

2025/2026 FINANCIAL REPORT**REPORT OF THE TREASURER AND CHIEF FIRE OFFICER****For Approval****1. PURPOSE OF REPORT**

- 1.1 To report present the draft 2025/26 Financial Report.
- 1.2 To inform Members of the arrangements for approving the Authority's 2025/26 Financial Report.

2. RECOMMENDATIONS

- 2.1 That Members:-
 - i. Approve the 2025/26 Annual Governance Statement as detailed on **pages 63 to 66** of **Appendix A**.
 - ii. Note that the Financial Report detailed in **Appendix A** will be subject to the completion of the independent audit by Forvis Mazars and details of any audit amendments will be reported to this Committee later in the year.

3. BACKGROUND

- 3.1 In accordance with the Accounts and Audit Regulations 2015, all Local Authorities are required to produce a draft annual Statement of Accounts by 31st May. For 2025/26 this deadline has been deferred to 30th June.
- 3.2 To ensure the Authority's system and procedures remain 'match fit' for when the deadline reverts to 31st May officers had substantially completed the draft accounts by 31st May 2026, with the accounts subsequently published on 4th June 2026. We would therefore take this opportunity to thank officers within the Authority and at Hartlepool Council for the work they have completed to date and the work they will completing later in the year once the external audit commences.
- 3.3 Members will recall from previous reports that there have been significant national back logs of external auditor's final accounts opinions in previous years. As a result, national back stop arrangements have been put in place. Under these arrangements external auditors have until January 2027 to issue 2025/26 audit opinions. Our external auditors, Forvis Mazars, have advised that they will commence the external audit of the Authority's 2025/26 accounts in October, with a view to issuing their audit opinion in January 2027.

- 3.4 At this stage it is not envisaged that the external audit review will identify any issues which impact on the level of reserves reported in the draft 2025/26 accounts. This is a key consideration as these resources underpin the financial sustainability of the Authority and the development of the Medium Term Financial Strategy for the three years commencing 2027/28.

4. THE FINANCIAL REPORT

- 4.1 The Financial Report presents the Authority's financial position for 2025/26. In line with previous years the draft accounts are being reported to enable Members to ask questions. The Financial report reflects the outturn strategy approved by the Authority which earmarked funding for expenditure commitments delayed from 2025/26 and to provide increased financial / service resilience by allocating funding for one-off investment. This strategy is more important than ever given the financial position outlined in the 2026/27 to 2028/29 Medium Term Financial Strategy, approved by the Authority on 13th February. After reflecting these comments there was a contribution to the Budget Support Fund of £62,000 (forecast £61,000).
- 4.2 The Financial Report is attached at **Appendix A**, which in summary provides the following information: -
- i) Authority Membership (as at 31.03.26)
 - ii) Narrative Report
 - iii) Statement of Responsibilities for the Statement of Accounts
 - iv) Statement of Accounts
 - v) Group Statement of Accounts
 - vi) Annual Governance Statement
 - vii) Glossary of Terms
- 4.3 The narrative report provides an explanation of the Authority's overall financial performance for 2025/26 and outlines the impact of the current economic climate on the Authority's ongoing financial position. The report also provides a guide to the most significant matters reported in the Statement of Accounts including an explanation of the purpose of each of the core statements.
- 4.4 One of the key statements is the Balance Sheet which comprises two main balancing parts, Net Assets and Total Reserves, which represents the Authority's financial position as at the 31st March 2026.

- 4.5 The Net Assets section of the Balance Sheet shows the Authority's assets including Property, Plant and Equipment, Investments and Debtors and liabilities including Short and Long-term Borrowing and Creditors. The Authority's Balance Sheet reports negative Net Assets (i.e. net liabilities) and this is because of an accounting requirement in relation to pensions. This requires authorities to report the total pension liability if this was to be paid out in full as at 31st March 2026 i.e. if all employees and former employees drew down their current full pension entitlement as at 31st March 2026. In practice this situation would never arise and contributions to the pension schemes are adjusted over a period of time to mitigate the liability and are included as part of the budget setting process. For the Fire Fighters Pension Scheme, the contributions include "Pension Top-up Grant" paid by the Government.
- 4.6 The Total Reserves section of the Balance Sheet is made up of Usable and Unusable Reserves. Unusable Reserves cannot be used to support services and include notional accounting gains and losses. These accounting gains and losses are referred to as unrealised. Included within Unusable Reserves is a negative Pension Reserve offsetting the pension liability outlined above.
- 4.7 Usable reserves are those which the authority can utilise to support future service provision and full details of these reserves are included in **Note 5, page 27 of Appendix A**. This note provides a detailed explanation of each of the reserves held by the Authority and the most important reserve is the Budget Support Fund which is earmarked to manage financial risk and uncertainty.
- 4.8 The Usable Reserves as at 31st March 2026 reflects the review of risks and reserves undertaken as part of the 2025/26 budget process. This position will be updated as part of the 2026/27 budget process and details will be reported to the full Authority.

5. ANNUAL GOVERNANCE STATEMENT

- 5.1 The CFA has a statutory responsibility to ensure that its financial management is adequate and that there is a sound system of internal controls to facilitate the effective delivery of its functions, including arrangements for the management of risk. The Annual Governance Statement (AGS) is published as part of the Authority's Financial Statements and is detailed on **pages 63 to 66 of Appendix A** and summarises the results of the annual review of internal controls. The AGS's primary function is to assess the adequacy of the Authority's governance arrangements, identify where those arrangements need to be improved and communicate to users and stakeholders how those improvements can be made, and that better governance leads to better quality public services.
- 5.2 As Treasurer to the Fire Authority, I am responsible for conducting, annually, a review of the effectiveness of the Annual Governance Statement (AGS). The Annual Governance Statement has been reviewed and all significant internal control issues identified and updated.

- 5.3 The 2025/26 AGS assessment takes account of all recent internal and external assessments, inspections, and audits.
- 5.4 No significant governance issues have been identified for 2025/26. However, in the interests of improving and developing governance arrangements a Governance Improvement Action Plan has been produced and included in the 2025/26 AGS. Progress will be monitored through the Authority's Performance Monitoring and Management System, with progress reports, circulated during 2026/27, to Officers and Members, enabling scrutiny through the Audit and Governance Committee.
- 5.5 An Internal Audit Review of the Fire Authority's Annual Governance Statement has been undertaken and a copy of the resulting letter from the Head of Audit and Governance is attached at **Appendix B** and states:
- Key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy. Satisfactory arrangements were implemented to ensure the effective, efficient, and economic operation of Cleveland Fire Authority's financial affairs.

6. CONCLUSIONS

- 6.1 The 2025/26 Financial Report has been prepared in accordance with the relevant accounting standards. The report enables the Audit and Governance Committee to review the draft Financial Report.
- 6.2 The draft Financial Report detailed in **Appendix A** will be subject to independent audit by Forvis Mazars and details of any material amendments will be reported to Audit and Governance Committee later in the year.
- 6.3 The Chartered Institute of Public Finance and Accountancy has issued a checklist of questions Members may wish to ask to assist in the understanding of an Authority's financial statements. This has been included at **Appendix C** and Members are advised that the Authority's Financial Report complies with these requirements.

SIMON WEASTELL
INTERIM CHIEF FIRE OFFICER

CHRIS LITTLE
TREASURER