157	7,377	0	0	5,188	8,436
Actuarial (gains) and losses	(12,569)	713	(92,105)	674	(3,433)	104	(108,107)	1,491
Net benefits paid out	(2,016)	(2,133)	(32,283)	(40,938)	(1,473)	(1,464)	(35,772)	(44,535)
Past service costs	13	486	135	27,332	0	0	148	27,818
31 March	**60,368**	**65,750**	**542,714**	**569,771**	**25,094**	**25,435**	**628,176**	**660,956**

NOTE 23c. PENSION SCHEMES

Firefighters' Pension Scheme Assets

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

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:

2024/25 £'000		2025/26 £'000
67,289	**1 April**	**60,368**
3,297	Pensions interest income on assets	4,205
(479)	Actuarial gains and (losses)	278
(11,238)	Effect of asset ceiling	(896)
2,484	Employer contributions	2,869
1,031	Contributions by scheme participants	1,059
(2,016)	Net benefits paid out	(2,133)
60,368	**31 March**	**65,750**

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 £4.483m.

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

31 March 2025 %		31 March 2026 Quoted %	31 March 2026 Unquoted %	31 March 2026 Total %
33.31	Equities	34.53	0.00	**34.53**
9.13	Property	0.00	8.61	**8.61**
14.57	Government Bonds	15.31	0.00	**15.31**
9.24	Corporate bonds	4.28	4.72	**9.00**
1.94	Cash	1.43	0.00	**1.43**
31.81	Other (hedge funds, currency holdings, futures, private equities)	8.57	22.55	**31.12**
100.00		**64.12**	**35.88**	**100.00**

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 2028.

The employer's regular contributions to the LGPS fund for the accounting period to 31 March 2027 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 2025
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 2025		31 March 2026
2.75%	Rate of Inflation (CPI) (LGPS)	3.00%
2.50%	Rate of Inflation (CPI) Firefighter Schemes)	2.80%
3.75%	Rate of increase in salaries (LGPS)	4.00%
3.50%	Rate of increase in salaries (Firefighter Schemes)	3.80%
2.75%	Rate of increase in pensions (LGPS)	3.00%
2.50%	Rate of increase in pensions (Firefighter Schemes)	2.80%
5.80%	Rate for discounting scheme liabilities (LGPS)	6.30%
5.80%	Rate for discounting scheme liabilities (Firefighter Schemes)	6.20%
	Longevity at 65 for current Pensioners (years):	
22.0	Men (LGPS)	22.1
24.7	Women (LGPS)	24.7
21.0	Men (Firefighter Schemes)	21.6
23.7	Women (Firefighter Schemes)	24.0
	Longevity at 65 for future Pensioners (years):	
22.5	Men (LGPS)	22.8
25.6	Women (LGPS)	25.9
22.3	Men (Firefighter Schemes)	22.9
25.1	Women (Firefighter Schemes)	25.4

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 2026 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)	(1,166)	-2.0%	1,166	2.0%
Salary increase rate (increase / decrease 0.1% per annum)	49	0.0%	(49)	0.0%
Pension increase rate (increase / decrease 0.1% per annum)	1,117	2.0%	(1,117)	-2.0%
Longevity (increase / decrease by 1 year)	2,630	4.0%	(2,630)	-4.0%

Firefighter Pension Schemes	Increase in assumption		Decrease in assumption	
	£'000	%	£'000	%
Discount rate (increase / decrease 0.1% per annum)	(7,742)	-1.4%	7,742	1.4%
Salary increase rate (increase / decrease 0.1% per annum)	1,077	0.2%	(1,077)	-0.2%
Pension increase rate (increase / decrease 0.1% per annum)	6,666	1.2%	(6,666)	-1.2%
Longevity (increase / decrease by 1 year)	12,535	2.2%	(12,535)	-2.2%

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

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.

O'Brien vs Ministry of Justice

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. The legislation enabling the resolution of these cases came into force on 1 October 2023. Good progress is being made in implementing this remedy, but as cases are still being worked through 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.

There are no contingent assets at 31 March 2026.

NOTE 25. EVENTS AFTER THE REPORTING PERIOD

This Statement of Accounts was authorised for issue by the Chief Financial Officer on 12 November 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 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Devolution

The draft Statutory Instrument (SI) to establish the Hampshire and the Solent Combined County Authority (HSCCA) was debated in the House of Lords on 18 May and in the House of Commons on 20 May. Following approval from both Houses, the SI was made by the Secretary of State on 3 June 2026: Hampshire and the Solent Combined County Authority Regulations 2026 enabling the new HSCCA to be legally established. The inaugural meeting of the HSCCA will take place in the summer of 2026, with the election of a mayor due to take place in May 2028. Governance of the Hampshire and Isle of Wight Fire and Rescue Service is currently expected to transfer to the HSCCA from 1 April 2028. Activity to support the devolution process has continued to progress since the balance sheet date and prior to the signing of the Statement of Accounts.



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NOTE 26. CASH FLOW STATEMENT NOTES

The cash flows from interest received / (paid) is as follows:

2024/25 £'000		2025/26 £'000
(1,335)	Interest received	1,417
(718)	Interest paid	(879)
(2,053)	**Cash flows from interest received / (paid)**	**538**

The cash flows for operating activities are stated after adjusting for the following non-cash items:

(7,440)	Depreciation	(9,118)
(165)	Impairments & downward revaluations	(843)
(7,827)	(Increase)/Decrease in creditors	6,804
(6,158)	Increase/(Decrease) in debtors	556
39	Increase/(Decrease) in inventories	106
(426)	(Increase)/Decrease in provisions	(166)
103	Actual cash payments made from provisions	497
(22,242)	Movement in pension liability	(46,754)
412	Movement in the value of investment properties & financial instruments	10
(283)	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	(1,840)
(43,987)	**Total adjustment to net surplus or deficit on the provision of services for non-cash movements**	**(50,748)**

NOTE 26. CASH FLOW STATEMENT NOTES (CONTINUED)

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

2024/25 £'000		2025/26 £'000
118	Proceeds from the sale of fixed assets	613
370	Capital grants and contributions received	0
488	**Total adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**613**

The cash flow from investing activities comprises the following items:

2024/25 £'000		2025/26 £'000
13,784	Purchase of property, plant and equipment	9,969
43,564	Purchase of short-term and long-term investments	77,407
(118)	Proceeds from the sale of property, plant and equipment	(613)
(45,538)	Proceeds of sale of short-term and long-term investments	(70,407)
974	Reclassification of short-term investments to cash equivalents	0
(370)	Capital grants received	0
12,296	**Total cash outflow from investing activities**	**16,356**

The cash flow from financing activities comprises the following items:

2024/25 £'000		2025/26 £'000
	Cash outflows	
1,119	Repayments of long and short term borrowing	2,588
	Cash inflows	
0	Cash receipts of long and short term borrowing	(15,587)
1,119	**Total cash inflow from financing activities**	**(12,999)**

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 to fund future expenditure are built into the Authority's budget. In the event of an adverse financial settlement, these reserve contributions could be temporarily reduced to give the Authority time to appropriately plan for and deliver savings, as detailed in the Authority's financial management principles.

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 2025/26 reserves stood at £35.3m of which 7.8% 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.

The Authority will hold lower cash and investment balances as reserves fall and needs to identify options to close the forecast budget gap in the Medium Term Financial Plan. This creates financial challenges for the Authority, but current assumptions and the mitigation provided by the Authority's reserves and access to the PWLB for approved borrowing supports the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2028.

Current global events create additional uncertainty and will be factored into the next published update to the MTFP where possible. The impact of devolution on the Authority is not yet fully known. With a forecast budget gap within the MTFP, plans are being developed to ensure the Authority is able to set a balanced budget from 2027/28 in a way consistent with achieving the Safety Plan objectives, the Authority's financial management principles and other applicable requirements.

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

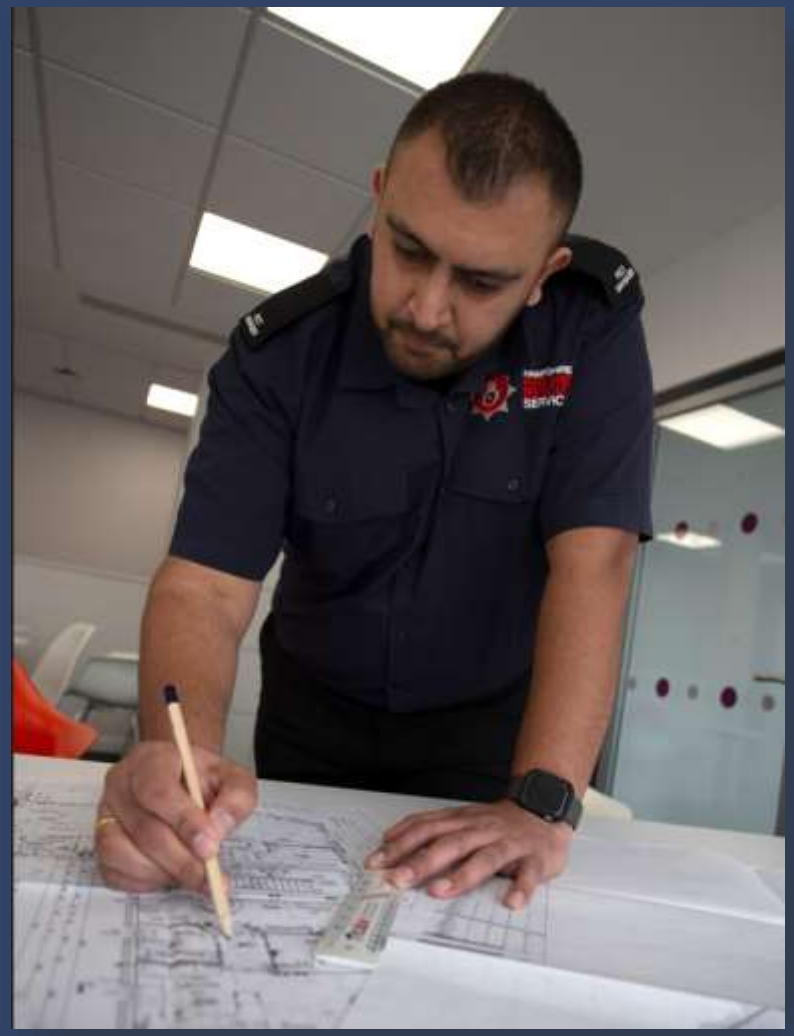
VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

Interests in Companies and Other Entities

The Authority reviews 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:

- The three year local government finance settlement in February 2026 indicates that the Authority's funding through the settlement will reduce by £2.9m between 2025/26 and 2028/29 and a budget gap is forecast over the MTFP period that needs to be addressed. The Authority has made decisions about how much to hold in risk mitigation reserves, including the Budget Equalisation Reserve and the General Reserve.
- 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 2025/26 this has been judged immaterial as their turnover is less than 0.4% of the Authority's total income. Please note that the 3SFire turnover figure is provisional until their accounts are finalised.

The Authority has made judgements about whether assets are classified as Investment Property of Property, Plant and Equipment based on the CIPFA Code definition of an investment property being held primarily for capital appreciation and/or rental income. The classification determines the valuation and depreciation method used.

NOTE 28. 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

Assets included in the Balance Sheet at fair value are revalued on a five-year rolling basis, supported by indexation in the intervening years, as permitted under the CIPFA Code of Practice on Local Authority Accounting.

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 buildings not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices.

No appropriate indices are available for land, therefore a self created index is used. This index is based upon land assets valued in the year for HIWFRA and non schools land valued for Hampshire County Council by RICS qualified valuers. Since these assets are from the same asset class, have similar use and are in the same geographical region, it is felt that that this is the most appropriate and reasonable approach to estimate any change in value of these assets.

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.

NOTE 29. 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 standards being introduced in the 2026/27 Code where disclosures are required in the 2025/26 financial statements are as follows:

- Amendments to FRS 102 (Amendments to Heritage assets)
  - The changes refine the definition of heritage assets and elements of how they should be accounted for, including recognition of assets acquired in non-exchange transactions. The Fire Authority does not have any material amount of heritage assets so we do not expect that this will have any impact on the accounts.
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
  - These amendments to accounting standards for financial instruments clarify aspects of when they should be derecognised as well as some smaller changes such as classification of those with ESG features. The changes are focused on the financial services industry (the derecognition changes concentrate on the timing of electronic transfers) so we do not expect them to have any material impact on the accounts of the Authority.
- Annual improvements to IFRS accounting standards – Volume 11
  - This volume of improvements only makes some very small changes which clarify parts of a few IFRS accounting standards relating to first time adoption of IFRS, financial instruments, consolidated financial statements and cash flows. We do not expect them to have any impact on our accounts.
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
  - The changes to these accounting standards relate to some types of renewable energy electricity contracts. They are focused on elements of the power generation industry, so we do not expect them to have any material impact on the accounts of a local authority.



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.

2024/25* restated £'000		2025/26 £'000
	Contributions receivable:	
(11,745)	Normal contributions from employer	(12,557)
(134)	Early retirement contributions from employer	(191)
(4,163)	Contributions from members	(7,741)
(16,042)		**(20,489)**
(199)	**Transfers in**	(187)
	Benefits payable:	
23,668	Pensions	33,493
6,805	Commutations and lump sum retirement benefits	6,050
0	Lump sum death benefits	20
18	Interest payable	2,281
30,491		**41,844**
	Payments to and on account of leavers:	
14	Refunds of contributions	0
14		**0**
14,264	**Net amount payable for the year before top-up grant**	**21,168**
(14,264)	**Top up grant receivable from the Government**	(21,168)
0	**Net amount receivable/payable for the year**	**0**

2024/25 £'000	Net current assets and liabilities	2025/26 £'000
(6,127)	Pension top-up grant receivable from / (payable to) Government	392
6,127	Temporary (borrowing) / lending	(392)
0	**Net assets**	**0**

* The presentation for 2025/26 has been updated to separate 'Interest payable' from 'Commutations and lump sum retirement benefits'. 2024/25 has therefore been restated to aid comparability between the years.

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ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is now published as a separate document. The 2025/26 Annual Governance Statement is available in the accounts section of the Fire Authority's website at: https://www.hantsfire.gov.uk/about/transparency/information-we-publish/?_sft_document_type=accounts

At the time these draft accounts were published, the 2025/26 Annual Governance Statement published on the website was also still at the draft stage, so had not yet been signed. It will be replaced with the finalised version once ready.



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.

GLOSSARY

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 2026. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 29 including material accounting policy information,

and including 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 2025/26.

In our opinion, except for the effects of the matter(s) 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 2026 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 2025/26; 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 requires the accountability statements for the year ended 31 March 2026 to be approved not later than 31 January 2027 ('the backstop date').

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the qualification and disclaimers of opinion on the financial statements in prior years and the scope of our audit work, which was impacted by the backstop dates, we do not have sufficient appropriate audit evidence over:

- the valuation of other land and buildings included within Property, Plant and Equipment that were revalued in the financial year 2022/23, amounting to £38.447 million (2024/25 £31.776 million), 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 of £2.7 million (2024/25 £2.5 million), Revaluation Reserve of £123.28 million (2024/25 £117.85 million), and Capital Adjustment Account of £92 million (2024/25 £95.06 million).

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, 31 March 2024 and the qualification on the financial statements for the year ended 31 March 2025 on the comparability of the current period's figures to the corresponding figures contained within the property, plant and equipment for assets previously valued in 2022/23 and the consequential impact of these on the Comprehensive Income and Expenditure Statement; and the value and classification of reserves between useable and unusable, including General Fund Reserves, the Revaluation Reserve and the Capital Adjustment 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 opinion on the financial statements for the years ended 31 March 2023 to 31 March 2025 for Hampshire & Isle of Wight Fire and Rescue Authority was modified for the reasons set out in the report on those financial statements.

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 to 31 March 2028.

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 2025/26, 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 2025/26.

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 not subsequently revalued after the 2022/23 financial year and the value and classification of the General Fund, Revaluation Reserve and Capital Adjustment Account. 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 is 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)
- 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 2026.

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 Responsibilities, set out on page 33, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority's 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 2025/26, 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, subject to the limitations set out above, 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.

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), and
- 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.

INDEPENDENT AUDITOR'S REPORT

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, Those Charged with Governance, Monitoring Officer 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.

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 inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address the risk of inappropriate capitalisation of revenue expenditure, we tested the Authority's PPE additions to assess whether the expenditure was capital in nature and met the relevant capitalisation criteria.

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 reviewed the Authority's accounting estimates for evidence of management bias and considered whether there were any significant or 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.

INDEPENDENT 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 March 2026, 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 2026.

We planned our work in accordance with the Code of Audit Practice 2024. 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.

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 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

13 November 2026