



DRAFT Auditor's Annual Report
Cleveland Fire Authority – year ended 31 March 2025

November 2025

Contents

- 01 Introduction
- 02 Audit of the financial statements
- 03 Commentary on VFM arrangements
- 04 Other reporting responsibilities
- 05 Audit fees and other services

- A Appendix A: Further information on our audit of the financial statements

Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Cleveland Fire Authority. It has been prepared for the sole use of Audit and Governance Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Cleveland Fire Authority (‘the Authority’) for the year ended 31 March 2025. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We are yet to issue our audit report on the financial statements for the year ended 31 March 2025. Our opinion on the financial statements is due to be issued in line with the Local Government Backstop deadline of 27 February 2026.



Value for Money arrangements

In the work we have performed so far, we have issued recommendations in relation to significant weakness in arrangements that we have identified as relevant to the 2024/25 financial year. Section 3 provides our commentary on the Authority’s arrangements and a summary of our recommendations, and the weaknesses identified.



Reporting to the group auditor

In line with group audit instructions issued by the NAO, we will undertake work on the Authority’s Whole of Government Accounts (WGA) return in line with their instructions. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit is conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2025 and of its financial performance for the year then ended.

We are yet to issue our audit report on the financial statements for the year ended 31 March 2025. Our opinion on the financial statements is due to be issued in line with the Local Government Backstop deadline of 27 February 2026.

Our work on Value for Money
arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 17.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	Yes – see risks documented on page 15	Yes – see weaknesses and recommendations documented on page 23	No
 Improving economy, efficiency and effectiveness	19	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

How the Authority identifies significant financial pressures that are relevant to its short and medium-term plans

The Authority has an established process in place for development, approval and reporting of its Medium-Term Financial Strategy (MTFS). The MTFS is approved on an annual basis, normally in February each year, and covers a three-year period. It is published with the budget for the year ahead. The Treasurer identifies financial pressures through Executive Leadership Team, Fire Finance Network and Tees Valley Accountant meetings and builds them into the MTFS. This quantifies financial risks and links to the asset management plan and reserves strategy, which are included as appendices. We have not identified any significant financial risks that the Treasurer has not already set out in the MTFS. There is also regular monitoring and reporting against the MTFS, as confirmed by our review of minutes and supporting papers.

Our review indicated that the MTFS for 2025/26 to 2027/28 was presented at the Executive Committee meeting on 24 January 2025. The MTFS forecasts a deficit between £0.599m and £3.117m depending on the level of Council Tax for these years. Furthermore, use of the Budget Support Fund in 2025/26 of £0.376m defers this deficit to 2026/27 and means that a forecast deficit of between £0.599m and £3.117m will need to be addressed in 2026/27 and 2027/28. The MTFS is expected to be presented and approved by the Authority in February 2026.

For the financial year 2024/25, the Authority reported an underspend of £0.176m, despite rising inflation and general economic uncertainty. The Q3 forecast, presented at the February 2024 Audit and Governance Committee, was a £0.141m underspend which, when compared against the actual outturn, evidences that the forecast was accurate and indicates the performance monitoring processes at the Authority are working effectively. The Authority has a good record of delivering against budget each year, and our review has not highlighted any items which would cast significant doubt on the Authority's MTFS assumptions or on their overall financial performance.

The level of general fund balances and earmarked reserves available to the Authority as at 31 March 2025 has increased to £15.245m, compared to a balance of £13.968m as at 31 March 2024. The level of general fund balances has increased from £1.897m to £2.073m, which is line with the agreed minimum level of 5% of the Authority's net budget provision.

How the Authority plans to bridge funding gaps and identifies achievable savings

As noted above, the MTFS recognises the risks and uncertainties facing the Authority and they have considered the impact of changes in assumptions including pay and inflation, council tax and service grants.

Whilst there are some gaps in the MTFS in later years, the Authority regularly reports on options to balance the MTFS although it recognises that some of these options would be more difficult to implement than others. The Authority has a positive track record of delivering savings and keeping within budget. For the period 2013/14 to 2024/25 the Authority report that it's funding reduced by 25% (c.£5m) but compensating savings were achieved to maintain reserves without compromising performance, as evidenced by the most recent HMICFRS inspection covered on page 19. These savings included reducing the number of full-time firefighters by one third. It fully delivered the non-operational savings in the 2024/25 Efficiency and Productivity Plan and took successful remedial action to mitigate the impact of inflation and pay awards in 2024/25.

We reviewed the January 2025 Medium Term Financial Strategy and confirmed it updates the scenario analysis and indicates that the 2025/26 budget is balanced after the use of reserves and one-off funding of £0.4m. However, a funding gap of between £0.599m and £3.117m now exists for 2026/27 and 2027/28. Although the Authority can use the budget support fund to postpone savings until 2027/28 and the budget gap is slightly lower than in the Resource Strategy, the Authority has identified that there is now little scope for operational savings until retained availability and sickness are significantly improved. The Authority has clearly reported the planned use of reserves as well as the risks associated with relying on reserves to mitigate budget gaps.

The Authority's February 2025 MTFS had a similar degree of reliance and effective financial management has allowed it to defer the planned use of the budget support fund from 2024/25 to 2025/26. A reduction in reserves has been forecast for several years but has not yet materialised. The Authority's track record at delivering savings and underspends has given the Authority the flexibility to use reserves to address future budget pressures whilst affording time to develop plans to achieve financial sustainability once the Budget Support Fund has been utilised.

At the time of drafting this report (November 2025) the Authority had received an updated financial outlook for 2026/27 to 2028/29 and had approved the key strategic principles to address the forecast deficit. The latest MTFS details a more challenging than previous forecast position as a result of planned government funding reforms. We will continue to consider the MTFS in our future value for money work.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Our review provides assurance that the MTFS continues to be based on reasonable assumptions available at the time of approving the Plan. The MTFS is regularly reviewed, by both the Audit and Governance Committee and also the Fire Authority, as evidenced through our review of minutes. The reports presented include consideration of the main assumptions, and there is regular budget monitoring including quarterly forecast of outturn reports. These support the identification of in-year pressures and reports whether savings are being achieved.

We have not identified evidence of significant short-term measures being used to balance the budget. Our review of the outturn report as well as the financial statements has not highlighted any apparent reliance on significant one-off accounting measures. Furthermore, our review of the MTFS has not identified significant one-off measures to balance the budget.

How the Authority ensures that its financial plan is consistent with other plans

The MTFS is underpinned by workforce planning and capital programmes and takes into account risks arising during the year and planning assumptions within the Community Risk Management Plan (CRMP).

The Authority's CRMP was approved in March 2023, covering a 4-year period to 31 March 2026. The CRMP sets out the Authority's:

- operating environment
- vision, strategic goals, aims and associated outcomes
- risk assessment outcomes
- medium term financial position
- services, plans and proposals to 2026 to manage its risks

There is regular reporting and monitoring against the progress of the plan, as evidenced from our review of meetings. For example, there was a report presented to the Fire Authority meeting in October 2024 which sets out progress on the implementation of the Community Risk Management Plan (CRMP) 2022-26, and specifically the key Service Plan 2024/25 improvement actions.

The CRMP recognises the risks and uncertainties facing the Authority in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services. Our review of the MTFS and associated assumptions identified that a sensitivity analysis is undertaken to determine the impact of changes in the key assumptions. The Authority recognises that it faces a number of significant pressures including uncertainty over the long-term funding arrangements from Government and increased pay demands and inflation.

The Audit and Governance Committee and Fire Authority consider the updated financial position at various stages throughout the year and allows for Member scrutiny and challenge. The financial plans for 2024/25 and 2025/26 were considered in February 2024 and February 2025 respectively. The MTFS which was approved in February 2025 was based on a number of assumptions which will be reviewed and updated during the preparation of the 2026/27 budget and MTFP.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Authority identifies and manages risks to financial resilience

The Authority undertakes work to understand possible future impacts on the budget. The medium-term budget projections consider various budget pressures, such as pay and price increases, the revenue implications of the capital programme and other pressures. We reviewed the assumptions and identified no evidence to indicate they are unrealistic or that reserves are below the minimum required. The £2.1m general fund reserve reflects the S151 Officer's financial risk assessment and represent 5% of budget. There have been no significant overspends or unplanned use of reserves in recent years.

We confirmed the Authority has an established risk management framework and the Audit and Governance Committee receives regular risk management updates. The risk register contains a critical risk and remedial action regarding the financial position and is monitored quarterly. These reports contain evidence of a clear summary of the Authority's performance, detailing significant variances and providing adequate explanation of the causes.

Our work did not identify any evidence to indicate a significant weakness in arrangements for financial sustainability.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<div>1</div> <div>Cleveland Fire Brigade Risk Management (Community Interest Company) The Cleveland Fire Brigade Risk Management (Community Interest Company) Board of Directors have resolved the company can no longer continue to trade, with effect from 31 July 2025.</div>	<div>Work undertaken We have:<ul style="list-style-type: none">• Met with officers in the year, including the Chief Fire Officer and Treasurer• Attended Audit and Governance Committee meetings where briefings to Members have been made• Considered available documents including Reports detailing the events leading to the liquidation and the impact on Cleveland Fire Authority.• understood the Authority’s arrangements for monitoring the performance of the CIC; and• the Authority’s arrangements to produce group financial statements.</div> <div>Results of our work Our work has identified two significant weaknesses which have been further reported on in page 28 of this report. One weakness in relation to the Authority’s accounting arrangements of Cleveland Fire Brigade Risk Management Services and another in relation to the governance arrangements of Cleveland Fire Brigade Risk Management Services.</div>

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How the Authority monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority has a framework of written procedures and controls. Central to these are detailed rules for decision making, and rules of procedure, including; a Constitution, Standing Orders, Contract Procedure Rules, Financial Regulations, Member and Officer Codes of Conduct, and a Whistleblowing Policy. Included within the Authority Constitution, Cleveland Fire Authority has approved and adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government.

The Authority operates a risk management framework that is closely aligned with its strategic priorities. This framework is designed to inform decision-making, safeguard the Authority's reputation, and protect its assets. It provides a structured approach for identifying and assessing risks, enabling the development of appropriate mitigation strategies.

Oversight of this framework is provided by the Audit and Governance Committee, which has a role in delivering independent assurance. The Committee is responsible for monitoring and reviewing the effectiveness of risk management, internal controls, and governance processes. It also considered if the Authority's policies and practices comply with statutory requirements and relevant guidance and maintenance of a robust control environment.

The Audit and Governance Committee have responsibility for monitoring risk management arrangements and considers the content of the Corporate Risk Register quarterly as well as conducting an annual review. The risk register is designed to take account of any changes in the entity's internal and external environment. Our review of the risk register, along with the reports and review of minutes of meetings where the risk register is reported, has not highlighted any evidence of a significant weaknesses in the Authority's arrangements. We have confirmed through attendance at Audit and Governance Committee meetings that discussion and challenge has taken place on high level risks.

The role of the Audit and Governance Committee also includes considering the work of External Audit, Internal Audit and Finance Management and making recommendations concerning relevant governance aspects of the Constitution.

The Authority has a service level agreement with Hartlepool Borough Council for the provision of internal audit and counter-fraud services. Work plans are agreed with management in advance of the start of the financial year and reviewed by the Audit and Governance Committee prior to final approval. The Internal Audit Plan 2025/26 was reported to Audit and Governance Committee in February 2025. We have reviewed the Internal Audit Plans for 2024/25 and 2025/26 and confirmed planned work addresses the expected areas with annual coverage of key financial controls.

At the June 2025 Audit and Governance Committee, the Head of Internal Audit issued their Internal Audit Outturn Report 2024/25, providing 'reasonable assurance' and noting that 'From the work undertaken during the year 2024/25, Internal Audit has reached the opinion that key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy'. This is consistent with the satisfactory assurance opinion given in the prior year. We have reviewed the Internal Audit Report and identified no matters to indicate a significant weakness in arrangements.

As well as the Annual Internal Audit Opinion and Report, our review of minutes also evidenced that there was regular reporting of progress against the Internal Audit plan throughout the period. Progress reports are presented to each Audit and Governance Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This is designed to allow the Committee to hold management to account on behalf of the Authority. Our review of these reports has not identified any matter to indicate a weakness in the Fire Authority's arrangements.

Our attendance at Audit and Governance Committee throughout the period confirms the significance placed on Internal Audit findings. Members of the committee actively request management attendance at committees to discuss findings from internal audit reports.

How the Authority approaches and carries out its annual budget setting process

The Authority's Medium Term Financial Strategy (MTFS) incorporates the identification and assessment of financial risks and is developed alongside the annual budget and precept-setting process. As part of our review, we observed the budget-setting arrangements and held discussions with officers. The annual process remains consistent year on year, and the approach adopted for the 2025/26 budget-setting cycle has largely mirrored the arrangements in place for 2024/25.

The MTFS clearly states the assumptions used to develop budgets for each year. We examined the assumptions behind the latest MTFS approved by the Authority in February 2025 and we have confirmed the assumptions are reasonable based on the current understanding, the main ones being:

- Council tax income increasing in line with the historic limits on increases without a referendum (maximum of £5); and
- Pay awards and inflation of two per cent for most budgets in 2025/26 and two per cent to three per cent thereafter.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

We confirmed that sensitivity analysis and scenario plans are in place to identify the potential financial impact of financial risks occurring and minimise the lead-time for implementing savings. The closeness of outturn to the budget suggests budget setting is adequate.

Responsibilities of budget holders are clearly set out in the Budget Monitoring procedure note and they are required to provide explanations for variances in their monthly budget reports.

Budget reports show the actual expenditure and income compared to what was budgeted and highlight any variances. Finance supports the budget holders in updating their year-end forecasts and identifying any remedial action required. The results are summarised in quarterly management accounts presented to the Audit and Governance Committee, which contain clear and detailed explanations for variances.

How the Authority ensures effective processes and systems are in place to ensure budgetary control

We have reviewed the Authority's minutes and confirmed there was regular reporting of the financial and performance position during the 2024/25 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year.

The Authority's Medium Term Financial Strategy (MTFS) includes the identification and evaluation of risks to the Authority's finances and is developed in parallel to the budget for the following year and setting of the precept.

We confirmed that sensitivity analysis and scenario plans are in place to identify the potential financial impact of financial risks occurring and minimise the lead-time for implementing savings.

How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Authority has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Authority's Constitution and scheme of delegation. Executive Directors have clear responsibilities linked to their roles and the structure in place at the Authority allows for effective

oversight of the Authority's operations and activity.

The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure decisions are efficient, transparent, and accountable to local people. This includes the financial procedures and the scheme of delegation. Areas of potential change are identified throughout the year and the Constitution is amended on an annual basis. The Authority, as Those Charged with Governance, are fully independent of the management of day-to-day operations.

The Authority seeks to make decisions on actions, plans, resource use, forecasts, outputs, and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. There is evidence to demonstrate that the Authority seeks legal, financial, and other professional advice as part of the decision-making process and observes specific requirements of legislation. Furthermore, the Authority ensures that decision makers receive objective and rigorous analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, to secure best value regardless of the service delivery method. The Authority have relevant experience and knowledge to be able to perform their relevant functions. All members are provided training on their responsibilities and duties. Where gaps are identified further training is provided.

The Authority demonstrates transparency in its decision-making by:

- Ensuring that decisions are made in public and recording those decisions and relevant information and making them available publicly; and
- Having rules and procedures which govern how decisions are made.

The Authority publishes the outcomes from external reviews and inspections from regulatory bodies and monitors the implementation of any recommended actions through the performance management framework.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

We reviewed the Constitution, Annual Governance Statement, and other documents as part of our audit and confirmed that they were consistent with our understanding of the Authority's arrangements. From our observations at Audit and Governance Committee meetings members are appropriately skilled to undertake their role and provide appropriate challenge to management and Internal and External Audit. Two members are independent appointments and are recruited and trained to provide a range of skills and collectively provide effective scrutiny.

How the Authority monitors and ensures appropriate standards are maintained

As noted previously, the Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. The Authority has in place a framework of written procedures and controls. Central to these are detailed rules for decision making, and rules of procedure, including; a Constitution, Standing Orders, Contract Procedure Rules, Financial Regulations, Member, Officer Codes of Conduct, and a Whistleblowing Policy.

The Authority has a separate Anti-Fraud and Corruption Policy which sets out detailed policies and procedures to prevent and detect fraud. As detailed in the Internal Audit report the national fraud initiative work was 'satisfactory' with no recommendations raised.

We did not identify any areas of significant non-compliance with the CIPFA Code in terms of the financial statements.

Cleveland Fire Brigade Risk Management Services (CFB RMS) Community Interest Company

CFB RMS is a Community Interest Company which started trading in 2011. The Company is wholly owned by Cleveland Fire Authority limited by guarantee. The company was set up to provide consultancy services as well as on-site or off-site emergency responders, integrated asset protection, emergency response plans, industry training including incident command training, first aid and breathing apparatus training, as well as consultancy services. The aim of the company was to generate profits which could then be reinvested in good causes. Profits were not shared with the Authority and the Authority's MTFS did not rely on profits from the company to balance the budget. The aim was that 65% profits used on good causes and 35% reinvested in the company.

The CFB FMS Board voted in August 2025 to liquidate the company given the level of debt and loss making of the company. The financial impact on Cleveland Fire Authority has been reported as being limited to a net £0.069m. The Authority have confirmed that this can be met by reserves and does not have a significant

impact on the financial sustainability of the Authority's MTFS. In particular given the £1 limitation the Authority is not liable for the debts of the company. The Authority have taken legal advice to confirm this.

The Authority's risk register, as reported in February 2025, highlighted the following risk 'If Cleveland Fire Brigade Risk Management Service CIC do not operate in a way which aligns with the Brigades values THEN there is a risk of financial and reputational impact.' The liquidation of the company means this risk has not been mitigated and was realised.

However, in our view the liquidation of CFB FMS has resulted in reputational damage to the Authority. The lack of financial and operational performance reporting on CFB FMS to the Authority means the risks which led to the liquidation were not identified or reported in a timely manner. This, in our view, is evidence of a significant weakness in arrangements. See page 24 for further detail.

As the Authority wholly owns CFB FMS it has been producing group accounts since the inception of the Company. However following the liquidation, the Authority has been unable to obtain accurate and reliable financial information, such as year end financial statements, on which to produce group accounts. As such the draft financial statements are incomplete. This, in our view, is evidence of a significant weakness in arrangements. See page 23 for further detail.

[A report detailing the lessons learnt was presented to the November 2025 Audit Committee meeting by the Chief Fire Officer, Treasurer and Monitoring Officer.](#)

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement

There are established processes in place for reviewing financial and performance information and using this to inform areas for improvement. We confirmed quarterly outturn reports were presented to the Audit and Governance Committee and highlighted variances for discussion including both revenue and capital. In addition, the Authority undertakes periodic budget revisions which identify where there are under / overspends and highlight mitigating activity where appropriate. Areas of adverse performance feed into the Authority's risk register where relevant. Our review of the risk register and attendance at the Audit and Governance Committee confirms that it covers areas such as MTFS assumptions, service transformation savings, sufficiency of funding.

The Authority's Community Risk Management Plan (CRMP) includes three corporate goals; one of which is 'efficient, sustainable resources'.. This includes making appropriate use of public money and delivering value for money. The CRMP also sets out nine priorities for the next five years and one of these priorities is to 'ensure our prevention activities remain efficient, effective and deliver value for money'.

Quarterly organisational performance reports include:

- Performance compared with national performance (where information is available) over a five-year period;
- Performance compared to the previous year;
- Performance compared to the previous five-year average;
- Performance against approved targets; and
- Performance trends over the last five years.

We have reviewed the performance information provided to the Authority as part of our review of agenda papers and minutes. Through this we have confirmed that the Authority effectively hold managers to account where performance improvements are required.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Authority is subject to review by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The HMICFRS assessment examines the Service's effectiveness, efficiency and how well it looks after its people. The most recent report was published in April 2025 and covered the eleven inspection pillars which can broadly be split into the following headings:

- **Effectiveness** - How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
- **Efficiency** – How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks? and
- **People** - How well does the fire and rescue service look after its people?

The Authority was given four inspection pillars assessed as 'Good', four assessed as "Adequate" and three as "requires improvement". There were no inadequate ratings across the pillar.

HMICFRS commended the Authority's response to its previous inspection stating that the Authority had: "made progress since the last inspection".

Our work for 2024/25 did not identify any evidence to indicate a significant weakness in arrangements

How the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The Authority has a long-established service level agreement with Hartlepool Borough Council for the provision of support services, and Memoranda of Understanding with several other emergency services. For example, it shares estate in Hartlepool with Cleveland Police and the control room shares fall back cover with some other fire and rescue authorities.

The Authority recognises in its CRMP that improving community safety is best achieved through collaboration with other agencies. Existing collaboration includes:

- Delivering home fire safety visits in partnership with health and local authorities;
- Integrating its arson reduction strategy with Cleveland Police; and
- Participating in the North East Road Safety Partnership.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

The Authority pursues collaboration opportunities with other neighbouring Police, Ambulance and other Fire Services. The Authority is part of a regional collaboration group which includes an agreement to share specialist appliances and promote additional opportunities for collaboration. Partnerships appear to be working well as evidenced by the performance monitoring reports

Our work did not identify any evidence to indicate a significant weakness in arrangements.

Where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits

The Authority has an in-house procurement team with suitable qualifications and experience that are responsible for producing the Procurement Strategy 2022-2026. The procurement team use established national and regional procurement frameworks to maximise purchasing power and participate in national benchmarking exercises, which have not identified any scope for significant savings. A Procurement Contract Clinic (PCC) comprising the Assistant Chief Fire Officer and the Authority's Legal Advisor oversees the procurement activity and authorisation to spend and produce quarterly reports for the Executive Leadership Team.

The Authority regularly review the mix of in-house and outsourced support service provision to achieve economies of scale, whilst maintaining sufficient access to specialist advice.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below and on the following page.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p>Accounting arrangements of Cleveland Fire Brigade Risk Management Services</p> <p>On 31 July 2025 Cleveland Fire Brigade Risk Management Services (CFB RMS) approved a winding up resolution. Prior to the winding up resolution of the subsidiary company being confirmed on 31 July 2025, there were issues with the preparation of financial information that is necessary for the production of draft Group Financial Statements. This lack of financial information resulted in the Authority failing to meet the 30th June 2025 deadline for production and publication of the draft Group Financial Statements for the year ended 31 March 2025. There is currently no timeframe for the preparation of these draft Group Financial Statements.</p> <p>Without proper arrangements to support the production of its draft statement of accounts (which incorporate the full range of activities of the Authority's group) and the audit of those accounts, the Authority risks a failure to meet the requirement to publish an audited statement of accounts by the statutory deadline of 27th February 2026.</p> <p>This is evidence of a significant weakness in arrangements in the governance criteria and how the Authority ensures it has effective processes and systems are in place to supports its statutory financial reporting requirements.</p>		<div>●</div>		<p>The Authority should ensure that proper arrangements are in place to support its statutory financial reporting responsibilities.</p>	<p>There has not been sufficient time yet for the Authority to implement these recommendations, but we would anticipate them being in place for the closedown process of the 2025/26 Financial Statements.</p>

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below and on the previous page.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p>Governance arrangements of Cleveland Fire Brigade Risk Management Services</p> <p>On 31 July 2025 Cleveland Fire Brigade Risk Management Services (CFB RMS) approved a winding up resolution. The Memorandum of Association agreed when CFB RMS was established in 2011 limited Cleveland Fire Authority's liability for the company debts to £1. The Authority has quantified the financial impact of the liquidation to be £0.066m. However, as the Company is a subsidiary of the Authority its performance can impact on the reputation of the Authority, something that the Authority recognised in its risk register. However, there was a lack of financial performance reporting to the Authority, meaning the financial position of CFB RMS was not highlighted in a timely manner and only at a point where liquidation was inevitable. Whilst the Authority has not suffered significant financial loss there has been a detrimental impact on its reputation . This lack of formal reporting is evidence of a weakness in arrangements in the governance criteria and how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.</p>		<div>●</div>		<p>The Authority should ensure that proper arrangements are in place to make sure it makes properly informed decisions in relation to entities it has an interest in, including arrangements for effective challenge from those charged with governance.</p>	<p>There has not been sufficient time yet for the Authority to implement these recommendations, but we would anticipate them being in place soon and moving forward.</p>

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component

Audit fees and other services

Audit fees and other services

Fees for our work as the auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in September 2025. As previously mentioned throughout this report, we are yet to complete our work for the 2024/25 financial year, therefore we cannot confirm final fees at the current time. We can confirm that our proposed fees are as follows:

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Code Audit Work	£106,720	£96,153
ISA 315 revised – additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT General controls (this additional fee was omitted from the 2023/24 scale fee, but is included in the 24/25 scale fee)	-	£7,065
Qualification – additional audit procedures required following lack of pension fund assurance over the asset valuation	0	£4,000
Additional audit work on Fire Fighters' Pension Scheme membership data owing to triennial valuation	0	£2,000
Additional work required in response to Group Accounting	TBC	0
Total Fees	TBC	£109,218

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

Appendices

Appendix A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit of the Authority, we identified significant risks to our opinion on the financial statements during our risk assessment. As we have not completed our audit work, the table below summarises these risks and how we plan to respond.

Risk	Our planned audit response
<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
<p>Net defined benefit liability/asset valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> <p>We also note that in the prior period the backstop date introduced by the Amendment Regulations impeded our ability to obtain sufficient appropriate evidence over the following material elements of the Pension balances disclosed within the financial statements:</p> <ul style="list-style-type: none">- The value of scheme assets as at 31 March 2025; and- The return on plan assets for the year ended 31 March 2025	<p>In relation to the valuation of the Authority's defined benefit pension liability we will:</p> <ul style="list-style-type: none">• Critically assess the competency, objectivity and independence of the Teesside Pension Fund's Actuary, Hymans Robertson, and the Firefighters Pension Scheme Actuary, Aon Hewitt;• For the Local Government Pension Scheme (LGPS) liaise with the auditors of the Teesside Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;• Consider the impact of the prior year qualification on the audit report;• Review the appropriateness of the Pension Asset (LGPS) and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office;• Agree the data in the IAS 19 valuation reports provided by the Funds' Actuaries for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements; and• Ensure all required disclosures are reflected in the accounts and relevant notes.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit of the Authority, we identified significant risks to our opinion on the financial statements during our risk assessment. As we have not completed our audit work, the table below summarises these risks and how we plan to respond.

Risk	Our planned audit response
<p>Valuation of Land, and Buildings</p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Authority's holding of land and buildings.</p> <p>The Authority employs a valuation expert to provide information on valuations, however, there remains a high degree of estimation uncertainty associated with the (re)valuations of PPE due to the significant judgements and number of variables involved.</p>	<p>We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Authority in its valuation of land and buildings. We will:</p> <ul style="list-style-type: none">critically assess the Authority's arrangements for ensuring that land and buildings valuations are reasonable and not materially misstated;critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers;consider the competence, skills and experience of the valuers and the instructions issued to the valuers;substantively test revaluations, including critically reviewing the Authority's own consideration of assets not revalued in the year and why they are not materially misstated; andwhere necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.

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