

**2024/2025 OUTTURN AND FINANCIAL REPORT****JOINT REPORT OF THE CHIEF FIRE OFFICER & TREASURER****For Approval****1. PURPOSE OF REPORT**

- 1.1 To report the final outturn position against the approved 2024/25 budget.
- 1.2 To inform Members of the arrangements for approving the Authority's 2024/25 Financial Report and to provide a copy of the draft 2024/25 Financial Report.

**2. RECOMMENDATIONS**

- 2.1 That Members:-
  - i. Approve the 2024/25 Annual Governance Statement as detailed on **pages 69 to 73 of Appendix B.**
  - ii. Note that the Financial Report detailed in **Appendix B** 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 31 May. For 2024/25 this deadline has been deferred to 30 June.
- 3.2 To ensure the Authority's system and procedures remain 'match fit' for when the deadline reverts to 31 May officers had substantially completed the draft accounts by 31 May 2025. 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 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 February 2026 to issue 2024/25 audit opinions. Our external auditors, Forvis Mazars, have advised that they will commence the external audit of the Authority's 2024/25 accounts in October, with a view to issuing their audit opinion in January 2026.

- 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 2024/25 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 2026/27.

#### 4. **REVENUE POSITION AT 31 MARCH 2025**

- 4.1 The Authority continues to operate in an uncertain financial environment with separate one-year Government grant allocations, with the most recent settlement for 2025/26 being the seventh successive one-year settlement. It is hoped that three-year settlements will be reinstated from 2026/27, which will improve financial and service planning.
- 4.2 Whilst, recent Government grant funding has increased the amount of Government funding received in 2024/25 was £4.0m less than it was in 2013/14 – a cash reduction of 22%. When account is taken of inflation the real term reduction in funding is significantly greater. To manage this position the Authority previously made significant changes to modernise services and achieve efficiencies, including a significant reduction in our workforce, the most significant being:



A **33% reduction** in the number of wholetime fire fighter posts from 494 to 332

- 4.3 The budget for 2024/25 was prepared against an uncertain inflation background and funding uncertainty in future years. As a result the Chief Fire Officer managed the budget carefully, including managing vacant posts and deferring expenditure where this did not impact on operational delivery. The outturn position also benefitted from Section 31 grants being higher than forecast, which means the planned use of investment income of £0.244m to support the 2024/25 revenue budget has not been needed. As a result, this means the annual support of the revenue budget using investment income can be supported until 2028/29, a year longer than envisaged in the February 2025 MTFS report. The additional Section 31 grant also covered additional capital expenditure incurred in 2024/25 as detailed later in the report.
- 4.4 After reflecting the above issue the net outturn was an underspend of £0.176m (quarter 3 forecast £0.141m) as detailed on **page 11** of **Appendix B**. This amount has been transferred to the Unearmarked General Fund Reserve, which remains at broadly 5% of the Authority's revenue budget.

#### 5. **CAPITAL POSITION AS AT 31 MARCH 2025**

- 5.1 Attached at **Appendix A** is a monitoring statement on each Capital scheme.
- 5.2 Significant schemes in 2024/25 included property expenditure, drill towers, equipment, vehicles and breathing apparatus. These costs were funded from a

combination of Prudential Borrowing and the Capital Investment Programme Reserve.

- 5.3 Where expenditure has been re-phased from 2024/25 to 2025/26 capital resources have been carried forward to fund these commitments.

6. **THE FINANCIAL REPORT**

- 6.1 The Financial Report presents the Authority's financial position for 2024/25. In line with previous years the draft accounts are being reported to enable Members to ask questions.

- 6.2 The Financial Report is attached at **Appendix B**, which in summary provides the following information: -

- i) Authority Membership (as at 31.03.25)
- 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

- 6.3 The narrative report provides an explanation of the Authority's overall financial performance for 2024/25 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.

- 6.4 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 31 March 2025.

- 6.5 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 31 March 2025 i.e. if all employees and former employees drew down their current full pension entitlement as at 31 March 2025. 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.

- 6.6 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.

- 6.7 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 26 of Appendix B**. 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.
- 6.8 The Usable Reserves as at 31 March 2025 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.
- 6.9 At the time this report was prepared information had not been received from Cleveland Fire Brigade Risk Management Services CIC (Community Interest Company) to enable the 2024/25 Group Accounts to be prepared. As part of the process for finalising the 2023/24 Accounts we had advised the CIC of the timetable for preparing the 2024/25 Accounts, and when we would require information from them. This position was confirmed in an initial request on 14 March 2025 for receipt of their Accounts by 16 June 2025. Following an exchange of emails the CIC confirmed on 17 April 2025 that their Auditors had confirmed the accounts would be provided on the 16 June 2025. This information has not yet been received.
- 6.10 At this stage the Group Accounts included at **pages 63 to 68**, therefore only show figures for 2023/24. As soon as the figures for 2024/25 are received the draft accounts published on the Authority's website will be updated and a copy emailed to all Members of this Committee. A comprehensive report on the financial position of the CIC will be presented to the full Authority on 25 July 2025.

## **7. ANNUAL GOVERNANCE STATEMENT**

- 7.1 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 69 to 73 of Appendix B** 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.
- 7.2 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.
- 7.3 The 2024/25 AGS assessment takes account of all recent internal and external assessments, inspections and audits.

- 7.4 No significant governance issues have been identified for 2024/25. However, in the interests of improving and developing governance arrangements a Governance Improvement Action Plan has been produced and included in the 2024/25 AGS. Progress will be monitored through the Authority's Performance Monitoring and Management System, with progress reports, circulated during 2025/26, to Officers and Members, enabling scrutiny through the Audit and Governance Committee.
- 7.5 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 C** 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.

## **8. CONCLUSIONS**

- 8.1 The 2024/25 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.
- 8.2 The draft Financial Report detailed in **Appendix B** 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.
- 8.3 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 D** and Members are advised that the Authority's Financial Report complies with these requirements.

**PETER RICKARD**  
Chief Fire Officer

**CHRIS LITTLE**  
Treasurer