Merseyside Fire and Rescue Authority			
Meeting of the:	**Audit Committee**		
Date:	**24 November 2026**	**Report No:**	**DFP/09/2627**
Presenting Officer:	**Director of Finance and Procurement, Mike Rea**		
Responsible officer:	**Director of Finance and Procurement, Mike Rea**	**Report author:**	**Director of Finance and Procurement, Mike Rea**
Officers Consulted:	**Strategic Leadership Team (SLT)**		
Title of Report:	**Statement of Accounts 2025/26 – Approval of Audited Statements**		

Appendices:	**Appendix A:**	**Statement of Accounts 2025/26**
	Appendix B:	**Management Representation Letter**

Purpose of Report

1. To present to Members the audited 2025/26 Statement of Accounts for approval and seek authorisation for their issue.

Recommendation

2. It is recommended that Members;

   a) consider the audited Statement of Accounts attached as Appendix A;

   b) delegate authority to the Chair of the Audit Committee and the Director of Finance and Procurement, as Section 151 Officer, to approve and sign the final Statement of Accounts following completion of the outstanding audit procedures, subject to the final audit opinion not differing significantly from that reported to the Committee, and authorise their publication on the Authority's website; and

   c) note that the Director of Finance and Procurement will sign the management representation letter in relation to the 2025/26 Statement of Accounts, attached as Appendix B.

Introduction and Background

3. The Authority is required annually to prepare financial statements, known as the Statement of Accounts, in accordance with relevant codes and regulations. These statements must be audited by an independent auditor, who issues an opinion. An unqualified opinion confirms that the financial statements have been prepared in accordance with the applicable accounting and regulatory framework and provide a true and fair view of the financial position of the Authority.

4. The Authority's external auditor, Forvis Mazars, is required to report on the Authority's financial statements and whether, in their opinion, they:

    a. give a true and fair view of the Authority's income, expenditure and financial position; and

    b. have been prepared in accordance with the relevant local authority codes and standards.

5. The Authority has a statutory duty to approve and authorise the Statement of Accounts for publication. To clear the national audit backlog, the government has legislated the following backstop dates:

    - 2025/26 – 31 January 2027
    - 2026/27 – 30 November 2027
    - 2027/28 – 30 November 2028

    The 2025/26 audited Statement of Accounts is attached as Appendix A, for Members' consideration.

6. The Forvis Mazars Audit Completion report, found elsewhere on today's agenda, summarises the auditor's findings in relation to the 2025/26 Statement of Accounts. Based on the audit work completed to date, the auditor intends to issue an unqualified opinion on the financial statements, subject to completion of any outstanding audit procedures identified in its report.

7. Members considered the 2025/26 General Fund outturn in report DFP/06/2627, approved by the Policy and Resources Committee on 23 July 2026. The report identified net revenue expenditure of £74.936m against a budget of £77.934m representing a favourable variance of £2.998m before year end reserve adjustments. Of this amount, £0.596m was allocated to earmarked reserves to meet identified commitments and expenditure requirements in 2026/27 and future years, leaving a saving of £2.402m. Members approved the allocation of this saving as follows: £0.400m to the General Revenue Reserve, £0.500m to the Clothing Reserve to contribute towards the uniform solution following the current service review, and £1.502m to the Capital Investment Reserve to help manage capital cost inflation and reduce planned borrowing requirements and associated debt servicing costs. The audited Statement of Accounts does not alter the 2025/26 General Fund outturn previously reported to Members.

8. The approved outturn also reported capital expenditure of £15.283m against a revised capital budget of £44.687m, resulting in a variance of £29.404m. This comprised £28.430m of planned expenditure re-phased into future years, principally relating to the National Resilience asset refresh programme, and a net £0.974m underspend on capital projects.

9. The Comprehensive Income and Expenditure Statement (CIES), within the Statement of Accounts shows the accounting cost of providing services during the year in accordance with generally accepted accounting practices, rather than the amount to be funded from the General Fund. Following the approved

transfers to reserves set out in paragraph 7, there is no remaining unallocated General Fund variance for 2025/26. However, the CIES reports a surplus on the provision of services of £32.633m. The difference arises from statutory and accounting adjustments required under the Code, principally relating to capital grants and capital accounting, together with pension and other technical accounting adjustments. **These accounting entries do not change the General Fund outturn reported in DFP/06/2627, because the statutory framework provides for the necessary adjustments between the accounting basis shown in the CIES and the amounts chargeable to the General Fund.**

10. To assist Members' understanding of the financial statements, the following paragraphs provide further background to the purpose and contents of the financial statements and the significant movements between 2024/25 and 2025/26.

Statement of Accounts

11. The Statement of Accounts provides a record of the Authority's financial activities for 2025/26, together with comparative figures for 2024/25. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

12. On 1 April 2010 the Authority, along with all other local authorities, adopted International Financial Reporting Standards (IFRS). The 2025/26 accounts have therefore been prepared in accordance with the Code, which is based on IFRS as adapted and interpreted for the local authority context. The move to an IFRS-based system of accounting has resulted in a significant increase in disclosure requirements and changes to the formats of the principal financial statements. The Statement of Accounts Narrative Report provides a brief description of each of the four core statements:

    a. **The Comprehensive Income and Expenditure Statement (CIES)**
    b. **Movement in Reserves Statement (MiRS)**
    c. **The Balance Sheet, and**
    d. **The Cash Flow Statement**

13. The Statement of Accounts must be prepared in accordance with the Code and therefore includes a number of adjustments that can be significant in value but do not alter the amount ultimately chargeable to the General Fund. For example, the CIES reports the accounting cost of providing services in accordance with proper accounting practices and therefore includes items such as depreciation and pension costs calculated in accordance with the applicable accounting standards.

14. The Authority sets the budget and monitors expenditure during the year through its General Fund account, which reflects the expenditure and income that legislation permits to be charged or credited to the Authority's annual budget,

together with transfers to and from reserves. Paragraph 7 sets out the Authority's 2025/26 General Fund outturn position.

15. The analysis below identifies and briefly explains some of the largest movements between the figures in the formal statement of accounts for 2025/26.

16. **The Comprehensive Income and Expenditure Statement (CIES)**
This statement shows the "accounting cost" in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from General Fund under the statutory financing arrangements. Whilst the Authority's reported General Fund outturn has been fully allocated through the approved transfers to reserves described in paragraph 7, the CIES reports a surplus on the provision of services of £32.633m. The table below outlines the reconciliation between the General Fund position and that in the CIES:

	Net General Fund 2025/26 year-end position:	Note	Detailed Adjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
1	**Net creation of earmarked reserves**	(a)	-	-	**(2,372)**
2	**Asset valuation / charges and capital funding adjustments**				
	Depreciation, impairment and revaluation adjustment	(b)	3,862		
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	11,078		
	Asset disposal / write-offs / revaluation losses		128		
	MRP / interest adjustment	(f)	(6,451)		
	Capital Expenditure Funded from the Revenue Account (CERA)		(5,457)		
	Capital grants income		(31,420)	**(28,260)**	
3	**Pension related adjustments**	(d)			
	Pension contributions payable to pension fund (employer)		(13,664)		
	Pension contributions payable to pension fund (top-up grant)		(34,102)		
	Pension current service costs		2,933		
	Pension past service costs		71		
	Net interest on the defined benefit liability scheme		42,506	**(2,256)**	
4	**Other technical accounting adjustments**	(e)			
	Timing differences for premiums and discounts		23		
	Timing differences for council tax / NNDR		272		
	Timing differences for compensated absences		(40)	**255**	
	Total adjustments				**(30,261)**
	(Surplus) or deficit on provision of services				**(32,633)**

Notes to the table:

a) Although the creation of earmarked reserves does not form part of the CIES, they are included to ensure that the General Fund expenditure reconciles back to the CIES.

b) *The depreciation and impairment charge reflects the consumption of assets during the year, including revaluation losses and the reversal of any prior year valuation losses and impairments.*

c) *Revenue Expenditure Funded from Capital Under Statute (REFCUS) relates to expenditure incurred by the Authority, such as the purchase of assets on behalf of National Resilience and the installation of smoke alarms in households across Merseyside, which does not result in the recognition of a non-current asset under proper accounting practices and is therefore charged to revenue in the Comprehensive Income and Expenditure Statement. However, statutory provisions permit the Authority to fund such expenditure from capital resources.*

d) *Pension costs in the CIES reflect IAS 19 requirements, including movements in fund valuations and contributions received during the year. Note 38 in the Financial Statements provides further details of movements in the pension funds during the year.*

e) *The other technical accounting adjustment incorporates the adjustments made in relation to council tax indebtedness between the billing authorities and the Authority and the value of employee benefits accrued in the year but not taken (leave carried forward). It also includes timing differences for premiums and discounts over the unexpired life of the loans refinanced.*

f) *Statute requires that certain expenses are charged to the General Fund that are not considered to be proper accounting charges in accordance with the Code. These are therefore not shown in the CIES. The unitary charge payments associated with the PFI contract are shown as fully charged to revenue in the General Fund but in the CIES they are broken up into the relevant revenue, capital and interest notional elements. The removal of capital financing charges relates to costs associated with; interest payments on loans and the Minimum Revenue Provision (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA).*

17. Whilst the CIES reports the accounting cost of providing services in accordance with proper accounting practices, the General Fund position more directly reflects the impact on the Authority's budget and local taxpayers, as it reflects the amounts that legislation permits to be charged against the General Fund, together with transfers to and from reserves.

18. **Movement in Reserves Statement (MiRS)**
This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (those that have been created to reconcile the technical aspects of accounting which are not generally available to spend).

19. The Statement identifies the Authority held £59.964m in usable reserves as at 31 March 2026. Of this balance, £40.123m relates to unapplied grant held in respect of the Ministry of Housing, Communities and Local Government (MHCLG) funded National Resilience asset refresh programme and is not available to fund the Authority’s own services. Any unspent grant remains subject to the relevant grant conditions.

20. Excluding the £40.123m MHCLG balance, the Authority’s own usable reserves totalled £19.841m at the 31 March 2026, comprising £15.541m of committed earmarked reserves and a General Revenue Reserve of £4.300m. This represents a net increase of £2.372m compared with the opening balance of

£17.469m and is consistent with the 2025/26 outturn previously reported to Members.

21. The committed earmarked reserves are held to meet planned expenditure and commitments in future years and to manage identified risks to the Authority's financial plan. The General Revenue Reserve of £4.300m is equivalent to approximately 5% of the Authority's net budget and provides financial resilience against unforeseen events or significant unplanned expenditure.

22. Unusable reserves reduced by £28.541m during the year. These reserves are not available to fund expenditure and principally arise from the accounting adjustments required by the Code. The main movements relate to capital accounting and changes in pension assets and liabilities, with the majority of the reduction relating to the Pensions Reserve.

23. **The Balance Sheet**
The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31 March each year. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, usable and unusable (see MiRS paragraph for explanation).

24. The Balance Sheet statement refers to detailed notes within the Statement of Accounts that provide a full analysis of what makes up each line, but some new or significant changes have been outlined below:

- **Long-Term Assets** – increased by £8.631m. This was mainly due to a £7.119m revaluation increase on Land and Buildings. The balance is made up of changes in depreciation / derecognition, and vehicle and equipment additions.

- **Current Assets** – increased by £25.191m. The re-phasing of planned capital expenditure and the receipt of grant monies in advance of expenditure have resulted in a net increase in Short Term Investments of £12.274m and an increase in Cash & Cash Equivalents of £10.098m. Short-term debtors have increased by £3.576m.

- **Current Liabilities** – decreased by £4.207m. Primarily reflecting a £6.578m reduction in grant receipts in advance, partially offset by a £2.354m increase in short-term creditors and a £0.017m increase in short-term borrowing.

- **Long-Term Liabilities** – reduced by £18.806m.

    - **Pension Fund Liabilities** – reduced by £18.275m, reflecting movements in the Authority's defined benefit pension obligations during the year in respect of the firefighters' pension schemes and the Local Government Pension Scheme. The corresponding movement is reflected in the Pensions Reserve, an unusable reserve, and therefore

does not affect the Authority's usable reserves or General Fund position. (see Note 21 in the Statement of Accounts).

- **Usable Reserves** – total usable reserves increased by £28.294m during the year, of which £25.922m relates to the increase in unapplied MHCLG capital grant held for the National Resilience asset refresh programme. At 31 March 2026, £40.123m of the total £59.964m usable reserves balance related to the MHCLG funding. Excluding this amount, the Authority's own usable reserves totalled £19.841m, comprising £15.541m of committed earmarked reserves and a £4.300m General Revenue Reserve. This represents a net increase of £2.372m on the opening balance and is consistent with the 2025/26 outturn reported to members. The composition, purpose and movement in the Authority's reserves are explained further in paragraphs 19 to 21.

- **Unusable Reserves** – reduced by £28.541m during the year. These reserves arise principally from accounting adjustments required by the Code and are not available to fund the Authority's expenditure. The principal movements include an £18.275m reduction in the Pensions Reserve, a £6.840m movement in the Revaluation Reserve and a £3.680m movement in the Capital Adjustment Account. The Capital Adjustment Account reflects differences between the accounting treatment and statutory financing of capital expenditure, including depreciation, disposals and capital financing adjustments.

25. **The 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. Notes 22 to 24 in the Statement of Accounts provide further detail of specific movements in the year.

26. Cash and cash equivalents increased by £10.098m, from £11.893m at 31 March 2025 to £21.991m at 31 March 2026. Cash equivalents are highly liquid investments that mature within no more than three months and are readily convertible to known amounts of cash. The increase reflects, in part, the timing of capital grant receipts and expenditure, including funding associated with the National Resilience asset refresh programme. The Authority's treasury management strategy sets specific criteria for investments, including security and liquidity, and consequently cash may be held over the short term while suitable longer-term investment opportunities are identified.

27. The Authority's treasury management strategy continues to prioritise security and liquidity, while seeking an appropriate return on investments and managing borrowing requirements in accordance with the approved Treasury Management Strategy.

28. **Members are requested to consider the Statement of Accounts, attached as Appendix A, and delegate authority to the Chair of the Audit Committee and Director of Finance and Procurement to authorise the Statement of Accounts for publication.** Once the Statement of Accounts has been authorised for publication, it will be made available on the Authority's website.

29. International Standards on Auditing require the auditor to obtain written representations from management in connection with the audit of the financial statements. The proposed Management Representation Letter is attached as Appendix B. Following completion of the audit, the Director of Finance and Procurement, as the Authority's Section 151 Officer, will sign the letter and provide it to Forvis Mazars.

Equality and Diversity Implications

30. There are no direct equality and diversity implications arising from this report.

Staff Implications

31. There are no direct staff implications arising from this report.

Legal Implications

32. The Authority has a statutory duty under the Accounts and Audit Regulations 2015, as amended, to approve and publish its Statement of Accounts. Regulation 9A requires the Authority to publish its accountability statements for the 2025/26 financial year on or before 31 January 2027, subject to the provisions contained within the Regulations.

Financial Implications & Value for Money

33. The audited Statement of Accounts does not change the 2025/26 General Fund outturn previously reported to Members. Net revenue expenditure was £74.936m against the approved budget of £77.934m, representing a favourable variance of £2.998m before year-end reserve adjustments. Following the approved allocations to reserves, the Authority held £15.541m of committed earmarked reserves and a General Revenue Reserve of £4.300m at 31 March 2026. The Statement of Accounts includes a number of statutory and technical accounting adjustments that affect the CIES and Balance Sheet but do not change the General Fund outturn or the underlying resources available to the Authority.

Risk Management and Health & Safety Implications

34. There are no direct risk management and health and safety implications arising from this report.

Environmental Implications

35. There are no direct environmental implications arising from this report.

Contribution to Our Vision: ***To be the best Fire & Rescue Service in the UK.***

Our Purpose: *Here to serve, Here to protect, Here to keep you safe.*

36. The achievement of actual expenditure within the approved financial plan and delivery of the expected service outcomes is essential if the Service is to achieve the Authority's mission.

BACKGROUND PAPERS

DFP/06/2627 "Revenue and Capital Outturn 2025-2026" Policy & Resources Committee 23 July 2026

GLOSSARY OF TERMS

CERA	**C**apital **E**xpenditure Funded from the **R**evenue **A**ccount
CIES	**C**omprehensive **I**ncome and **E**xpenditure **S**tatement
CIPFA	**C**hartered **I**nstitute of **P**ublic **F**inance and **A**ccountancy
CODE	Code of Practice on Local Authority Accounting in the United Kingdom
IFRS	**I**nternational **F**inancial **R**eporting **S**tandards
MiRS	**M**ovement in **R**eserves **S**tatement
MHCLG	**M**inistry of **H**ousing, **C**ommunities and **L**ocal **G**overnment
MRP	**M**inimum **R**evenue **P**rovision
PFI	**P**rivate **F**inance **I**nitiative
REFCUS	**R**evenue **E**xpenditure **F**unded from **C**apital **U**nder **S**tatute