

Safest People, Safest Places

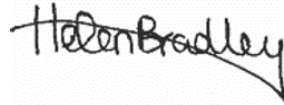
Local Government Act 1972

A Meeting of the Combined Fire Authority for County Durham and Darlington Audit and Finance Committee will be held in the County Durham and Darlington Fire and Rescue Service Headquarters on Tuesday 23 January 2024 at 10.00 am to consider the following business:-

PART A

1. Apologies for absence
2. Minutes of the previous meeting - Report of the Chair (Pages 3 - 6)
3. Follow Up Letter to the Audit Completion Report - Report of External Audit (Pages 7 - 20)
4. Statement of Accounts for the year ended 31 March 2023 - Report of Treasurer (Pages 21 - 128)
5. Corporate Governance Action Plan Update - Report of Deputy Chief Executive (Pages 129 - 138)
6. Corporate Risk Register - Position at 31 December 2023 - Report of Deputy Chief Executive (Pages 139 - 146)
7. Short-Term Investments and Long-Term Borrowing - Period to 31 December 2023 (Quarter 3) - Report of Treasurer (Pages 147 - 148)
8. Forecast of Outturn 2023/23 Quarter 3 - Report of Deputy Chief Executive (Pages 149 - 156)
9. Revenue and Capital Budgets 2024/25 and Medium Term Financial Plan - Report of Deputy Chief Executive (Pages 157 - 166)
10. Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration

PURSUANT to the provisions of the above named Act, **I HEREBY SUMMON YOU** to attend the said meeting



Helen Bradley
Clerk to the Combined Fire Authority
for County Durham and Darlington

County Hall
Durham
DH1 5UL

**TO: The Members of the Combined Fire Authority for County Durham
and Darlington Audit and Finance Committee**

Durham County Councillors:

Councillors A Batey, R Bell, J Blakey, N Jones and B Kellett

Darlington Borough Councillors:

Councillors A Anderson

Minutes of the **County Durham and Darlington Fire and Rescue Service Audit and Finance Committee meeting** held at Fire HQ on **30 November at 14:30hours**.

Present: Cllr R Bell (Chair)
Durham County Council: Cllr A Batey
Cllr J Blakey
Cllr Bill Kellett
Darlington Borough Council: Cllr Andrew Anderson
Officers: Tony Hope
Internal Audit: Nicola Cooke
External Audit (Mazars): Campbell Dearden
Independent Person: Alan Foster

Part A

1 Apologies

Apologies received from Cllr Neville Jones.

Cllr Bell welcome A Foster to the meeting who has been appointed as the Independent Person for the Committee, and a round of introductions followed.

2 Minutes of the Previous Meetings

The minutes of the previous meeting held on 27 September 2023 were agreed as a true record.

3 External Audit Progress Report

C Dearden noted that although the 2021/22 financial statements have been signed off, it is not possible to sign the certificate until clearance is received from the National Audit Office on the position with Whole of Government Accounts.

C Dearden updated that it is not possible to sign their opinion for the 2022/23 Audit due to two outstanding issues, both relating to pensions. Findings will be reported to the Committee in January 2024 when it is anticipated that the revised accounts will be approved.

Cllr Bell raised concerns regarding the issues in relation to the late sign off of accounts and issue of audit certificates. Cllr Bell recommended that a letter is written to Government on behalf of the Committee to put on record these concerns.

ACTION: T Hope to draft a letter outlining concerns raised by the Audit and Finance Committee regarding the delay in signing off audits.

The report was **noted**.

4 Annual Governance Statement

T Hope introduced a report providing Members with details of the 2022/23 Annual Governance Statement for approval.

The Annual Governance Statement was **considered** and **approved**.

5 Revenue and Capital Outturn for the Year Ended 31 March 2023

Members were provided with information on the 2022/23 revenue and capital outturn compared with the original budget.

T Hope highlighted that the total net revenue expenditure for 2022/23 after transfers to and from reserves was in line with the original budget of £30.202M.

The report was **considered** and **noted**.

6 Internal Audit Progress Report

N Cooke introduced the Internal Audit Progress Report; advising Members on work undertaken by Internal Audit between 1 April 2023 and 31 March 2024.

The report was **considered** and **noted**.

7 Forecast of Outturn 2023/24

T Hope presented a report providing Members with an indication of the Service's revenue and capital financial outturn position based upon expenditure and income to the 30 September 2023.

T Hope noted that the implementation of riding with 4 has reduced financial pressures and the service is in a better position moving forward.

Cllr Batey queried when the Benenden Healthcare programme will be implemented. T Hope explained that the initiative will start in January 2024.

The report was **considered** and **noted**.

8 Short-Term Investments and Long-Term Borrowing – Period to 30 September 2023 (Quarter 2)

T Hope introduced a report providing an update on the performance of the authority's short-term investments and long-term loans for the period ended 30 September 2023.

A Foster asked if financing for the Fire Service is separate to that of the Local Authorities. T Hope confirmed that it is separate.

The report was **considered** and **noted**.

9 2024/25 Budget and Medium-Term Financial Plan

T Hope presented a report advising members of the proposed timetable for the consideration and approval of the 2024/25 Budget and Medium-Term Financial Plan.

T Hope summarised several assumptions in the report that have been made in relation to settlement funding, council tax increases, pay, prices and pension costs across the MTFP period.

T Hope noted that future Government funding and the council tax precept figure is not yet known. It is hoped that this information will be released by the end of December 2023.

A Foster asked how the service would be affected if Local Authority funding is reduced. T Hope explained that it is determined by the Local Authority collection rate which we take a pro-rata percentage of. The cost of living crisis may impact the Council's ability to collect monies which is monitored through the Corporate Risk Register.

The report was **considered** and **noted**.

PART B

10 Internal Audit Outstanding Actions

The Internal Audit Outstanding Actions were discussed in turn.

Cllr Bell queried the reasoning behind the physical security audit recommendations. N Cooke noted that detailed information will be provided in the audit report.

N Cooke noted that overall, we are in a good position in terms of a low number of actions currently.

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12 January 2024

Dear Members

Update/conclusion of pending matters – Audit Completion Report 2022/23

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 18 September 2023 and including any other matters arising since that date.

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status				
Management override of controls	Our work in this area is complete. There are no matters arising.	Complete				
Property, plant and equipment - Valuation of land and buildings.	<p>Our work in this area is complete. We identified that incorrect BCIS indices were used for the valuation of one asset. The overall impact is an overstatement of land and buildings of £130k which is non-trivial. Accounting entries are set out below:</p> <p style="text-align: center;">£'000</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Dr Revaluation reserve</td> <td style="text-align: right;">130</td> </tr> <tr> <td>Cr PPE: Land and Buildings</td> <td style="text-align: right;">130</td> </tr> </table> <p>As this is not material, management has decided not to amend the financial statements. This is set out in Appendix 1.</p>	Dr Revaluation reserve	130	Cr PPE: Land and Buildings	130	Complete
Dr Revaluation reserve	130					
Cr PPE: Land and Buildings	130					
Net defined pension liability valuation, LGPS and	We reported in September 2023 that we were unable to complete our work on pensions as we were waiting for assurances from the Durham County Pension Fund auditor.	Complete				

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Matter	Update/conclusion reached	Status
<p>Firefighters pension scheme</p>	<p>We have now received this and have the following matters to report:</p> <p>Unadjusted error</p> <p>As part of our review of the work of the Pension Fund Auditor, we noted the following unadjusted error which is non-trivial:</p> <ul style="list-style-type: none"> o Debit: Pension liability IAS19 £0.08m o Credit: Unusable Reserves (Pensions) £0.08m <p>As part of our review of the Pension Fund Auditor's letter, we noted an increase in net assets total totalling £10.4m following an audit adjustment. We have extrapolated the Authority's share, totalling £0.08m based on the Authority's share of overall fund assets. As this is not material, management has decided not to amend the financial statements. This is set out in Appendix 1.</p> <p>Unadjusted disclosure error</p> <p>As part of our review of the work of the Pension Fund Auditor, we noted the following unadjusted disclosure error: The transfer out value per the Pension Fund auditor's letter to us is 656k. The figures in the Council's Actuary's report (based on 10 months' cash flow data) is annualised at £259k, resulting in a difference of £397k. We understand there was an increase in transfers out near the end of the financial year which has led to the actual figure being higher than the Actuary's estimate. Transfers out form part of the Actuary's calculation of the benefits paid figure, which is included in both the pension asset and defined benefit obligation so there is no overall impact on the net liability on the balance sheet. The benefits paid figure is included in the analysis of the pension asset and defined benefit obligation disclosed in Note 8.17 within the financial statements. As this is not material, management has decided not to amend the financial statements. This is set out in Appendix 1.</p> <p>Assumptions</p> <p>There were a number of minor changes to assumptions for the local government pension scheme (funded and unfunded):</p> <ul style="list-style-type: none"> • Rate of inflation CPI was 2.6% now 2.7% • Rate of increase in salaries was 3.6% now 3.7% • Rate of increase in pensions was 2.6% now 2.7% • Rate of discount was 4.5% now 4.7% <p>Firefighters pension scheme</p> <p>In the November meeting of the Audit and Finance Committee, we reported that the original Firefighters Government Actuary's Department Report did not make an allowance for known CPI increases between September 2022 and March 2023.</p>	

Matter	Update/conclusion reached	Status
	As this was likely to be a material change, Management requested an updated report. The report was provided in December and this results in an increase in the overall pension liability of £5.5m. Management has adjusted in the primary statements and related notes. This is shown in Appendix 1 below.	
IT Controls	Our work in this area is complete. There are no matters arising.	Complete
Disclosure and other areas	We have completed our work on the presentation and disclosure checklist, narrative report, non-material notes and consolidation into the group financial statements.	Complete
Related Party Transactions	Our work in this area is complete. We were unable to obtain 3 Officer/Member declarations and therefore we have raised an internal control weakness below.	Complete – see Internal Control section below
Review and closure processes, including checking the amended version of the financial statements produced by finance as a result of our audit.	We are awaiting the final signed version of the financial statements. Once received we will undertake our final closure procedures including a review of the management representation letter and post balance sheet events.	This will be completed at the point we are ready to issue our audit opinion

Internal Control Recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

Description of deficiency – Related Party Transactions – Level 3

There were 2 officer and 1 member declarations that were not completed.

Potential effects

There could be undisclosed related party transactions.

Recommendation

Officers and members should return their declaration of interest forms as soon as possible to avoid delays in accounts preparation and audit.

Management comments

Every effort is made to obtain a 100% return of related party transactions declarations however despite repeated requests 3 individuals failed to submit a return. Two of the individuals were members of staff, one who retired six days into the financial year in April 2022 and the other is absent on long term sick. The third individual was an elected member who resigned from the Fire Authority on 24 November 2022. All three individuals submitted a Nil response in prior years.

Status of our audit work

At the time of preparing this update letter, we anticipate being able to issue an unqualified audit opinion, without modification, on the financial statements. We plan to issue our opinion when the financial statements have been approved by the Audit and Finance Committee.

At the time of preparing this update letter, the following matters remains outstanding, which as we have explained will be reported at a later date:

Audit area	Status	Description of outstanding matters
Value for money commentary	●	We have completed our work in respect of the Authority's value for money arrangements for the year ended 31 March 2023 and we have not identified any significant weaknesses and recommendations. We will issue the Auditor's Annual Report as soon as possible after issuing the audit opinion.
WGA	●	We are unable to report on the 2022/23 WGA return until we have issued our audit opinion. We will report as soon as we can after issuing our audit opinion, but we expect another delay before we can issue our audit certificate to close the audit, as we await NAO confirmation that the Authority has not been selected as a sampled component..

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Our draft Audit Report is shown in Appendix 2. This highlights in red any changes from the previous version included in our Audit Completion Report.

We will inform the Audit and Finance Committee of any further matters when we have completed the Auditors Annual Report and the whole of government accounts formally closing the audit of County Durham and Darlington Fire and Rescue Authority.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully

Gavin Barker

Gavin Barker
Director



APPENDIX 1 SUMMARY OF MISSTATEMENTS

(Changes since we issued our Audit Completion Report are highlighted in red.)

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension liability			80	
	Cr: Pension reserve				-80
	Dr: Movement in reserves statements	80			
	Cr: Re-measurement of the net defined pension liability		-80		
<p>As part of our review of the Pension Fund Auditor's letter, we noted an increase in net assets total totalling £10.4m following an audit adjustment. We have extrapolated the Authority's share, totalling £0.08m based on the Authority's share of overall fund assets. Management has determined not to amend the financial statements because this adjustment is not material.</p>					
1	Dr: Revaluation reserve			130	
	Cr: PPE Land and buildings				-130
<p>Overstatement of land and buildings in the financial statements due to an incorrect BCIS indices being used in the revaluation. Management has determined not to amend the financial statements because this adjustment is not material.</p>					
Total unadjusted misstatements		80	-80	210	-210

Adjusted misstatements

There is one adjusted misstatement in the financial statements.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Cr: Pension liability				-5,500
	Dr: Unusable reserves – pension reserve			5,500	
	Cr: Movement in reserves statements		-5,500		
	Dr: Re-measurement of the net defined pension liability	5,500			
<p>The original Firefighters Government Actuary’s Department Report did not make an allowance for known CPI increases between September 2022 and March 2023. This results in an increase in the overall pension liability of £5.5m as set out above. As this is material, management has adjusted in the financial statements and related notes.</p>					
Total adjusted misstatements		5,500	-5,500	5,500	-5,500

Disclosure Amendments

Expenditure and funding analysis: Some minor amendments to the presentation of the note to reflect the movements in reserves.

Note 8.17 Pensions: There were a number of minor changes to assumptions for the local government pension scheme (funded and unfunded):

- Rate of inflation CPI was 2.6% now 2.7%
- Rate of increase in salaries was 3.6% now 3.7%
- Rate of increase in pensions was 2.6% now 2.7%
- Rate of discount was 4.5% now 4.7%

Unadjusted disclosure error

As part of our review of the work of the Pension Fund Auditor, we noted the following unadjusted disclosure error: The transfer out value per the Pension Fund auditor's letter to us is 656k. The figures in the Council's Actuary's report (based on 10 months' cash flow data) is annualised at £259k, resulting in a difference of £397k. We understand there was an increase in transfers out near the end of the financial year which has led to the actual figure being higher than the Actuary's estimate. Transfers out form part of the Actuary's calculation of the benefits paid figure, which is included in both the pension asset and defined benefit obligation so there is no overall impact on the net liability on the balance sheet. The benefits paid figure is included in the analysis of the pension asset and defined benefit obligation disclosed in Note 8.17 within the financial statements.

Independent auditor’s report to the members of County Durham and Darlington Fire and Rescue Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of County Durham and Darlington Fire and Rescue Authority (the Authority) and its subsidiaries (the Group) for the year ended 31 March 2023, which comprise the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement, Authority Movement in Reserves Statement, Authority Comprehensive Income and Expenditure Statement, Authority Balance Sheet, Authority Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2023 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or



collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Finance Committee, as to whether the Authority is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

We evaluated the Treasurer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Finance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Finance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.



A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of County Durham and Darlington Fire and Rescue Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state



to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed

- the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

Gavin Barker
Director
For and on behalf of Mazars LLP

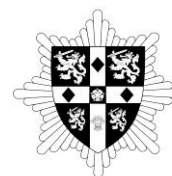
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DATE (TBC)

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Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



AUDIT & FINANCE COMMITTEE

23 JANUARY 2024

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2023

REPORT OF TREASURER

Purpose of the Report

1. The purpose of this report is to seek Members' approval of the attached Statement of Accounts for County Durham and Darlington Fire and Rescue Authority, for the financial year ended 31 March 2023.

Background

2. The '*Accounts and Audit Regulations 2003*', as amended, set out the requirements for the production and publication of the annual Statement of Accounts. To comply with the Regulations, the Statement of Accounts must be approved by the Treasurer on or before 31 May 2023. The audited Statement must then be approved by members of the Audit Committee on or before 30 November 2023.
3. At previous meetings of the Committee, the auditor explained the challenges that they are facing due to a backlog of work and resource difficulties which reflect the significant challenges in the local audit sector and are being experienced nationally by all audit firms within the local audit regime. The audit work has now been completed and the auditor's report is incorporated into the attached Statement of Accounts.
4. During the audit, working in collaboration with the auditor several improvements and amendments have been identified which have been included in the Statement of Accounts presented today.

Statement of Accounts

5. The Statement of Accounts has been prepared in accordance with the requirements of the '*Code of Practice on Local Authority Accounting in the United Kingdom 2021/22*' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the '*Accounts and Audit Regulations 2003*', as amended. CIPFA's Code of Practice is based upon International Financial Reporting Standards (IFRS).
6. The Narrative Report explains the purpose of the financial statements and provides a summary of the Authority's financial activities during 2022/23 and the financial position as

at 31 March 2023. It focusses on matters of relevance to the principal users of the accounts and provides a forward look on issues likely to have an impact in the future.

7. There are four core statements which provide fundamental information on the financial activities and position of the Fire and Rescue Authority, namely the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow Statement. These financial statements are grouped together followed by notes to the core statements and the Pension Fund Account.
8. The Statement of Accounts also includes the Group Financial Statements consolidating the performance and balances of Vital Fire Solutions Limited and County Durham and Darlington Fire and Rescue Service CIC. The preparation of Group Financial Statements eliminates the requirement for separate audits of the two companies.
9. The Statement of Accounts contains a great deal of detailed financial information. To assist in reading and interpreting the contents, Appendix A briefly explains the purpose of each section of the document.

Outturn Position

10. The total net revenue expenditure for 2022/23 was £30.202M which was in line with the original budget. Further information on the outturn position is set out in the separate outturn report which was presented to the last meeting of the Committee on 30 November 2023.

Reserves

11. The Authority's useable reserves totalled £5.507M on 31 March 2022, comprising of a general reserve of £1.605M (5% of net revenue expenditure) and earmarked reserves of £3.902M.

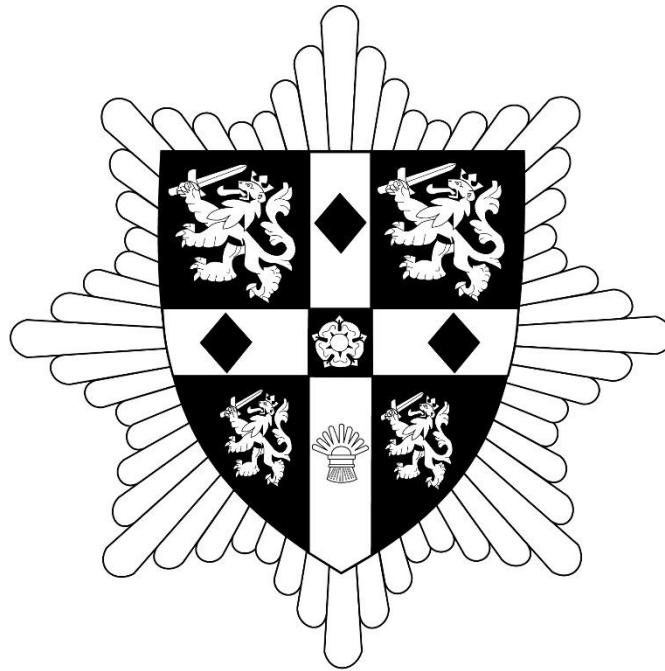
Recommendation

12. Members are recommended to **approve** the Statement of Accounts for County Durham and Darlington Fire and Rescue Authority for the financial year ended 31 March 2023.

STATEMENT OF ACCOUNTS – EXPLANATION

Item	Pages	Explanation of Purpose and Content
Narrative Report	2-11	Summary of the most significant matters reported in the accounts and the overall financial position of the Fire Authority.
Independent Auditors' Report	12-15	On completion of the audit this sets out the auditor's comments.
Statement of Responsibilities for the Statement of Accounts	16	Sets out the responsibilities of the Authority and the Treasurer and includes the Treasurer's certificate.
Group Accounts	17-22	Consolidates the performance and balances of the two subsidiary companies - Vital Fire Solutions and the CIC into the statements of the Authority.
Movement in Reserves Statement	23-24	Summarises the movement on different reserves held by the Authority in the year.
Comprehensive Income and Expenditure Statement	25	Discloses the income receivable and expenditure incurred in operating the Authority for the year.
Balance Sheet	26	Sets out the financial position of the Authority as at 31st March 2023.
Cash Flow Statement	27	Summarises the inflows and outflow of cash and cash equivalents arising from transactions with other parties for revenue and capital purposes.
Notes to the Core Financial Statements	28-90	Provides further information on significant items in the Core Financial Statements as required by the Code.
Pension Fund Account	91-92	Sets out the financial position of the Fire Pension Fund.

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County Durham and Darlington **Fire and Rescue Authority**

Statement of Accounts for the year ended 31st March 2023

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NARRATIVE REPORT

1. Message from Anthony Hope CPFA – Treasurer to County Durham and Darlington Fire and Rescue Authority.

County Durham and Darlington Fire and Rescue Authority remains committed to protecting front line services to the public.

To set a balanced budget for next year (2023/24) it was necessary to draw £571,000 from reserves which is clearly unsustainable on an on-going basis. Work is continuing through the Emergency Response Review to identify further savings options to assist in balancing the budget in future years.

This document (the “Statement of Accounts”) presents the published accounts for County Durham and Darlington Fire and Rescue Authority (referred to as the “Authority” throughout this document) for the year ended 31st March 2023.

It is my intention to provide the readers of these accounts with information about the money that the Authority has received and spent during the financial year, that it has been accounted for properly, that the financial standing of the Authority continues to be secure and that the service delivered by the Authority continues to always meet the principles of value for money.

The presentation of the accounts has been designed to assist readers in understanding and interpreting the financial statements, which follow accounting standards and are, by their nature, complex in some areas.

I would like to take this opportunity to thank officers of the Fire and Rescue Authority, Durham County Council and Darlington Borough Council, who have co-operated to produce this Statement of Accounts.

I hope that this document proves to be both informative and of interest to readers. The Authority is keen to improve both the quality and suitability of the information provided, so your feedback would be welcome. If you have any suggestions or comments on either the format of the report or its contents, or if you would like any further information, please contact my office:

Telephone	0191 375 5554
E-mail	PA@ddfir.gov.uk
Write to:	The Treasurer County Durham and Darlington Fire and Rescue Authority Fire and Rescue Service Headquarters Belmont Business Park Durham DH1 1TW

**Anthony Hope CPFA
Treasurer to County Durham and Darlington Fire and Rescue Authority**

2. Introduction

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the Authority, employees, and other interested parties clear information about the finances of the Authority. It is important in demonstrating the

NARRATIVE REPORT

stewardship of public money and shows the resources available and how they have been used to deliver services.

The purpose of this Narrative Report is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the Authority's financial activities during 2022/23 and its financial position at 31 March 2023. This report focuses on the matters that are of relevance to the principal users of the accounts. In addition to complementing and supplementing the information provided in the accounts, it also provides a forward look at the issues that have affected the development, performance, and position of the Authority during the financial year, which are likely to have an impact in the future.

The Narrative Report includes:

1. Message from the Treasurer
2. Introduction
3. Background to County Durham and Darlington Fire and Rescue Authority
4. Financial Performance 2022/23
5. Non-Financial Performance 2022/23
6. Operating Environment and Future Plans
7. COVID-19 Pandemic
8. Going Concern
9. Statement of Accounts

3. Background to County Durham and Darlington Fire and Rescue Authority

The Authority was established as a separate corporate body covering the County of Durham and Darlington Borough under the provisions of the Durham Fire Services (Combination Scheme) Order 1996. The Authority comprises members appointed by Durham County Council and Darlington Borough Council. With effect from 1 April 2004, the Fire and Rescue Authority became a precepting authority as defined under the Local Government Finance Act 1992.

4. Financial Performance 2022/23

Review of the Financial Year

The Authority's spending is planned and controlled by a rigorous budget and financial management process. The Authority received resources direct from the Government in the form of Revenue Support Grant and Non-Domestic Rates, with the balance of funding coming from precepts on billing authorities for amounts chargeable to local taxpayers. During 2022/23, the Authority's net revenue expenditure, which was met from the above sources, was £30.108m, while spending on capital projects totalled £0.956m.

The Authority's general reserve balance, which represents the sum set aside to meet unforeseen future circumstances, was £1.605m at 31 March 2023. This equates to 5% of the 2023/24 net expenditure budget and is in line with the Authority's policy on reserves to maintain a general reserve of 5% of net expenditure.

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Financial performance against the approved budget is reported to elected members on a quarterly basis throughout the year. Further information on the Authority's financial performance is available on our website: www.ddfire.gov.uk.

Revenue Income and Expenditure

The estimated net revenue expenditure for 2022/23, to be met from Government Grants and local taxpayers, was approved at £30.202m.

The following table summarises the actual revenue financial position for the year in comparison with the budget:

Budget Heading	Original Budget £000	Actual £000	Variance £000	Variance %
<u>Expenditure</u>				
Employees	25,929	26,703	774	2.98
Premises	2,957	2,890	-67	-2.27
Transport	609	776	167	27.42
Supplies & Services	4,421	3,854	-567	-12.83
Contingencies	168	-	-168	-100.00
Capital Financing	1,600	2,339	739	46.19
Provisions & write-offs	-	178	178	100.00
Transfers to Reserves	-	43	43	100.00
Total Expenditure	35,684	36,783	1,099	3.08
<u>Income</u>				
Government Grants	-4,276	-4,991	-715	-16.70
Other Income	-611	-1,304	-693	-113.62
Transfers from Earmarked Reserves	-595	-381	214	35.97
Total Income	-5,482	-6,676	-1,194	-21.74
Net Expenditure	30,202	30,107	-95	-0.31
Taxation and Non-Specific Grants Income	-30,202	-30,202	-	0.00
Outturn	-	-95	-95	

NARRATIVE REPORT

An explanation of the major variances is provided in the table below:

	Over spend / Under spend (-) £m	Over spend / Under spend (-) %	Explanation for major variances
Employees	774	2.98	The budget included an allowance for a pay award to all staff groups of 2%. Corporate staff accepted a flat rate pay award of £1,925 on all pay points which equates to an average of 5%. A revised pay offer of 7% from July 2022 was accepted by firefighters. The increased cost of the pay awards was partially offset by savings from the removal of several corporate staff posts together with savings from the restructure of the Senior Leadership Team.
Premises	-67	-2.27	Expenditure on premises was less than anticipated because of cost saving initiatives to offset increased utility costs.
Transport	167	27.42	Due to the impact of inflation, there has been an increase in vehicle running costs and insurance costs, offset by a reduction in staff travel costs.
Supplies & Services	-567	-12.83	Several supplies and services budget heads underspent because of initiatives to reduce cost together with strict control of non-essential items of expenditure.
Contingencies	-168	-100.00	The contingencies budget includes an allowance for inflation and pay awards which has helped offset the increased costs within other headings
Capital Financing	739	46.19	A contribution was made from revenue to finance capital expenditure which was not anticipated in the original budget.
Provisions & write-offs	178	100.00	An additional provision for insurance claims and non-domestic rates appeals was made during the year.
Transfers to Reserves	43	100.00	Unspent contributions and grant received during the year have been transferred to earmarked reserves to fund future activity.
Government Grants	-715	16.70	Additional grant income was received for headquarters and business rates which was not included in the original budget.
Other Income	-693	113.62	The increase in other income was due to work carried out for third parties, the contribution to the service from Vital Fire Solutions for work carried out by service employees, additional investment income and additional income from training.
Contributions from Reserves	214	-35.97	Transfers were made from reserves to meet the costs of projects and activity undertaken during the year and to finance capital expenditure.
Taxation and Non-Specific Grants Income	-	0.00	Funding received was as expected in the original budget.
Total	-95		

Capital Expenditure

The Authority approved a capital programme for 2022/23 of £3.116m. The actual capital expenditure for the year was £0.956m; £2.160m less than the original budget. The following table analyses the expenditure:

NARRATIVE REPORT

Project	Original Budget £m	Actual £m	Variance £m
Vehicles, Plant & Equipment	2.116	0.510	-1.606
Land & Buildings	1.000	0.446	-0.554
Total Expenditure	3.116	0.956	-2.160

The variances are set out in the table below:

	Over spend / Under spend (-) £m	Over spend / Under spend (-) %	Explanation for major variances
Vehicles, Plant & Equipment	-1.606	-75.90	The underspend was due to changes to the planned timing of the replacement of some items of vehicles, plant and equipment.
Land & Buildings	-0.554	-55.40	The underspend was due to a delayed start to the refurbishment of Wheatley Hill fire station.
Total	-2.160	-69.32	

Capital expenditure was financed by revenue contributions, external borrowing and capital receipts.

The Authority's Capital Financing Requirement was £12.172m at 31 March 2023. Further details are set out in Note 8.5 to the accounts.

Future Capital Commitments

The capital programme includes provision for improvements to premises and ICT, vehicles, plant and operational equipment will continue to be renewed in accordance with agreed replacement programmes.

Current Borrowing Facilities and Capital Borrowing Provision

The Budget Report, incorporating Prudential Indicators and the Treasury Management Strategy, submitted to the Authority meeting on 16 February 2022, detailed the 2022/23 borrowing limits for the Authority.

The specific borrowing limits, set under the requirements of the Prudential Code, were as follows:

- Authorised Limit for External Debt for 2022/23 of £17.367m
- Operational Boundary for External Debt for 2022/23 of £15.788m

Pension Liability

The Authority's accounts are compliant with International Accounting Standard 19 (IAS19) which is based on the principle that an organisation should account for retirement benefits

NARRATIVE REPORT

when it is committed to giving them, even if the actual payment of those benefits will be many years into the future.

The net overall impact of IAS19 accounting entries is neutral in the accounts. However, the overall financial position is in effect being distorted by future years' pension deficits. The fact that all pension costs would never be incurred in one year (as implied by IAS19) means the Balance Sheet Net Worth is effectively being distorted by this reporting standard. If this element is removed, then the Authority has a "real" net worth of £38.864m. The Authority also has assets worth £55.628m and cash backed reserves of £5.507m, which support the view that the Authority's Balance Sheet and finance are in fact healthier than implied by the published accounts.

Further details of the impact of IAS19 are set out in note 8.17 to the accounts.

5. Non- Financial Performance 2022/23

Performance is monitored by management on an on-going basis and considered in detail by elected members at the end of each quarter. A comprehensive suite of performance indicators (PI's) is used to measure both operational and corporate performance and targets are set with the aim of achieving continuous improvement. During 2022/23, 43% of the strategic PI's met or exceeded their target level and 61% either maintained or improved when compared to the previous year's performance.

Information on current performance is reported to the Fire Authority on a quarterly basis and further information is available on our website: www.ddfire.gov.uk.

6. Operating Environment and Future Plans

Looking ahead, the Authority's revenue expenditure for 2023/24 is estimated at £32.101m, together with a capital programme of £3.708m.

As there is a great deal of uncertainty surrounding the level of inflation, pay awards and funding going forward, four alternative medium-term financial plan scenarios have been modelled to reflect the impact of changes to assumptions on the Authority's financial position. The Authority has set a balanced budget for the forthcoming financial year (2023/24) however this required an estimated drawing of £571,000 from reserves. There is a need to identify further savings during the period 2024/25 to 2026/27 and work is ongoing through the Emergency Response Review to identify further savings options to assist in balancing the budget in future years.

The main priority of the Authority continues to be the protection of front-line services to the public. Over the medium term, this needs to be balanced with the need for the Authority to reduce expenditure.

The Policing and Crime Act has significant implications for Fire and Rescue Authorities. The Act requires fire, police and ambulance services to collaborate, where the proposed collaboration would be in the interests of their own efficiency and effectiveness and one or more of the other services take the same view. The legislation also makes provision for a Police and Crime Commissioner (PCC) to take responsibility for the fire and rescue service in their area.

NARRATIVE REPORT

A White Paper on fire reform was published for consultation in May 2022 however we are still awaiting the outcome of the consultation and the governments proposed response. The proposals for reform suggest that in County Durham and Darlington, fire governance could be mandated to transfer to the Police and Crime Commissioner. Close monitoring over the coming months will help the service understand more about the White Paper and potential impact which will allow for appropriate mitigating strategies and communications to be prepared in advance.

County Durham and Darlington Fire and Rescue Service has an excellent track record of collaboration and has in the past secured government funding to progress several innovative collaboration projects. This included funding for the building of a new quad station at Barnard Castle which provides a joint facility for the Fire, Police, Ambulance and Mountain Rescue Services.

Going forward, the service will continue to work collaboratively with partners to secure further efficiencies to assist in protecting front line service provision.

7. Going Concern

Each year, the Authority assesses whether it should be considered a “Going Concern”, and whether the accounts should be prepared on that basis. This assessment covers the period of at least 12 months from the date of authorisation of approval of accounts.

The Code requires that a local authority’s Statement of Accounts is prepared on a Going Concern basis; that is the accounts should be prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

In assessing its ability to continue as a Going Concern, an organisation must consider its financial performance. This should consider factors relating to historical, current and future performance.

The future plans of the Authority are set out in Section 6 and demonstrate that:

- the Authority has set a balanced budget for 2023/24 and has a plan in place to continue to deliver local services until at least 2024. On this basis, it is apparent that the Authority remains a Going Concern.
- the Authority has demonstrated robust financial management through the level of reserves it holds. This underpins its Going Concern status.
- throughout the process for the Medium-Term Financial Plan, no risks were identified which would indicate that the Authority cannot continue as a Going Concern.

Based on the assessment undertaken and reported to those charges with governance of the Authority:

- the Authority has a history of financial stability and ready access to financial resources in the future.
- there are no significant financial, operating, or other risks that would threaten the continuing operation of the Authority.

On this basis, the Authority is a Going Concern, and it is appropriate for the Statement of Accounts to be prepared on that basis.

NARRATIVE REPORT

8. Statement of Accounts

The Statement of Accounts for the financial year 2022/23 is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code) 2022/23.

The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the CIPFA/ LASAAC Code Board which is overseen by the Financial Reporting Advisory Board.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The Code has been prepared based on accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2022. This is with the exception of IFRS 16 Leases, which has been deferred to the 2024/25 Code.

This edition of the Code applies for accounting periods commencing on or after 1 April 2022. It supersedes the edition published on 1st April 2021 (the 2021/22 Code).

The overriding requirement of the Code remains that the Statement of Accounts gives a 'true and fair' view of the financial position and transactions of the Authority.

The Statement of Accounts for the year ended 31 March 2023 include the following:

- **Independent Auditor's Report**

The report of the independent, external auditor on the Fire Authority's Statement of Accounts.

- **Statement of Responsibilities for the Statement of Accounts**

This sets out the responsibilities of the Authority and the Treasurer and includes the Treasurer's certificate.

- **Group Accounts**

The Group Financial Statements consolidate the performance and balances that relate to the Authority's subsidiary companies (County Durham and Darlington Fire and Rescue Community Interest Company and Vital Fire Solutions Limited) into the Authority's Statements. This allows the full picture of the Group activities to be presented.

- **Movement in Reserves Statement**

This statement shows the movement in the year on the various reserves held by the Authority. This is analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves". The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing services; more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the

NARRATIVE REPORT

General Fund for the purposes of council tax setting. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from Earmarked Reserves are made.

- **Comprehensive Income and Expenditure Statement**

This discloses the income receivable and expenditure incurred in operating the Authority for the year. This is the accounting cost of providing services in accordance with accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is reflected in the Movement in Reserves Statement.

- **Balance Sheet**

This shows the financial position of the Authority at the year end. The net assets of the Authority (assets less liabilities) are matched by the Reserves held. Reserves are reported under two categories:

Usable Reserves - those reserves which may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

Unusable Reserves – those reserves which cannot be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold. It also includes reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

- **Cash Flow Statement**

This summarises the inflows and outflows of cash arising from the transactions with other parties for revenue and capital purposes. It 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 from taxation and grant income or from the receipts from services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the future service delivery of the Authority. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of capital (i.e., borrowing) to the Authority.

- **Notes to the Accounts**

The notes to the accounts are fundamentally important in the presentation of a true and fair view. They aim to assist understanding and have three significant roles:

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used;

NARRATIVE REPORT

- disclosing information required by the Code that is not presented elsewhere in the financial statements;
 - providing information that is not provided elsewhere in the financial statements but is relevant to the understanding of them. This applies to information that is material in a qualitative rather than quantitative sense (for example transactions with Related Parties).
- **Pension Fund Account**

This sets out the financial position of the Fire Pension Fund at the year end and the expenditure and income throughout the financial year. Notes providing additional information follow the accounts.
 - **Glossary of Terms**

A glossary of financial terms is provided to assist the reader's understanding.

If you require this information summarised in other languages or formats, such as Braille, large print or talking tapes, contact: 0191 375 5554

"إذا كنت بحاجة إلى تلقي خلاصة هذه المعلومات في اللغة العربية فيرجى الاتصال بالرقم 0191 375 5554"

如果你想得到廣東話的資訊，請致電 0191 375 5554

যদি আপনি বাংলায় এই তথ্যগুলির একটি সারসংক্ষেপ চান তবে অনুগ্রহ করে 0191 375 5554 নম্বরে ফোন করুন।

यदि आप इस सूचना का सार हिन्दी में चाहते हैं, तो कृपया 0191 375 5554 पर फोन करें।

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of County Durham and Darlington Fire and Rescue Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of County Durham and Darlington Fire and Rescue Authority (the Authority) and its subsidiaries (the Group) for the year ended 31 March 2023, which comprise the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement, Authority Movement in Reserves Statement, Authority Comprehensive Income and Expenditure Statement, Authority Balance Sheet, Authority Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2023 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the

INDEPENDENT AUDITOR'S REPORT

Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Finance Committee, as to whether the Authority is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

We evaluated the Treasurer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Finance Committee on whether they had knowledge of any actual, suspected or alleged fraud.
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Finance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception.

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of County Durham and Darlington Fire and Rescue Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed

- the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

Gavin Barker
Director
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the Fire and Rescue Authority that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in UK 2022/23.

In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Treasurer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer's Certificate

I certify that these accounts present a true and fair view of the financial position of the Authority as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Anthony Hope CPFA
Treasurer to County Durham and Darlington Fire and Rescue Authority

Date 23/01/2024

Chair's Certificate

I can confirm that these accounts were approved by the Authority at a meeting on 23rd January 2024.

Chair of the meeting approving the accounts

Date 23/01/2024

GROUP ACCOUNTS

INTRODUCTION

County Durham and Darlington Fire and Rescue Community Interest Company was incorporated in 2013/14 and commenced trading during 2014/15.

Vital Fire Solutions Limited was incorporated in 2015/16, and the Authority purchased £15,000 of share capital.

County Durham and Darlington Fire and Rescue Service Community Interest Company and Vital Fire Solutions Limited are both 100% owned subsidiaries of County Durham and Darlington Fire and Rescue Authority. The Directors of both companies are also senior managers and members of the Authority. The Authority does not have any associates.

The Group Financial Statements consolidate the performance and balances that relate to the two companies into the statements of County Durham and Darlington Fire and Rescue Authority, which allows the full picture of the activities of the group to be presented.

The Group Financial Statements include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

The group financial statements are presented in accordance with International Financial Reporting Standards (IFRS). The financial statements of both companies are presented under FRS102; their accounts have been restated to comply with IFRS.

GROUP ACCOUNTS

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the Authority's single entity usable and unusable reserves, and the Authority's share of the Group Reserves.

	(a) General Fund Balance £000	(b) Earmarked Reserves £000	(c) Capital Receipts Unapplied £000	(d) Total Usable Reserves £000	(e) Unusable Reserves £000	(f) Total Authority Reserves £000	(g) Authority's Share of Subsidiary Reserves £000	Total Group Reserves £000
Balance at 31 March 2021	1,459	6,236	-	7,695	-408,737	-401,042	-1	-401,043
Movement in reserves 2021/22								
Surplus/Deficit (-) on provision of services	-14,450	-	-	-14,450	-	-14,450	-	-14,450
Other Comprehensive Expenditure and Income	-	-	-	-	11,777	11,777	-	11,777
Total Comprehensive Expenditure and Income	-14,450	-	-	-14,450	11,777	-2,673	-	-2,673
Adjustments between accounting basis and funding under regulations	12,505	-	-	12,505	-12,505	-	-	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	-1,945	-	-	-1,945	-728	-2,673	-	-2,673
Transfers to (-) / from Earmarked Reserves	1,996	-1,996	-	-	-	-	-	-
Increase/Decrease (-) in year	51	-1,996	-	-1,945	-728	-2,673	-	-2,673
Balance at 31 March 2022	1,510	4,240	-	5,750	-409,465	-403,715	-1	-403,716
Movement in reserves 2022/23								
Surplus/Deficit (-) on provision of services	-14,798	-	-	-14,798	-	-14,798	-3	-14,801
Other Comprehensive Expenditure and Income	-	-	-	-	139,906	139,906	-	139,906
Total Comprehensive Expenditure and Income	-14,798	-	-	-14,798	139,906	125,108	-3	125,105
Adjustments between accounting basis and funding under regulations	14,555	-	-	14,555	-14,555	-	-	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	-243	-	-	-243	125,351	125,108	-3	125,105
Transfers to (-) / from Earmarked Reserves	338	-338	-	-	-	-	-	-
Increase/Decrease (-) in year	95	-338	-	-243	125,351	125,108	-3	125,105
Balance at 31 March 2023	1,605	3,902	-	5,507	-284,114	-278,607	-4	-278,611

GROUP ACCOUNTS

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis.

2021/22 Gross Expenditure £000	2021/22 Income £000	2021/22 Net Expenditure £000	Gross Expenditure, Gross Income and Net Expenditure on continuing operations	2022/23 Gross Expenditure £000	2022/23 Income £000	2022/23 Net Expenditure £000
31,299	-	31,299	Employees	29,793	-	29,793
2,907	-	2,907	Premises	2,905	-	2,905
665	-	665	Transport	781	-	781
4,079	-	4,079	Supplies & Services	4,102	-	4,102
53	-	53	Provisions	178	-	178
1,591	-	1,591	Capital Financing	1,612	-	1,612
-	-4,576	-4,576	Income	-	-5,054	-5,054
40,594	-4,576	36,018	Net Cost of Service	39,371	-5,054	34,317
			Other Operating Income & Expenditure			
-	-	-	Gain (-) / Loss on disposal of non-current assets: Property, Plant & Equipment	100	-	100
-	-	-		100	-	100
			Financing and Investment Income & Expenditure			
41	-	41	Interest payable - debt	115	-	115
723	-	723	Interest payable on PFI	697	-	697
134	-	134	Contingent Rents – PFI	189	-	189
8,672	-	8,672	Net interest on the defined benefit liability	11,609	-	11,609
-	-3	-3	Investment interest income	-	-179	-179
9,570	-3	9,567		12,610	-179	12,431
			Taxation & Non-specific Grants Income			
		-101	Recognised capital grants & contributions			-19
		-18,842	Precepts			-19,502
		-7,610	NNDR			-7,015
		-1,083	Non-Ring-fenced Government Grants			-1,905
		-3,499	RSG			-3,606
		-31,135				-32,047
		14,450	Surplus (-) / Deficit on Provision of Services			14,801
		-7,664	Re-measurements of the net defined benefit liability			-137,774
		-4,113	Deficit (-)/Surplus on revaluation of Property, Plant & Equipment			-2,132
		-11,777	Other Comprehensive Income and Expenditure			-139,906
		2,673	Total Comprehensive Income and Expenditure			-125,105

GROUP ACCOUNTS

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

As at 31 March 2022 £000	£000		As at 31 March 2023 £000	£000
70		Intangible Assets	-	
		Property, Plant & Equipment		
38,117		Land & Buildings	39,139	
6,626		Vehicle, Plant, Furniture & Equipment	6,000	
23		Surplus Assets	220	
-		Assets Under Construction	279	
-		Long-term Debtors	-	
	44,836	Total Long-term Assets		45,638
-		Assets Held for Sale	568	
685		Inventories	612	
4,345		Short-term Debtors	6,091	
1,470		Cash & Cash Equivalents	2,773	
	6,500	Total Current Assets		10,044
-23		Short-term Borrowing	-86	
-5,094		Short-term Creditors	-4,724	
	-5,117	Total Current Liabilities		-4,810
	46,219	Total Assets less Current Liabilities		50,872
-306		Provisions	-473	
-1,954		Long-term Borrowing	-4,886	
-6,235		Deferred Liability – PFI	-5,953	
-812		Other Deferred Liabilities	-700	
-440,628		Pension Liability (IAS19)	-317,471	
	-449,935	Total Long-term Liabilities		-329,513
	-403,716	Net Assets		-278,611
	5,749	Usable Reserves	5,503	
	-409,465	Unusable Reserves	-284,114	
	-403,716	Total Reserves		-278,611

GROUP ACCOUNTS

GROUP STATEMENT OF CASH FLOWS

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2021/22 £000	OPERATING ACTIVITIES	2022/23 £000
14,450	Net surplus (-) or deficit on the provision of services	14,801
-16,232	Adjustments to net surplus or deficit on the provision of services for non-cash movements	-14,361
121	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	26
-1,661	Net cash flows from operating activities	466
1,960	Investing Activities	930
260	Financing Activities	-2,699
559	Net increase (-) or decrease in cash and cash equivalents	-1,303
2,029	Cash and cash equivalents at the beginning of the reporting period	1,470
1,470	Cash and cash equivalents at the end of the reporting period	2,773

GROUP ACCOUNTS

NOTES TO THE GROUP ACCOUNTS

1. Group Accounting Policies

The Group Financial Statements have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2022/23 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies used in preparing the Group Accounts are largely those used by County Durham and Darlington Fire and Rescue Authority. To align the accounting policies of group entities with those used by the Authority and ensure consistency of accounting treatment across the group, the following policies have been adopted:

Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is a full line by line consolidation of the financial transactions and balances of the Authority and its subsidiaries. To avoid overstating the figures in the group financial statement, all transactions and balances between the members of the group have been eliminated.

International Financial Reporting Standards

The Authority produces its financial statements in accordance with IFRS. As the companies produce their financial statements in accordance with UK GAAP, their financial statements have been adjusted to reflect IFRS where any changes have a material effect on the presentation of the Group Financial Statements.

2. Officers' Remuneration

There is no remuneration for Directors of County Durham and Darlington Fire and Rescue Service Community Interest Company or Vital Fire Solutions Limited.

3. Audit Fees

Audit fees owing to additional work required for the audit of the group accounts are disclosed in Note 7.7.

Group Adjustments

The following transactions have been eliminated from the Group Financial Statements:

During 2022/23, County Durham and Darlington Fire and Rescue Authority supplied goods and services with a value of £989 to County Durham and Darlington Fire and Rescue Community Interest Company.

Goods and services with a value of £239,142 were supplied by County Durham and Darlington Fire and Rescue Authority to Vital Fire Solutions Limited during 2022/23. Vital Fire Solutions provided £2,000 of goods and services to the Authority.

These transactions have been eliminated from the Consolidated Income and Expenditure Statement in the Group Accounts. In addition, intra company debtors and creditors have been adjusted for in the Balance Sheet.

MOVEMENT IN RESERVES

MOVEMENT IN RESERVES STATEMENT

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'.

The Surplus/ Deficit (-) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting.

The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before discretionary transfers to or from Earmarked Reserves are undertaken by the Authority.

	(a) General Fund Balance £000	(b) Earmarked Reserves £000	(c) Capital Grants Unapplied £000	(d) Capital Receipts Unapplied £000	(e) Total Usable Reserves £000	(f) Unusable Reserves £000	(g) Total Authority Reserves £000
Balance at 31 March 2022	1,510	4,240	-	-	5,750	-409,465	-403,715
Surplus/Deficit (-) on provision of services	-14,798	-	-	-	-14,798	-	-14,798
Other Comprehensive Expenditure and Income	-	-	-	-	-	139,906	139,906
Total Comprehensive Expenditure and Income	-14,798	-	-	-	-14,798	139,906	125,108
Adjustments between accounting basis and funding under regulations (Note 6.1)	14,555	-	-	-	14,555	-14,555	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	-243	-	-	-	-243	125,351	125,108
Transfers to (-) / from Earmarked Reserves (Note 8.19)	338	-338	-	-	-	-	-
Increase/Decrease (-) in year	95	-338	-	-	-243	125,351	125,108
Balance at 31 March 2023	1,605	3,902	-	-	5,507	-284,114	-278,607

MOVEMENT IN RESERVES

Comparatives for 2021/22 are as follows:

	(a) General Fund Balance £000	(b) Earmarked Reserves £000	(c) Capital Grants Unapplied £000	(d) Capital Receipts Unapplied £000	(e) Total Usable Reserves £000	(f) Unusable Reserves £000	(g) Total Authority Reserves £000
Balance at 31 March 2021	1,459	6,236	-	-	7,695	-408,737	-401,042
Surplus/Deficit (-) on provision of services	-14,450	-	-	-	-14,450	-	-14,450
Other Comprehensive Expenditure and Income	-	-	-	-	-	11,777	11,777
Total Comprehensive Expenditure and Income	-14,450	-	-	-	-14,450	11,777	-2,673
Adjustments between accounting basis and funding under regulations (Note 6.1)	12,505	-	-	-	12,505	-12,505	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	-1,945	-	-	-	-1,945	-728	-2,673
Transfers to (-) / from Earmarked Reserves (Note 8.19)	1,996	-1,996	-	-	-	-	-
Increase/Decrease (-) in year	51	-1,996	-	-	-1,945	-728	-2,673
Balance at 31 March 2022	1,510	4,240	-	-	5,750	-409,465	-403,715

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The presentation of the Comprehensive Income and Expenditure Statement is based upon the organisational structure that reflects the way the business is managed and operated. For the Authority, this means that income and expenditure included in the net cost of services has been analysed across subjective headings.

2021/22 Gross Expenditure £000	2021/22 Income £000	2021/22 Net Expenditure £000	Gross Expenditure, Gross Income and Net Expenditure on continuing operations	2022/23 Gross Expenditure £000	2022/23 Income £000	2022/23 Net Expenditure £000
31,257	-	31,257	Employees	29,704	-	29,704
2,907	-	2,907	Premises	2,890	-	2,890
665	-	665	Transport	776	-	776
4,019	-	4,019	Supplies & Services	3,854	-	3,854
53	-	53	Provisions	178	-	178
1,591	-	1,591	Capital Financing	1,612	-	1,612
-	-4,474	-4,474	Income	-	-4,702	-4,702
40,492	-4,474	36,018	Net Cost of Service	39,014	-4,702	34,312
			Other Operating Income & Expenditure			
-	-	-	Gain (-) / Loss on disposal of non- current assets: Property, Plant & Equipment (Note 7.2)	100	-	100
-	-	-		100	-	100
			Financing and Investment Income & Expenditure			
41	-	41	Interest payable on debt	115	-	115
723	-	723	Interest payable on PFI	697	-	697
134	-	134	Contingent Rents – PFI	189	-	189
8,672	-	8,672	Net interest on the defined benefit liability	11,609	-	11,609
-	-3	-3	Investment interest income	-	-177	-177
9,570	-3	9,567		12,610	-177	12,433
			Taxation & Non-specific Grants Income			
		-101	Recognised capital grants and contributions			-19
		-18,842	Precepts (Note 7.12)			-19,502
		-7,610	NNDR			-7,015
		-1,083	Non-Ring-fenced Government Grants			-1,905
		-3,499	RSG			-3,606
		-31,135				-32,047
		14,450	Surplus (-) / Deficit on Provision of Services			14,798
		-7,664	Re-measurements of the net defined benefit liability (Note 8.21)			-137,774
		-4,113	Deficit (-)/Surplus on revaluation of Property, Plant & Equipment			-2,132
		-11,777	Other Comprehensive Income and Expenditure			-139,906
		2,673	Total Comprehensive Income and Expenditure			-125,108

BALANCE SHEET

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e., those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes:

- reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold;
- reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2022 £000	£000		As at 31 March 2023 £000	£000
70		Intangible Assets (Note 8.1)	-	
		Property, Plant & Equipment		
38,117		Land & Buildings (Note 8.2)	39,139	
6,626		Vehicle, Plant, Furniture & Equipment (Note 8.2)	6,000	
23		Surplus Assets (Note 8.2)	220	
-		Assets Under Construction (Note 8.3)	279	
15		Long-term Investments (Note 8.13)	15	
-		Long-term Debtors (Note 8.10)	-	
	44,851	Total Long-term Assets		45,653
-		Assets Held for Sale	568	
670		Inventories (Note 8.9)	599	
4,381		Short-term Debtors (Note 8.10)	6,101	
1,372		Cash & Cash Equivalents (Note 8.11)	2,707	
	6,423	Total Current Assets		9,975
-23		Short-term Borrowing (Note 8.12)	-86	
-5,031		Short-term Creditors (Note 8.12)	-4,666	
	-5,054	Total Current Liabilities		-4,752
	46,220	Total Assets less Current Liabilities		50,876
-306		Provisions (Note 8.14)	-473	
-1,954		Long-term Borrowing (Note 8.15)	-4,886	
-6,235		Deferred Liability – PFI (Note 8.15)	-5,953	
-812		Other Deferred Liabilities (Note 8.15)	-700	
-440,628		Pension Liability (IAS19) (Note 8.17)	-317,471	
	-449,935	Total Long-term Liabilities		-329,513
	-403,715	Net Assets		-278,607
5,750		Usable Reserves (Note 8.18)	5,507	
-409,465		Unusable Reserves (Note 8.18)	-284,114	
	-403,715	Total Reserves		-278,607

CASH FLOW STATEMENT

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2021/22 £000	OPERATING ACTIVITIES	2022/23 £000
14,450	Net surplus (-) or deficit on the provision of services	14,798
-16,246	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 9.1)	-14,390
121	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	26
-1,675	Net cash flows from operating activities	434
1,960	Investing Activities (Note 9.3)	930
260	Financing Activities (Note 9.4)	-2,699
545	Net increase (-) or decrease in cash and cash equivalents	-1,335
1,917	Cash and cash equivalents at the beginning of the reporting period	1,372
1,372	Cash and cash equivalents at the end of the reporting period (Note 8.11)	2,707

NOTES TO CORE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statements reflect the requirements of general accounting principles and concepts of:

- **Relevance** - the financial statements provide information about the Authority's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.
- **Reliability** - the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place are free from deliberate or systematic bias and material error and have been prudently prepared.
- **Comparability** - the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Fire Authorities.
- **Understandability** – the statements have been prepared to ensure they are as easy to understand as possible.
- **Materiality** - the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Authority.
- **Accruals** - other than the cash flow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.
- **Going Concern** - the financial statements have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.
- **Legality** - where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority. Consistent accounting policies have been applied both within

NOTES TO CORE FINANCIAL STATEMENTS

the year and between years. Where accounting policies are changed, this has been disclosed separately.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- a de-minimus level of £1,000 is set for the recognition of accruals;
- there is no accrual made for petty cash at the year end. This is because the value of petty cash transactions remains consistent and of low value month on month. The Authority ensures that 12 accounting periods are included within each financial year.
- Under International Financial Reporting Standard 15 (IFRS15) Revenue From Contracts with Customers, the Authority recognises revenue from any contracts with service recipients in the financial year in which the service is provided, in accordance with the performance obligations of the contract.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that

NOTES TO CORE FINANCIAL STATEMENTS

mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Charges to Revenue for Non-Current Assets

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- depreciation attributable to the assets used by the Authority;
- revaluation and impairment losses on assets used by the Authority where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible assets attributable to the Authority.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation, impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include benefits such as wages and salaries, paid annual leave and paid sick leave,

NOTES TO CORE FINANCIAL STATEMENTS

bonuses and non-monetary benefits for current employees. They are recognised as an expense in the year in which the employee renders service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by an employee but not taken before the year end. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable because of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Net Cost of Service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or making an offer to encourage voluntary redundancy.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Authority are members of four separate pension schemes:

- the 1992 Fire Pension Scheme for Firefighters which is unfunded;
- the 2006 Fire Pension Scheme for Firefighters (including the Retained Modified Scheme) which is unfunded;
- the 2015 Fire Pension Scheme for Firefighters which is unfunded;
- the Local Government Pension Scheme, administered by Durham County Council.

All four schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

Discretionary Benefits (Local Government Pension Scheme)

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities, estimated to arise as a result of an award to any member of staff, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

NOTES TO CORE FINANCIAL STATEMENTS

The Fire Pension Scheme for Firefighters

The Firefighter's Pension Scheme for fire officers is an unfunded defined benefit scheme administered by County Durham and Darlington Fire and Rescue Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Under the Firefighter's Pension Scheme Order 2006, if the amounts receivable by the pension fund for the year are less than amounts payable, the Fire Authority must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by Central Government. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority. This surplus is then repaid to Central Government.

The Local Government Pension Scheme

The Local Government Pension Scheme for support staff, administered by Durham County Council, is a funded defined benefit career average scheme, with any benefits earned up to 31 March 2014 continuing to be calculated on a final salary basis. This means that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Authority recognises the costs of retirement benefits in the Net Cost of Services section of the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

1.7 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes showing the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

NOTES TO CORE FINANCIAL STATEMENTS

1.8 Financial Instruments

The accounting treatment of Financial Instruments reflects the requirements resulting from the implementation of International Reporting Standard 9 (IFRS9) Financial Instruments.

Fair value measurements are based upon the following valuation techniques:

- Level 1 – the financial instrument has an active market, with quoted prices for similar instruments
- Level 2 - there is some directly observable market information, other than that available for Level 1 instruments
- Level 3 – no market information is available, so valuation requires significant judgement by management.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, or, in the case of creditors, when the goods or service have been received. Financial liabilities are de-recognised when the liability has been paid or otherwise discharged.

They are initially measured at fair value and are carried at their amortised cost.

For the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is the amount payable for the year to which it relates, according to the loan agreement.

Financial Assets

Financial assets are categorised according to the intention of use when the asset was purchased:

- Amortised Cost – held to collect contractual cash flows of principal and interest on specific dates;
- Fair Value Through Other Comprehensive Income – held to collect contractual cash flows and sell the financial asset on specified dates;
- Fair Value Through Profit or Loss – Achieve objectives other than to collect contractual cash flows.

The financial assets of the Authority are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, or, in the case of debtors, when the goods or services have been provided or delivered. Financial assets are derecognised when the contractual rights have expired, or the asset has been transferred. Loans and receivables are measured at amortised cost. Financial assets are reviewed and any expected losses are calculated annually for any assets with a significant credit risk. The

NOTES TO CORE FINANCIAL STATEMENTS

subsequent impairment / loss allowance, where material, is then treated according to the asset classification:

- Amortised Cost – assets are reduced by the value of the expected losses and reflected in their carrying amount;
- Fair Value Through Other Comprehensive Income - assets have their loss allowance recognised in the Financial Instruments Revaluation Reserve;
- Fair Value Through Profit or Loss – assets have their loss allowance recognised in the Surplus or Deficit on Provision of Services.

1.9 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.10 Property, Plant and Equipment

Assets that have physical substance and are held for use in production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

NOTES TO CORE FINANCIAL STATEMENTS

Recognition

Expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred. A de minimis level of £5,000 is in place for the recognition of Property, Plant and Equipment.

Measurement

Assets are initially measured at historic cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Property, Plant and Equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Property, Plant and Equipment are classified into the following groupings:

- Operational Assets Land and buildings
 Vehicles, plant and equipment

- Non-Operational Assets Assets under construction
 Surplus assets held for disposal
 Assets held for sale

Assets are then carried in the Balance Sheet using the following measurement bases:

- operational land and buildings and other operational assets at current value, determined as the amount that would be paid for the assets in its existing use;
- surplus assets held for disposal at current value, determined as the amount that would be paid for the assets for its highest and best use from a market participant's perspective and;
- assets under construction at depreciated historical cost until brought into commission.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as an estimate of current value.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains.

NOTES TO CORE FINANCIAL STATEMENTS

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) and;
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

An assessment is made at the year end to determine whether an asset may be impaired. If it may, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, the accounting entries are as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated balance);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where the impairment loss is reversed subsequently, the reversal is credited to the relevant line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provisions of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as an Asset Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or

NOTES TO CORE FINANCIAL STATEMENTS

revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, so netted off against the carrying value of the asset at the time of disposal. The written-off value of the disposal is appropriated to the Capital Adjustment Account in the Movement in Reserves Statement so as not to impact on Council Tax. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts from disposal of assets are categorised as Capital Receipts and credited to the Usable Capital Receipts Reserve to finance new capital investment.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Freehold land, assets with an estimated life in excess of 50 years and assets under construction are not depreciated.

Annual depreciation is calculated on a straight-line basis as valuation less residual value, divided by the estimated useful life of the asset. The useful lives of properties vary from 15 to 100 years; and that of vehicles, plant and equipment between 3 and 15 years. In rare cases, certain specialised equipment may be attributed a longer useful economic life.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.11 Donated Assets

Donated assets received by the Authority are recognised immediately on receipt at current value as Property, Plant and Equipment. The opposite entry to this transaction (i.e. the gain to the Authority on receipt of the asset) is recognised as income in the relevant service line in the Comprehensive Income and Expenditure Statement. The Code notes that the exception to this is to the extent that the Authority might not meet the conditions attached to the donated asset. In such circumstances, the income relating to the assets will need to be recognised in the Donated Asset Account. The income will subsequently be recognised in

NOTES TO CORE FINANCIAL STATEMENTS

the Comprehensive Income and Expenditure Statement when the Authority has satisfied the conditions of donation.

1.12 Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g., software licences) is capitalised when it will bring benefits to the Authority for more than one financial year.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

1.13 Basis of Valuation of Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value and include uniforms, operational equipment, catering stock, smoke alarms, furniture stock, stationery, oil, diesel and vehicle spares.

The cost of inventories is assigned using the weighted average costing formula.

1.14 Accounting for Leases – Authority as Lessee

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased assets. Charges are made on a straight-line basis over the term of the lease. Where the operating lease includes a rent-free period, the benefit is carried forward as a deferred liability to be released evenly over the life of the lease.

1.15 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the Authority's arrangements for accountability and financial performance.

1.16 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value, based on the cost to purchase the Property, Plant and Equipment, is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

NOTES TO CORE FINANCIAL STATEMENTS

The annual amounts payable to the PFI operators are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of 10.74% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease) and;
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, potential legal liabilities arising from claims.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

NOTES TO CORE FINANCIAL STATEMENTS

1.18 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Authority's policy for reserves is that the Authority will:

- set aside sufficient sums in Earmarked Reserves as it considers prudent to do so;
- aim to maintain General Reserves of 5% of the Net Expenditure; currently £1.605m

Earmarked reserves relating to Pensions, Modernisation, Community Safety, Resilience, Insurance, Training and Strategic Finance (Funding Pressures) were held as at 31 March 2023 together with a General Revenue Reserve.

1.19 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Where the Authority has received capital grants which have been applied to REFCUS, they have been accounted for as revenue grants in the Comprehensive Income and Expenditure Statement, even if described as capital grants by the giver of the grant.

Income is posted to the line(s) that the qualifying expenditure is charged to, in the Net Cost of Service.

Transactions are transparent in the note detailing the components of the Adjustments between Accounting Basis and Funding Basis under Regulations line in the Movement in Reserves Statement.

1.20 VAT

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

1.21 Group Accounts

The Authority has interests in subsidiary companies and therefore group accounts have been prepared. In the Authority's single entity accounts, the interests are recorded as financial assets at cost, less any provision for losses.

1.22 Council Tax Income

The Code requires that the Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund

NOTES TO CORE FINANCIAL STATEMENTS

Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes a Collection Fund Adjustment Account to reflect the Collection Fund relationship between the Authority and Billing Authorities. The offset to this account is included in debtors/creditors. Debtor and creditor accounts are also included in the Balance Sheet to reflect the amounts due from council taxpayers.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Authority is required to disclose the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted in the CIPFA Accountancy Code of Practice for the relevant financial year.

The standards that may be relevant for additional disclosures in respect of accounting changes that are introduced in the 2022/23 Code are:

- IFRS16 (Leases) only where an authority decides to adopt early in 2022/23.
- IAS 37 (Onerous Contracts) has been updated to specify that the costs of fulfilling a contract comprise the costs that relate directly to the contract.
- Amendments resulting from Annual Improvements to IFRS1 (First Time Adoption), IFRS 9 (Financial Instruments)

It is not anticipated that any of these amendments will have a material impact upon the information provided in the financial statements, but it will be dependent upon arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Authority has had to make certain judgements about uncertainty of future events.

There is a high degree of uncertainty about future levels of funding for fire authorities. However, it has been determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of the need to reduce levels of service provision.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

NOTES TO CORE FINANCIAL STATEMENTS

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4.1 Property, Plant and Equipment

Uncertainty

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

Effect if actual results differ from assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.

It is estimated that the annual depreciation charge for buildings would increase by approximately £0.025m for every year that useful lives had to be reduced.

4.2 Pension Liability

Uncertainty

Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions

The effects of changes in individual assumptions on the total pension liability can be measured.

Examples of how changes in assumptions would impact upon the Firefighters' pension liability are shown in the table below:

Change in assumption *	Increase in Liability %	Increase in Liability £m
Rate of return:		
in excess of earnings – reduction of 0.5% per annum	1.0	3
in excess of pensions – reduction of 0.5% per annum	6.5	20
Pensioner mortality		
pensioners living (on average) 1 year longer	2.5	7

* Opposite changes in assumptions would produce equal and opposite changes in the liability.

NOTES TO CORE FINANCIAL STATEMENTS

5 EXPENDITURE AND FUNDING ANALYSIS

5.1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22 Net Expenditure Chargeable to the General Fund £000	2021/22 Adjustments Between the Funding and Accounting Basis £000	2021/22 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2022/23 Net Expenditure Chargeable to the General Fund £000	2022/23 Adjustments Between the Funding and Accounting Basis £000	2022/23 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
25,792	5,465	31,257	Employees	26,702	3,002	29,704
2,907	-	2,907	Premises	2,890	-	2,890
-6-65	-	665	Transport	776	-	776
4,019	-	4,019	Supplies & Services	3,854	-	3,854
53	-	53	Provisions	178	-	178
2,630	-1,039	1,591	Capital Financing	1,338	274	1,612
-4,474	-	-4,474	Income	-4,702	-	-4,702
31,592	4,426	36,018	Net Cost of Services	31,036	3,276	34,312
-	-	-	Other Operating Income & Expenditure	-	100	100
895	8,672	9,567	Financing and Investment	824	11,609	12,433
-30,542	-593	-31,135	Income & expenditure	-31,617	-430	-32,047
			Taxation & Non-Specific Grants Income			
1,945	12,505	14,450	Surplus (-) or Deficit on Provision of Services	243	14,555	14,798
-1,459			Opening General Fund Balance	-1,510		
-51			Surplus on General Fund Balance in the year	-95		
-1,510			Closing General Fund Balance	-1,605		

5.2 Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to the Net Expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

- Adjustments for Capital Purposes

This column adjusts for depreciation, impairment and revaluation gains / losses in the Net Cost of Services line, along with the statutory charges for capital financing (minimum revenue provision and revenue contributions) as these are not chargeable under generally accepted accounting practices.

NOTES TO CORE FINANCIAL STATEMENTS

Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets are adjusted within other operating expenditure.

The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions, or for which conditions were satisfied in the year.

- **Net Change for the Pensions Adjustments**

This column includes the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income.

Within Net Cost of Services, this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

Within Financing and Investment Income and Expenditure, the net interest in the defined benefit liability is charged to the CIES.

- **Other Differences**

Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute are included in this column.

The Net Cost of Services line includes adjustments in respect of the accrual for compensated absences earned but not taken in the year, such as annual leave entitlement carried forward at the year end.

The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was anticipated to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTES TO CORE FINANCIAL STATEMENTS

2022/23 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Employees	-	3,008	-6	3,002
Premises	-	-	-	-
Transport	-	-	-	-
Supplies & Services	-	-	-	-
Provisions	-	-	-	-
Capital Financing Income	274	-	-	274
Net Cost of Services	274	3,008	-6	3,276
Other Operating Income & Expenditure	100	-	-	100
Financing and Investment Income & Expenditure	-	11,609	-	11,609
Taxation & Non-Specific Grants Income	-19	-	-411	-430
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	355	14,617	-417	14,555

The comparatives for 2021/22 are shown in the table below:

2021/22 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Employees	-	5,462	3	5,465
Premises	-	-	-	-
Transport	-	-	-	-
Supplies & Services	-	-	-	-
Provisions	-	-	-	-
Capital Financing Income	-1,039	-	-	-1,039
Net Cost of Services	-1,039	5,462	3	4,426
Other Operating Income & Expenditure	-	-	-	-
Financing and Investment Income & Expenditure	-	8,672	-	8,672
Taxation & Non-Specific Grants Income	-101	-	-492	-593
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-1,140	14,134	-489	12,505

NOTES TO CORE FINANCIAL STATEMENTS

6 MOVEMENT IN RESERVES STATEMENT

6.1 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2022/23	General Fund Balance (Usable Reserves) £000	Capital Receipts Reserve (Usable Reserves) £000	Capital Grants Unapplied (Usable Reserves) £000	Movement in Unusable Reserves £000
Charges for depreciation, impairment, and downward revaluations of non-current assets	-1,567			1,567
Amortisation of Intangible Assets	-44			44
Capital Grants and Contributions	19			-19
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-107			107
Use of Capital Receipts Reserve to finance new capital	7	-7		
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement		7		-7
Statutory provision for the financing of Capital Investment	407			-407
Capital expenditure charged against the General Fund	930			-930
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-19,887			19,887
Employer's pensions contributions and direct payments to pensioners payable in the year	5,270			-5,270
Adjustments by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	411			-411
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6			-6
Total Adjustments	-14,555	-	-	14,555

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2021/22 are as follows:

2021/22	General Fund Balance (Usable Reserves) £000	Capital Receipts Reserve (Usable Reserves) £000	Capital Grants Unapplied (Usable Reserves) £000	Movement in Unusable Reserves £000
Charges for depreciation, impairment, and downward revaluations of non-current assets	-1,527			1,527
Amortisation of Intangible Assets	-64			64
Capital Grants and Contributions	101			-101
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-20			20
Use of Capital Receipts Reserve to finance new capital	20	-20		
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement		20		-20
Statutory provision for the financing of Capital Investment	391			-391
Capital expenditure charged against the General Fund	2,239			-2,239
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-19,368			19,368
Employer's pensions contributions and direct payments to pensioners payable in the year	5,234			-5,234
Adjustments by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	492			-492
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-3			3
Total Adjustments	-12,505			12,505

7 COMPREHENSIVE INCOME AND EXPENDITURE

7.1 Non-Distributed Costs

Pension costs relating to past service are treated as non-distributed costs.

There are no exceptional items in 2022/23.

7.2 Gain / Loss on the Disposal of Property, Plant and Equipment

In accordance with the Code, any gain or loss on disposal of an asset is to be included in the Comprehensive Income and Expenditure Statement. The gain or loss is shown as a reconciling item in the Movement in Reserves Statement. The loss shown in the Comprehensive Income and Expenditure Account for 2022/23 amounts to £100,693 (2021/22: loss £116)

NOTES TO CORE FINANCIAL STATEMENTS

7.3 Members' Allowances

Members' allowances are paid under a scheme introduced by the Fire and Rescue Authority in December 2003. Expenses for conference and other non-routine meetings are also paid by the Fire and Rescue Authority.

The total amounts for allowances and expenses paid in relation to Members are as follows:

	2021/22 £000	2022/23 £000
Allowances	50	56
Expenses	1	2
Total	51	58

7.4 Employee Remuneration

In accordance with the Accounts and Audit (England) Regulations 2012, disclosure is required for employees whose remuneration, excluding pension contributions, during the period exceeded £50,000.

Individual remuneration details are required for senior employees; and in accordance with the Regulations, senior employees are included by job title.

2022/23	Salary (including fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g. Car Allowances) £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Fire Officer – S. Errington	116,304	90	-	116,394	33,496	149,890
Chief Fire Office – S. Helps	32,886	-	-	32,886	9,471	42,357
Deputy Chief Fire Officer	93,043	90	-	93,133	26,796	119,930
Director	111,893	159	-	112,052	32,225	144,277
Director	88,909	120	-	89,029	24,961	113,990
Deputy Chief Executive/ Treasurer	64,746	-	-	64,746	11,590	76,336
	507,782	459	-	508,241	138,539	646,779

Chief Fire Officer (S. Errington) retired during the year and the Deputy Chief Officer (S. Helps) was appointed to the role. Four posts were removed from the structure: the post of Assistant Chief Fire Officer along with three Area Managers at the next tier of management down. The four posts were replaced with two Director posts.

Comparative figures for 2021/22 are as follows:

2021/22	Salary (Including fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g. Car Allowances) £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Fire Officer – S. Errington	150,741	120	-	150,861	43,126	193,987
Deputy Chief Fire Officer	120,793	120	-	120,913	34,500	155,413
Assistant Chief Fire Officer	113,306	120	-	113,426	32,344	145,770
Deputy Chief Executive/ Treasurer	65,140	-	-	65,140	11,660	76,800
	449,980	360	-	450,340	121,630	571,970

NOTES TO CORE FINANCIAL STATEMENTS

Other employees, whose remuneration is more than £50,000, are included within the bandings of £5,000.

Remuneration Band	Number of Employees 2021/22	Number of Employees 2022/23
£50,000-£54,999	6	11
£55,000-£59,999	8	8
£60,000-£64,999	1	10
£65,000-£69,999	7	2
£70,000-£74,999	1	4
£75,000-£79,999	-	1
£80,000 -£84,999	3	-

The £55,000 - £59,999 salary band above for 2022/23 includes redundancy costs for one member of staff, combined with their salary costs for the year. These costs are also disclosed within the exit packages note below.

Note: No redundancy payments are included in the 2021/22 salary bands shown above.

7.5 Exit Packages

The numbers and total cost of exit packages agreed in 2021/22 and 2022/23 are set out in the tables below:

2022/23 Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages agreed	Total cost of exit packages agreed £000
£0-£20,000	-	3	3	34
£20,001-£40,000	-	1	1	28
£40,001-£60,000	-	-	-	-
£60,001-£80,000	-	-	-	-
£80,001-£100,000	-	-	-	-
£100,001-£150,000	-	-	-	-
Total	-	4	4	62

2021/22 Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages agreed	Total cost of exit packages agreed £000
£0-£20,000	-	4	4	37
£20,001-£40,000	-	-	-	-
£40,001-£60,000	-	-	-	-
£60,001-£80,000	-	-	-	-
£80,001-£100,000	-	-	-	-
£100,001-£150,000	-	-	-	-
Total	-	4	4	37

The exit packages disclosed in the table above for 2022/23 relate to voluntary redundancy/early retirements during the year.

The exit packages disclosed in the table above for 2021/22 relate to compensation payments made during the year.

NOTES TO CORE FINANCIAL STATEMENTS

7.6 Termination Benefits

The 'Employee' Line of the comprehensive income and expenditure statement for 2022/23 includes £61,657 in respect of voluntary redundancy/early retirement payments (£36,862 in 2021/22 in respect of compensation payments.)

7.7 External Audit Fees

The accounts of the Authority are audited by Mazars LLP. In accordance with the Code, authorities are required to disclose payment of fees. The fees payable to Mazars LLP for 2021/22 and 2022/23 are set out below:

	2021/22 £000	2022/22 £000
Fees payable to auditors regarding external audit services carried out by the appointed auditor	40	44
Additional fees payable to auditors for work required for the audit of Group Accounts	2	2
Fees payable to auditors in respect of other services provided by the appointed auditor	-	-
	42	46

Fees payable to auditors regarding external audit services include an increased fee amount in relation to 2021/22 which was not known until after the accounts had been finalised.

7.8 Minimum Revenue Provision (MRP)

The Local Authorities Capital Finance and Accounting (England) (Amendment) Regulations 2011 requires the Authority to provide for an amount of MRP which it considers to be prudent. MRP has been prepared based on 4% of the capital finance requirement at the end of the preceding year, relating to assets held prior to 2008 and 2% of the capital financing requirement at the end of the preceding year for all other assets.

The MRP relating to the Private Finance Initiative scheme has been calculated as a sum equivalent to the principal repayment of the outstanding liability.

The amount of MRP charged to the accounts is disclosed in Note 8.5.

7.9 Operating Leases

During 2012/13, the Authority took over the lease of the former Regional Control Centre in Belmont, Durham, to use as its Headquarters. The Authority entered into this lease for 15 years.

During 2013/14, the Authority entered into a lease for its new Technical Services Centre at Bowburn, Durham. The Authority has entered into this lease for 15 years.

NOTES TO CORE FINANCIAL STATEMENTS

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2022 Property £000	31 March 2023 Property £000
Within one year	507	525
Later than one year and not later than five years	2,100	1,743
Later than 5 years	169	-
Total	2,776	2,268

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these property leases was £533,864 (2021/22: £458,216).

7.10 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement reflects the internal financial management reporting, as required by the Code.

The Code recommends that, where appropriate, “segmental” reporting information is detailed. Reporting segments are those used by resource decision makers when determining budgets and financial control. Regarding County Durham and Darlington Fire and Rescue Authority, as the costs relate to one major type of service expenditure, segmental reporting is not identified.

7.11 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2022/23:

	2021/22 £000	2022/23 £000
Private Finance Initiative	1,130	1,130
Central Government	2,231	2,300
Credited to Services	3,361	3,430
Revenue Support Grant	3,499	3,606
National Non-Domestic Rates	7,610	7,015
Small Business Rates Relief Grant	536	1,414
Tax Income Guarantee Scheme Grant	489	-
Covid Grant	58	-
Services Grant	-	491
Capital Contributions	101	19
Credited to Taxation and Non-Specific Grant Income	12,293	12,545
Total Grant Income	15,654	15,975

7.12 Related Parties

The Authority is required to disclose material transactions with related parties i.e., bodies or individuals that have the potential to control or influence or be controlled/ influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority may have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Authority. Transactions should be disclosed where material to either the organisation or individual with whom the transaction has been incurred.

NOTES TO CORE FINANCIAL STATEMENTS

Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from Government Departments are included within the Comprehensive Income & Expenditure Statement. An analysis of Government grants is shown above in Note 7.11.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. Details of transactions relating to members' interests are recorded in the Register of Members' Interest which is accessible on the Authority's website. Following a review of the register and the Related Party Transactions Declarations, it was established that there were no material related party transactions involving members, bar those relating to the Community Interest Company and Vital Fire Solutions Limited, which is disclosed further below.

The total of members' allowances paid in 2022/23 is shown in Note 7.3.

Several Members of the Authority are also Members of Durham County Council and Darlington Borough Council. It is not considered that there have been any material transactions that could have been affected by this relationship.

Officers

Helen Lynch is Clerk to the Authority and Head of Legal and Democratic Services for Durham County Council.

There were no related party transactions involving senior employees except those relating to the Community Interest Company and Vital Fire Solutions Limited which are disclosed further below.

Other Public Bodies

Durham County Council administers the Durham County Council Pension Fund of which the Authority is a member.

Formal agreements are in place between the Authority and Durham County Council for the provision of legal services, financial services and technical services. The agreements are signed by both parties and regularly reviewed by the Authority's Director of Corporate Resources and Treasurer. The value of these agreements is £0.141m (2021/22: £0.170m).

The Authority obtains part of its income from precepts levied on the collection authorities in its area. During the year, transactions with related parties, excluding those disclosed elsewhere in the accounts, were as follows:

NOTES TO CORE FINANCIAL STATEMENTS

	Precepts 2021/22 (Receipts) £000	Precepts 2022/23 (Receipts) £000
Durham County Council	15,091	15,505
Darlington Borough Council	3,555	3,768
	18,646	19,273
Adjustment for share of Collection Fund	196	229
	18,842	19,502

On 31 March 2023, the Authority owes Durham County Council £0.475m (2021/22: £0.397m) relating to amounts due from Council Taxpayers and £0.178m in respect of the Collection Fund (2021/22: £0.490m). Durham County Council owes the Authority £0.201m (2021/22: £0.187m) in respect of amounts due from Non-Domestic Rates Payers. The Authority also owes Durham County Council £nil (2021/22: £0.405m) in relation to the deferral of Business Rates deficits.

In addition, £0.604m (2021/22: £0.342m) is due to the Authority from Durham County Council relating to VAT claimed on the Authority's behalf.

At 31 March 2023, the Authority owes Darlington Borough Council £0.353m (2021/22: £0.362m) in respect of amounts due from Council Taxpayers and £0.075m (2021/22: £0.173m) in respect of the Collection Fund. Darlington Borough Council owes the Authority £0.028m (2021/22: £0.045m) in respect of amounts due from Non-Domestic Rate Payers.

County Durham and Darlington Community Interest Company

In 2013/14, County Durham and Darlington Community Interest Company was incorporated and commenced trading during 2014/15. The Community Interest Company is a 100% owned subsidiary of the Authority. The Directors of the company are also senior managers and members of the Authority.

As at 31 March 2023, £198 (2021/22: £nil) was due to the Fire Authority from the company in respect of management and administration recharges.

A summary of the company's accounts is shown in Note 7.13.

Vital Fire Solutions Limited

In 2015/16, Vital Fire Solutions Limited was incorporated, and the Authority purchased £15,000 of share capital. The company is a 100% owned subsidiary of the Authority. The Directors of the company are also senior managers and members of the Authority.

As at 31 March 2023, £201,828 (2021/22: £123,113) was due to the Fire Authority from the company in respect of management and administration recharges. The Authority owes the company £102 (2021/22: £132) in respect of work carried out on its behalf and £800 (2021/22: £nil) in respect of goods purchased on its behalf.

A summary of the company's accounts is shown in Note 7.14.

NOTES TO CORE FINANCIAL STATEMENTS

7.13 Community Interest Company

The Fire Authority has set up a Community Interest Company for trading purposes. The company is registered as County Durham and Darlington Fire and Rescue Community Interest Company. The company is wholly owned by the Fire Authority.

The accounts of the company are summarised below.

Group Accounts have been produced for 2022/23 and are presented on pages 17 to 22 of this Statement of Accounts.

	2021/22 £000	2022/23 £000
Turnover	-	1
Cost of Sales	-	-
Gross Profit	-	1
Administrative Expenses	-1	-2
Profit/(Loss) for the year before taxation	-1	-1
Tax on profit	-	-
Profit/(Loss) for the financial year	-1	-1

7.14 Vital Fire Solutions Limited

The Fire Authority has created Vital Fire Solutions Limited for trading purposes. This is registered as a Limited Company and wholly owned by the Fire Authority, who purchased £15,000 of share capital.

The accounts of the company are summarised below.

Group Accounts have been produced for 2022/23 and are presented on pages 17 to 22 of this Statement of Accounts.

	2021/22 £000	2022/23 £000
Turnover	423	592
Cost of Sales	-263	-332
Gross Profit	160	260
Administrative Expenses	-160	-265
Other Income	1	3
Profit/(Loss) for the year before taxation	1	-2
Tax on profit	-	-
Profit/(Loss) for the financial year	1	-2

NOTES TO CORE FINANCIAL STATEMENTS

8 BALANCE SHEET

8.1 Intangible Assets

Intangible assets are assets that continue to provide an economic benefit to the Authority, but which do not have physical form.

The following shows the movement on intangible assets during the year:

	£000
Original Cost	482
Amortisations to 31 March 2022	-412
Balance at 1 April 2022	70
Expenditure in year	-
Disposals	-480
Amortisation during year	-44
Amortisation on disposals	454
Balance at 31 March 2023	-

Comparatives for 2021/22 are as follows:

	£000
Original Cost	549
Amortisations to 31 March 2021	-415
Balance at 1 April 2021	134
Expenditure in year	-
Disposals	-66
Amortisation during year	-64
Amortisation on disposals	66
Balance at 31 March 2022	70

NOTES TO CORE FINANCIAL STATEMENTS

8.2 Operational Assets

All valuations of buildings are undertaken by or under the supervision of a fully qualified Chartered Surveyor. Full fixed asset revaluations are undertaken once every five years, unless the changes in the BCIS index during the year would have a material impact on the asset portfolio. The most recent valuation of Land and Buildings is effective from 31 March 2023. These values have been used to determine the 31 March 2023 valuations. The last full valuation as part of the agreed 5 year rolling programme was previously undertaken in 2021/22, but due to significant changes in the BCIS index in this financial year, a full valuation has once again been undertaken for 2022/23.

	Vehicles, Plant & Equipment £000	Land & Buildings £000	Surplus Assets £000	Total £000
Cost or Valuation				
At 1 April 2022	17,386	40,547	24	57,957
Additions	510	167	-	677
Derecognition - Disposals / Demolitions	-244	-	-	-244
Reclassifications	-	-197	197	-
Assets reclassified as held for sale	-	-568	-	-568
Accumulated depreciation and impairment written off to GCA	-	-618	-	-618
Revaluation increases recognised in the Surplus on the Provision of Services	-	824	-	824
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-432	-	-432
Revaluation increases recognised in the Revaluation Reserve	-	2,206	-	2,206
Revaluation decreases recognised in the Revaluation Reserve	-	-74	-	-74
At 31 March 2023	17,652	41,855	221	59,729
Depreciation and Impairments				
At 1 April 2022	-10,760	-2,430	-1	-13,191
Charge for 2022/23	-1,055	-904	-	-1,959
Derecognition - Disposals / Demolitions	163	-	-	163
Depreciation written off to GCA	-	618	-	618
Impairment written off to GCA	-	-	-	-
Impairment losses recognised in the Surplus on the Provision of Services	-	-	-	-
Impairment losses recognised in the Revaluation Reserve	-	-	-	-
At 31 March 2023	-11,652	-2,716	-1	-14,369
Balance Sheet amount at 31 March 2023	6,000	39,139	220	45,359
Balance Sheet amount at 01 April 2022	6,626	38,117	23	44,766

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2021/22 are as follows:

	Vehicles, Plant & Equipment £000	Land & Buildings £000	Surplus Assets £000	Total £000
Cost or Valuation				
At 1 April 2021	16,615	36,058	24	52,697
Additions	861	368	-	1,229
Derecognition - Disposals / Demolitions	-362	-	-	-362
Reclassifications	272	738	-	1,010
Assets reclassified as held for sale	-	-	-	-
Accumulated depreciation and impairment written off to GCA	-	-1,549	-	-1,549
Revaluation increases recognised in the Surplus on the Provision of Services	-	2,086	-	2,086
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-1,444	-	-1,444
Revaluation increases recognised in the Revaluation Reserve	-	4,612	-	4,612
Revaluation decreases recognised in the Revaluation Reserve	-	-322	-	-322
At 31 March 2022	17,386	40,547	24	57,957
Depreciation and Impairments				
At 1 April 2021	-10,025	-2,710	-1	-12,736
Charge for 2021/22	-1,077	-902	-	-1,979
Derecognition - Disposals / Demolitions	342	-	-	342
Depreciation written off to GCA	-	1,124	-	1,124
Impairment written off to GCA	-	425	-	425
Impairment losses recognised in the Surplus on the Provision of Services	-	-190	-	-190
Impairment losses recognised in the Revaluation Reserve	-	-177	-	-177
At 31 March 2022	-10,760	-2,430	-1	-13,191
Balance Sheet amount at 31 March 2022	6,626	38,117	23	44,766
Balance Sheet amount at 01 April 2021	6,590	33,348	23	39,961

NOTES TO CORE FINANCIAL STATEMENTS

The carrying value of operational assets is analysed according to the year in which they were valued as follows:

	Vehicles, Plant & Equipment £000	Land & Buildings £000	Surplus Assets £000	Total £000
Carried at historical cost	6,000	5,845	220	12,065
Valued at fair value as at 31 March 2023	-	33,294	-	33,294
Total Cost or Valuation	6,000	39,139	220	45,359

8.3 Non-Operational Assets

	Assets Under Construction 2021/22 £000	Assets Under Construction 2022/23 £000
Cost or valuation		
At 1 April	158	-
Additions	852	279
Disposals	-	-
Reclassifications	-1,010	-
At 31 March	-	279
Depreciation and impairments		
At 1 April	-	-
Charge for year	-	-
Disposals	-	-
Reclassifications	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-
At 31 March	-	-
Balance Sheet amount at 31 March	-	279
Balance Sheet amount at 01 April	158	-

8.4 Sources of Funds to Meet Capital Expenditure and Other Plans

Resources and borrowing estimated to arise in future years will be used to finance the Authority's approved capital programme which is subject to a rolling review.

8.5 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it.

The capital financing requirement represents that part of the value of Property, Plant and Equipment and Intangible Assets that is to be met from external borrowing and capital cash overdrawn.

NOTES TO CORE FINANCIAL STATEMENTS

The requirement has decreased by £0.407m from £12.579m to £12.172m as follows:

	2021/22 £000	2022/23 £000
Opening Capital Financing Requirement	13,249	12,579
Capital Investment		
Property, Plant & Equipment	1,228	677
Non-Operational Assets	852	279
Intangible Assets	-	-
Donated Assets	1	-
Sources of Finance		
Capital Receipts	-20	-7
Government Grants and Contributions	-101	-19
Minimum Revenue Provision	-154	-144
Minimum Revenue Provision – PFI	-237	-263
Direct Revenue Provision	-2,239	-930
Closing Capital Financing Requirement	12,579	12,172
Explanation of movements in the year		
Reduction in underlying need to borrow (supported by Government financial assistant)	-670	-407
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	-
Increase/decrease (-) in Capital Financing Requirement	-670	-407

8.6 Capital Commitments

Major capital commitments as at 31 March 2023 are shown in the table below:

	2021/22 £m	2022/23 £m
Wheatley Hill Fire Station Refurbishment	-	0.602

8.7 Information on Assets Held

Details concerning assets held by the Fire and Rescue Authority are shown below:

Asset Type	Number as at 31 March 2022	Number as at 31 March 2023
Fire Stations	15	15
Standby Accommodation Blocks	2	2
Training Centre	1	1
Vehicles	136	133

NOTES TO CORE FINANCIAL STATEMENTS

8.8 Assets Held for Sale

Non-Current	2021/22	2022/23
Balance outstanding at 1 April	-	-
Assets newly classified as held for sale (Property, Plant & Equipment)	-	568
Assets declassified as held for sale (Property, Plant & Equipment)	-	-
Balance outstanding at 31 March	-	568

8.9 Inventories

	2021/22 £000	2022/23 £000
Balance outstanding at 1 April	668	670
Purchases	848	607
Recognised as an expense in the year	-846	-678
Balance outstanding at 31 March	670	599
Provision for obsolete stock	-	-
Balance outstanding at 31 March after provision	670	599

8.10 Debtors

These are sums of money due to the Authority but unpaid as at 31 March 2023. The Authority seeks to recover sums due to it as soon as possible and actively pursues outstanding accounts rendered upon debtors.

Debtors have been reviewed for impairment and the provision for doubtful debts reflects any uncertainty about amounts receivable.

	31 March 2022 £000	31 March 2023 £000
Amounts falling due within one year:		
Debtors		
Government Departments	142	343
Other Local Authorities	900	1,167
Other Debtors	1,564	2,714
Payments in Advance	1,775	1,878
Impairment for Doubtful Debts	-	-
	4,381	6,102
Amounts falling due after one year:	-	-
	4,381	6,102

8.11 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2022 £000	31 March 2023 £000
Cash held by the Authority	9	5
Bank current accounts	462	589
Short term deposits with banks and building societies	901	2,113
Total Cash and Cash Equivalents	1,372	2,707

NOTES TO CORE FINANCIAL STATEMENTS

During the year information is provided to the Authority regarding short term deposits. In accordance with the Authority's adopted Treasury Policy Statement, the Authority is informed of transactions made with UK clearing banks, money markets and major building societies.

The accrued interest relating to short term deposits included in the figure above amounts to £13,367 as at 31 March 2023 (£1,004 as at 31 March 2022)

8.12 Creditors

These are amounts owed by the Authority for works done, goods received, or services rendered which have not been paid for as at 31 March 2023.

	31 March 2022 £000	31 March 2023 £000
Creditors		
Government Departments	689	748
Other Local Authorities	2,188	1,374
Other Creditors	1,553	2,165
Receipts in Advance	601	379
	5,031	4,666
Short-term Borrowing	23	86
	5,054	4,752

During 2022/23, the Authority took out a new loan. Accrued interest relating to short-term borrowing as at 31 March 2023 was £33,431 (£335 as at 31 March 2022)

8.13 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Under IFRS9, the Authority recognises expected losses for Financial Instruments, rather than actual losses. Any expected losses for 2022/23 are immaterial, and therefore, the Authority has elected not to reflect them in the financial statements, in accordance with CIPFA guidance.

NOTES TO CORE FINANCIAL STATEMENTS

Financial Instruments Balances

The carrying amount of financial instruments is shown below:

	31 March 2022 Long-term £000	31 March 2022 Current £000	31 March 2023 Long-term £000	31 March 2023 Current £000
Financial Liabilities at amortised cost				
PWLB Borrowing	1,954	23	4,886	86
Bank Overdraft	-	-	-	-
Trade Creditors	-	206	-	464
Other Creditors	-	1,913	-	1,640
Private Finance Initiative	6,235	263	5,953	282
Total Borrowing	8,189	2,405	10,839	2,472
Loans and Receivables at amortised cost				
Short-term Deposits	-	901	-	2,113
Bank Deposits	-	471	-	593
Long-term Debtors	-	-	-	-
Trade Debtors	-	763	-	838
Other Debtors	-	585	-	839
Total Loans and Receivables at amortised cost	-	2,720	-	4,383
Loans and Receivables at FVPL				
Long-term Investments	15	-	15	-
Total Investments	15	2,720	15	4,383

Financial Instruments Gains and Losses

The gains and losses recognised in the 2022/23 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2022/23	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	1,001	
Interest income		-177
Net gain(-)/loss for the year	824	

Comparative figures as at 31 March 2022 are as follows:

2021/22	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	898	
Interest income		-3
Net gain(-)/loss for the year	895	

NOTES TO CORE FINANCIAL STATEMENTS

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Authority because of changes in such measures as interest rates.

The Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - the Authority's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures the maturity structure of its debt;
 - its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget. The items are reported within the annual Treasury Management Strategy that outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

The Treasurer is responsible for implementing the policies outlined above. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

(a) Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to the Authority's customers. Deposits are not made to banks and financial institutions unless they meet the minimum requirements of the investment

NOTES TO CORE FINANCIAL STATEMENTS

criteria outlined above. The Authority has a policy of not lending more than £4m to any one institution. Customers are assessed on their financial position, past experience and other factors.

(b) Liquidity Risk

The Authority has a comprehensive cash flow management system which ensures cash is available as needed. As the Authority has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The table in note 8.15 analyses the scheduled repayments of long-term borrowings over time.

(c) Market Risk

The Authority has several strategies for managing interest rate risk. The Authority's policy is to aim to keep a maximum of 50% of its borrowing in variable rate loans. During periods of falling interest rates, fixed rate loans could be repaid early to limit exposure to losses. Any further reduction in interest rates would have a negligible impact on the interest earned on the Authority's investments.

8.14 Provisions

Insurance Provision

An insurance provision has been established to meet the identified potential cost to the Authority of insurance policy excesses for claims of negligence from employees for personal injury sustained during their employment and from third parties for personal injury or damage to their property. This provision is based on the Insurance Company's estimates of outstanding claims and settlement of the claims is likely to be spread over several years.

Provision for Non-Domestic Rates Appeals

A provision for Non-Domestic Rates appeals has been established to meet the identified potential costs to the Authority of appeals in relation to the valuations used in the calculation of Business Rates. The provision is based on the best estimate of the expenditure that will be required to settle successful appeals, and the settlement of these appeals may be spread over several years.

Movement in Provisions

	Insurance Provision £000	Non-Domestic Rates Appeals Provision £000	Total Provisions £000
Balance at 1 April 2022	139	167	306
Additional provisions made in 2022/23	178	144	322
Amounts used in 2022/23	-47	-108	-155
Balance at 31 March 2023	270	203	473

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2021/22 are as follows:

	Insurance Provision £000	Non-Domestic Rates Appeals Provision £000	Total Provisions £000
Balance at 1 April 2021	86	228	314
Additional provisions made in 2021/22	53	37	90
Amounts used in 2021/22	-	-98	-98
Balance at 31 March 2022	139	167	306

8.15 Deferred Liabilities

The carrying amount of deferred liabilities is shown below:

	31 March 2022 £000	31 March 2023 £000
Debt	1,953	4,916
Private Finance Initiative (PFI)	6,235	5,953
Other lease arrangements	391	302
Deferred income – training centre	422	398
	9,001	11,569

Deferred liabilities disclosed within other lease arrangements relate to lease incentives for the Technical Services Centre and Headquarters buildings. These are accounted for as a deferred liability and released over the life of the lease.

Deferred income relates to the income received from Durham Police towards the Training Centre. This enables them to use the building for training purposes over a period of 26 years from 2015/16 and as such the income is treated as deferred and released to the Comprehensive Income and Expenditure Statement over the term of the agreement.

Deferred Liability – Debt

During the year, the Authority took the decision to take out a new loan with the PWLB. The balances shown in the table below relates to long-term borrowings from the PWLB, further analysed as follows:

	31 March 2022 £000	31 March 2023 £000
Long-term Borrowings		
Repayable within 1-2 years	24	54
Repayable within 2-5 years	75	171
Repayable within 5-10 years	136	315
Repayable within 10 years	1,718	4,346
	1,953	4,886

NOTES TO CORE FINANCIAL STATEMENTS

8.16 Private Finance Initiative (PFI) Scheme

The Authority has two community fire stations, which are financed by a Private Finance Initiative (PFI) Scheme. The stations at Bishop Auckland and Spennymoor became operational during 2010/11.

The PFI contract is for the design, construction and finance of the stations and their maintenance for 25 years after commencement of operations. At the end of this period the contractor is required to transfer the buildings to the Authority in a good state of repair and at nil cost.

In return for providing the buildings the contractor receives monthly payments from the Authority and the Government provides a specific grant over the life of the scheme.

The Authority's Balance Sheet includes both assets and liabilities arising from the contract.

The value of PFI assets at 31 March 2023

The Fire Stations were initially valued based on the capital expenditure provided for by the contractor in pricing the contract. Subsequently the stations were revalued based on depreciated replacement cost as an estimate of fair value, and these values are included in the Authority's Balance Sheet. The new valuations are being depreciated on a straight-line basis over 50 years.

Movements in the values in 2022/23 are summarised below:

	Bishop Auckland £000	Spennymoor £000	Total £000
Initial value of assets financed by contractor	4,638	4,133	8,771
Accumulated Revaluations	-174	785	611
Revaluations in 2022/23	108	376	484
Gross Book Value after impairment	4,572	5,294	9,866
Accumulated Depreciation	-345	-346	-691
2022/23 Depreciation	-102	-110	-212
Accumulated Depreciation written off	67	71	138
Net Book Value at 31 March 2023	4,192	4,909	9,101

Comparatives for 2021/22 are as follows:

	Bishop Auckland £000	Spennymoor £000	Total £000
Initial value of assets financed by contractor	4,638	4,133	8,771
Accumulated Revaluations	-908	-240	-1,148
Revaluations in 2021/22	734	1,025	1,759
Gross Book Value after impairment	4,464	4,918	9,382
Accumulated Depreciation	-359	-366	-725
2021/22 Depreciation	-93	-97	-190
Accumulated Depreciation written off	107	117	224
Net Book Value at 31 March 2022	4,119	4,572	8,691

NOTES TO CORE FINANCIAL STATEMENTS

The value of liabilities at 31 March 2023

The assets included in the Balance Sheet are offset by a liability equal to the initial value of the assets (the capital expenditure provided for by the contractor in pricing the contract). This liability is written down over the life of the contract by charging part of the annual payments to the contractor against the liability.

Movements in the values in 2022/23 are summarised below:

	2021/22 £000	2022/23 £000
Liability outstanding at 1 April	6,735	6,498
Less: Value of liability written down	-237	-263
Liability outstanding at 31 March	6,498	6,235

Estimates of future payments due:

Period	Repayment Liability £000	Interest £000	Service Charges £000	Lifecycle Replacement £000
2023/24	282	669	304	105
2024/25 to 2027/28	1,433	2,345	1,217	444
2028/29 to 2032/33	2,775	1,888	1,521	617
2033/34 to 2035/36	1,745	305	633	209
Total	6,235	5,207	3,675	1,375

The estimates do not include any allowance for inflation.

8.17 International Accounting Standard 19 (IAS19) Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments, that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the following pension schemes:

- the Local Government Pension Scheme for corporate employees and fire control staff, administered by Durham County Council - this is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- the Firefighter's Pension Scheme for fire officers - this is an unfunded defined benefit scheme administered by County Durham and Darlington Fire and Rescue Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash must be generated to meet actual pensions payments as they eventually fall due. Under the Firefighter's Pension Scheme Order 2006, if the amounts receivable by the pensions fund for the year are less than amounts payable, the Fire Authority must annually transfer an amount to meet the deficit to the pension fund.

NOTES TO CORE FINANCIAL STATEMENTS

This cost is then met by Central Government. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority which then must repay the amount to Central Government.

Transactions Relating to Post-employment Benefits

The Authority recognises the costs of retirement benefits in the Net Cost of Services section of the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

Claims have been made in relation in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015 and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government were unsuccessful in seeking permission to appeal this decision. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters' Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and HMT published their response to their consultation on 4 February 2021, confirming their approach to remedying age discrimination, in line with their proposals. The liability calculations have been updated to be in line with the agreed final remedy.

Firefighters' Pension Schemes

The final remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. At retirement, these members will be given a choice in which scheme they wish to accrue benefits over the remedy period, 1 April 2015 to 31 March 2022. To make that choice all members will be automatically defaulted to the legacy scheme during the remedy period and the reformed scheme benefits kept as an underpin. From 1 April 2022, everyone is assumed to accrue benefits in the CARE scheme. Given the uncertainty in how members' benefits will accrue over the remedy period, due to future salary increases, preferences for early/late retirement over more pension, assumptions have been made to determine which scheme the member will choose to accrue benefits in at retirement. A calculation of the estimated present value of the benefits that would accrue over the remedy period under each member's legacy and the CARE scheme has been performed, and it has been assumed that that the member would choose the scheme that had the highest present value.

The impact of any increase in scheme liabilities will be measured through the pension valuation process, which determines employer and employee contribution rates. Implementation of the results from the 2020 Firefighter Pension valuation is planned for 2023/24 and authorities will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.

NOTES TO CORE FINANCIAL STATEMENTS

LGPS

Figures produced by the actuary last year included a McCloud 'underpin' liability within the current service cost, together with an allowance within the balance sheet reflecting service since the scheme reforms (2014 in England). The same approach has been adopted in the current financial year. It has been assumed that the remedy applies to all members in service on 1 April 2012, on retirement or prior withdrawal, and with extension to benefits payable to the dependants of those members. IAS19/FRS102 requires a best estimate value of liabilities and costs. Consistent with the approach adopted for the McCloud impact estimates made last year, and on the grounds of practicality and pragmatism the actuary has only considered the active membership data in the latest valuation (any potential liabilities for members who have left employment between the date of the scheme reforms and the latest valuation data are unlikely to be significant). This is in line with that proposed in the Government's consultation.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

2022/23	Local Government Pension Scheme £000	Fire Fighter's Pension Scheme £000	Total £000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Current service cost	1,447	6,790	8,237
Past service costs	40	-	40
Financing and Investment Income and Expenditure:			
Net interest expense	400	11,210	11,610
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	1,887	18,000	19,887
Other Post Employment Benefits:			
Remeasurement of the net defined benefit liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)	2,216	-	2,216
Actuarial gains / losses (-) arising on changes in demographic assumptions	68	-12,420	-12,352
Actuarial gains / losses (-) arising on changes in financial assumptions	-17,540	-128,760	-146,300
Other	3,488	15,174	18,662
Total Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-11,768	-126,006	-137,774
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-9,881	-108,006	-117,887
Movement in Reserves Statement			
Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post-employment benefits in accordance with IAS19	-1,887	-18,000	-19,887
Actual amount charged against the General Fund Balance for pensions in the year:	864	3,875	4,739
Employer's contributions payable to the scheme	1	530	531
Retirement benefits payable to pensioners			

NOTES TO CORE FINANCIAL STATEMENTS

The comparative figures for 2021/22 are:

2021/22	Local Government Pension Scheme £000	Fire Fighter's Pension Scheme £000	Total £000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Current service cost	1,708	8,950	10,658
Past service costs	38	-	38
Financing and Investment Income and Expenditure:			
Net interest expense	362	8,310	8,672
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	2,108	17,260	19,368
Other Post Employment Benefits:			
Remeasurement of the net defined benefit liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)	-441	-	-441
Actuarial gains / losses (-) arising on changes in demographic assumptions	-440	-	-440
Actuarial gains / losses (-) arising on changes in financial assumptions	-3,077	-5,070	-8,147
Other	137	1,227	1,364
Total Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-3,821	-3,843	-7,664
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-1,713	13,417	11,704
Movement in Reserves Statement			
Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post-employment benefits in accordance with IAS19	-2,108	-17,260	-19,368
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	774	3,917	4,691
Retirement benefits payable to pensioners	3	540	543

The cumulative amount of actuarial losses to 31 March 2023 is £52.98m (2021/22 £90.47m), made up as follows:

- Local Government Pension Scheme £6.45m (2021/22 £5.49m)
- Firefighter's Pension Scheme £46.53m (2021/22 £84.98m)

NOTES TO CORE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities in relation to Post-employment Benefits

Liabilities have been assessed on an actuarial basis using the projected unit credit method; an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Firefighter's Scheme and the County Council Fund liabilities have been assessed by independent actuaries; estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The pension increase assumption as at 31 March 2023 is based on the Consumer Price Index (CPI) expectation of inflation. This is a consequence of the Government's announcement that CPI is to be used for the indexation of public service pensions from April 2011.

Under IAS19, any obligation arising from long-term employee benefits that depend upon length of service need to be recognised when service is rendered. As injury awards under the Firefighter's schemes are dependent on service, the liability expected to arise due to injury awards has been valued in respect of service prior to the valuation date. The liability arising from injury awards has been restated for previous years.

The principal assumptions used by the actuary for the periods 2021/22 and 2022/23 are shown in the tables below:

2022/23	Local Government Funded Pension Scheme	Local Government Unfunded Pension Scheme	Firefighter's Pension Scheme
Mortality assumptions:			
Longevity at 65 for current pensioners:			
• Men	22.2	22.2	21.2
• Women	24.4	24.4	21.2
Longevity at 65 for future pensioners:			
• Men	23.5	23.5	22.9
• Women	25.5	25.5	22.9
Rate of Inflation:			
• CPI	2.70	2.70	2.60
Rate of increase in salaries	3.70	n/a	3.85
Rate of increase to pensions in payment	2.70	2.70	2.60
Rate of increase to deferred pensions	2.70	n/a	2.60
Rate for discounting scheme liabilities	4.70	4.70	4.65
Take-up of option to convert annual pension into retirement lump sum:			
• Including any accrued lump sum from pre 2008 service	85	n/a	n/a

2021/22	Local Government Funded Pension Scheme	Local Government Unfunded Pension Scheme	Firefighter's Pension Scheme
Mortality assumptions:			
Longevity at 65 for current pensioners:			
• Men	22.1	22.1	21.5
• Women	24.2	24.2	21.5
Longevity at 65 for future pensioners:			
• Men	23.2	23.2	23.2
• Women	25.7	25.7	23.2
Rate of Inflation:			
• CPI	3.0	3.0	3.0
Rate of increase in salaries	4.0	n/a	4.75
Rate of increase to pensions in payment	3.0	3.0	3.0
Rate of increase to deferred pensions	3.0	n/a	3.0
Rate for discounting scheme liabilities	2.7	2.7	2.65
Take-up of option to convert annual pension into retirement lump sum:			
• Including any accrued lump sum from pre 2008 service	85	n/a	n/a

NOTES TO CORE FINANCIAL STATEMENTS

The Firefighter's Pension Scheme has no assets to cover its liabilities. The Authority employs a building block approach in determining the rate of return on the Local Government Pension Scheme's assets. Historical markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

The weighted average duration of the defined benefit obligation is 15 years for Firefighter Pension Scheme and 18.4 years for the Local Government Pension Scheme.

(i) Firefighter's Pension Scheme

Past Service Liabilities

The past service liabilities for 2022/23 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Estimated liabilities in scheme					
Active members (past service)	78.71	1.09	12.06	17.91	109.77
Deferred pensions	7.11	-	1.29	0.47	8.87
Pensions in Payment (injury awards)	-	7.01	-	-	7.01
Pensions in Payment (excluding injury)	183.24	-	0.30	1.43	184.97
Retained Settlement	-	-	2.45	-	2.45
Total	269.06	8.10	16.10	19.81	313.07
Net pensions deficit	269.06	8.10	16.10	19.81	313.07

The comparative figures for 2021/22 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Estimated liabilities in scheme					
Active members (past service)	109.55	1.76	19.63	47.03	177.97
Deferred pensions	11.1	-	2.38	0.97	14.45
Pensions in Payment (injury awards)	-	9.02	-	-	9.02
Pensions in Payment (excluding injury)	218.27	-	0.35	2.09	220.71
Retained Settlement	-	-	3.33	-	3.33
Total	338.92	10.78	25.69	50.09	425.48
Net pensions deficit	338.92	10.78	25.69	50.09	425.48

The comparative figures for 2020/21 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Estimated liabilities in scheme					
Active members (past service)	114.02	1.68	20.02	34.14	169.86
Deferred pensions	9.39	-	2.25	1.07	12.71
Pensions in Payment (injury awards)	-	7.59	-	-	7.59
Pensions in Payment (excluding injury)	221.55	-	0.33	0.98	222.86
Retained Settlement	-	-	3.50	-	3.50
Total	344.96	9.27	26.10	36.19	416.52
Net pensions deficit	344.96	9.27	26.10	36.19	416.52

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of Movement in Gross Scheme Liabilities

2022/23	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Net deficit at the start of current year	338.92	10.78	25.69	50.09	425.48
Movement in the year:					
Current service cost (net of employee contributions)	-	0.17	-0.03	6.65	6.79
Cost covered by employee contributions	-	-	0.03	1.65	1.68
Past service cost	9.00	-	1.39	-10.39	-
Pension Transfers	-	-	-	0.05	0.05
Interest on pension liabilities	8.93	0.28	0.70	1.30	11.21
Total benefits paid	-13.08	-0.74	-0.12	-0.18	-14.12
Curtailement and settlements	-	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-5.69	-0.18	-1.40	-5.15	-12.42
Actuarial gain (-)/loss – financial assumptions	-90.30	-2.68	-11.03	-24.75	-128.76
Actuarial gain (-)/loss – other	21.28	0.47	0.87	0.54	23.16
Net deficit at the end of year	269.06	8.10	16.10	19.81	313.07

The comparative figures for 2021/22 are:

2021/22	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Net deficit at the start of current year	344.96	9.27	26.10	36.19	416.52
Movement in the year:					
Current service cost (net of employee contributions)	0.11	0.21	0.02	8.61	8.95
Cost covered by employee contributions	0.04	-	0.04	1.57	1.65
Past service cost	-	-	-	-	-
Pension Transfers	-	-	-	0.09	0.09
Interest on pension liabilities	6.79	0.18	0.52	0.82	8.31
Total benefits paid	-11.39	-0.90	-0.13	-0.30	-12.72
Curtailement and settlements	-	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-	-	-	-	-
Actuarial gain (-)/loss – financial assumptions	-3.63	-0.11	-0.45	-0.88	-5.07
Actuarial gain (-)/loss – other	2.04	2.13	-0.41	3.99	7.75
Net deficit at the end of year	338.92	10.78	25.69	50.09	425.48

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of Movement in Scheme Assets

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Opening fair value of asset	-	-	-	-	-
Movement in the year:					
Interest income	-	-	-	-	-
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	-	-
Other	-13.08	-	-0.09	5.13	-8.04
Contributions by employer	-	-0.74	-	-3.71	-4.45
Contributions by participants	-	-	-0.03	-1.60	-1.63
Net benefits paid out	13.08	0.74	0.12	0.18	14.12
Closing fair value of assets	-	-	-	-	-

The comparative figures for 2021/22 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Opening fair value of asset	-	-	-	-	-
Movement in the year:					
Interest income	-	-	-	-	-
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	-	-
Other	-11.25	-	-0.05	4.70	-6.60
Contributions by employer	-0.10	-0.90	-0.04	-3.52	-4.56
Contributions by participants	-0.04	-	-0.04	-1.48	-1.56
Net benefits paid out	11.39	0.90	0.13	0.30	12.72
Closing fair value of assets	-	-	-	-	-

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of Movement in Net Obligations

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Net deficit at the start of current year	338.92	10.78	25.69	50.09	425.48
Movement in the year:					
Current service cost (net of employee contributions)	-	0.17	-0.03	6.65	6.79
Contributions by employer	-	-0.74	-	-3.71	-4.45
Contributions by participants	-	-	-	0.05	0.05
Past service cost	9.00	-	1.39	-10.39	-
Pension transfers	-	-	-	0.05	0.05
Interest on net defined benefit liability	8.93	0.28	0.70	1.30	11.21
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	-90.30	-2.68	-11.03	-24.75	-128.76
Actuarial gain (-)/loss – change in demographic assumptions	-5.69	-0.18	-1.40	-5.15	-12.42
Actuarial gain (-)/ loss - other	8.20	0.47	0.78	5.67	15.12
Net benefits paid	-	-	-	-	-
Net deficit at the end of year	269.06	8.10	16.10	19.81	313.07

The comparative figures for 2021/22 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Net deficit at the start of current year	344.96	9.27	26.10	36.19	416.52
Movement in the year:					
Current service cost (net of employee contributions)	0.11	0.21	0.02	8.61	8.95
Contributions by employer	-0.10	-0.90	-0.04	-3.52	-4.56
Contributions by participants	-	-	-	0.09	0.09
Past service cost	-	-	-	-	-
Pension transfers	-	-	-	0.09	0.09
Interest on net defined benefit liability	6.79	0.18	0.52	0.82	8.31
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	-3.63	-0.11	-0.45	-0.88	-5.07
Actuarial gain (-)/loss – change in demographic assumptions	-	-	-	-	-
Actuarial gain (-)/ loss - other	-9.21	2.13	-0.46	8.69	1.15
Net benefits paid	-	-	-	-	-
Net deficit at the end of year	338.92	10.78	25.69	50.09	425.48

NOTES TO CORE FINANCIAL STATEMENTS

(ii) Durham County Council Pension Fund

Analysis of Movement in Gross Scheme Liabilities

2022/23	Funded £m	Unfunded £m	Total £m
Opening Present Value of Liabilities	43.56	0.02	43.58
Current service cost (net of employee contributions)	1.45	-	1.45
Interest cost	1.17	-	1.17
Contributions from scheme participants	0.23	-	0.23
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	0.07	-	0.07
• Actuarial gains/ losses arising from changes in financial assumptions	-17.54	-	-17.54
• Other	3.32	-	3.32
Past service costs	0.04	-	0.04
Benefits paid	-1.08	-	-1.08
Closing present value of liabilities	31.22	0.02	31.24

The comparative figures for 2021/22 are:

2021/22	Funded £m	Unfunded £m	Total £m
Opening Present Value of Liabilities	44.97	0.02	44.99
Current service cost (net of employee contributions)	1.71	-	1.71
Interest cost	0.94	-	0.94
Contributions from scheme participants	0.25	-	0.25
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	-0.44	-	-0.44
• Actuarial gains/ losses arising from changes in financial assumptions	-3.08	-	-3.08
• Other	0.12	-	0.12
Past service costs	0.04	-	0.04
Benefits paid	-0.95	-	-0.95
Closing present value of liabilities	43.56	0.02	43.58

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of Movement in Scheme Assets

Reconciliation of fair value of the scheme assets:

2022/23	Funded £m	Unfunded £m	Total £m
Opening fair value	28.43	-	28.43
Interest income	0.77	-	0.77
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	-2.22	-	-2.22
• Other	-	-	-
Contributions from employer	0.71	-	0.71
Contributions by employees into the scheme	0.23	-	0.23
Benefits paid	-1.08	-	-1.08
Closing fair value	26.84	-	26.84

The comparative figures for 2021/22 are:

2021/22	Funded £m	Unfunded £m	Total £m
Opening fair value	27.35	-	27.35
Interest income	0.58	-	0.58
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	0.44	-	0.44
• Other	-	-	-
Contributions from employer	0.76	-	0.76
Contributions by employees into the scheme	0.25	-	0.25
Benefits paid	-0.95	-	-0.95
Closing fair value	28.43	-	28.43

NOTES TO CORE FINANCIAL STATEMENTS

The actual return on scheme assets in the year was a loss of £1.45m (2021/22: £1.02m loss)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Fair Value of Scheme Assets

The Local Government Pension Scheme assets are comprised of the following categories:

	2022/23 Quoted £m	2022/23 Unquoted £m	2022/23 Total £m	2021/22 Quoted £m	2021/22 Unquoted £m	2021/22 Total £m
Equity Investments	13.02	1.40	14.41	15.12	0.60	15.72
Property	0.38	1.72	2.09	0.43	1.51	1.94
Government Bonds	3.41	-	3.41	4.26	-	4.26
Corporate Bonds	1.18	-	1.18	1.68	-	1.68
Multi Asset Credit	4.05	-	4.05	-	-	-
Cash	0.48	-	0.48	0.71	-	0.71
Other	1.21	-	1.21	4.12	-	4.12
Total	23.73	3.11	26.84	26.32	2.11	28.43

Analysis of Movement in Net Obligations

2022/22	Funded £m	Unfunded £m	Total £m
Net deficit at the beginning of year	15.13	0.02	15.15
Current service cost	1.45	-	1.45
Contributions towards funded liabilities	-0.71	-	-0.71
Past service cost	0.04	-	0.04
Interest on net defined benefit liability	0.40	-	0.40
Return on plan assets in excess of/ below that recognised in net interest	2.22	-	2.22
Actuarial gains/ losses due to changes in financial assumptions	-17.54	-	-17.54
Actuarial gains/ losses due to changes in demographic assumptions	0.07	-	0.07
Actuarial gains/ losses due to other changes	3.32	-	3.32
Net deficit at the end of year	4.38	0.02	4.40

NOTES TO CORE FINANCIAL STATEMENTS

The comparative figures for 2021/22 are:

2021/22	Funded £m	Unfunded £m	Total £m
Net deficit at the beginning of year	17.62	0.02	17.64
Current service cost	1.71	-	1.71
Contributions towards funded liabilities	-0.76	-	-0.76
Past service cost	0.04	-	0.04
Interest on net defined benefit liability	0.36	-	0.36
Return on plan assets in excess of/ below that recognised in net interest	-0.44	-	-0.44
Actuarial gains/ losses due to changes in financial assumptions	-3.08	-	-3.08
Actuarial gains/ losses due to changes in demographic assumptions	-0.44	-	-0.44
Actuarial gains/ losses due to other changes	0.12	-	0.12
Net deficit at the end of year	15.13	0.02	15.15

Scheme History for the Firefighter Pension Schemes and the Local Government Pension Scheme

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Present value of liabilities:					
Local Government Pension Scheme	33.55	34.98	44.99	43.58	31.23
Firefighter's Pension Scheme	413.72	390.26	416.52	425.48	313.07
Total Present Value of Liabilities	447.27	425.24	461.51	469.06	344.30
Fair value of assets					
Local Government Pension Scheme	23.31	21.53	27.35	28.43	26.84
Firefighter's Pension Scheme	-	-	-	-	-
Total Fair Value of Assets	23.31	21.53	27.35	28.43	26.84
Surplus/ deficit (-) in the scheme:					
Local Government Pension Scheme	-10.24	-13.45	-17.64	-15.15	-4.40
Firefighter's Pension Scheme	-413.72	-390.26	-416.52	-425.48	-313.07
Total Deficit	-423.96	-403.71	-434.16	-440.63	-317.47

NOTES TO CORE FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £317.471m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £278.607m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains unaffected:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- finance is only required to be raised to cover fire pensions when the pensions are actually paid.

Employer Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2024 are £0.791m. Expected contributions to the Firefighter's Pension Scheme in the year to 31 March 2024 are £4.045m.

8.18 Reserves

The Authority holds several reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practices, and others have been set up voluntarily to earmark resources for future spending plans.

NOTES TO CORE FINANCIAL STATEMENTS

The movement in reserves is set out in the following table:

Reserve	Balance 1 April 2022 £000	Net Movement in Year £000	Balance 31 March 2023 £000	Purpose of Reserve	Further details of Movement
Usable Reserves					
General Fund	1,510	95	1,605	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	4,240	-338	3,902	Detailed below	Note 8.20 to the accounts
Capital Grants Unapplied	-	-	-	Grants to be used to finance capital expenditure in future years	Movement in Reserves Statement
Capital Receipts Unapplied	-	-	-	Receipts from the sale of capital assets to be used to finance capital expenditure in future years	Movement in Reserves Statement
Total Usable Reserves	5,750	-243	5,507		
Unusable Reserves					
Revaluation Reserve	9,686	1,919	11,605	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 8.21 (i) to the accounts
Capital Adjustment Account	22,210	-142	22,068	Capital resources set aside to meet capital expenditure	Note 8.21 (ii) to the accounts
Collection Fund Adjustment Account	-664	411	-253	Share of Collection Fund Balance outstanding	Note 8.21 (iii) to the accounts
Pensions Reserve (IAS19)	-440,628	123,157	-317,471	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 8.21 (iv) to the accounts
Short-term Accumulating Absences	-69	6	-63	Balancing account to allow inclusion of employee's liability in the Balance Sheet	Note 8.21 (v) to the accounts
Total Unusable Reserves	-409,465	125,351	-284,114		
Total Reserves	-403,715	125,108	-278,607		

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2021/22 are as follows:

Reserve	Balance 1 April 2021 £000	Net Movement in Year £000	Balance 31 March 2022 £000	Purpose of Reserve	Further details of Movement
Usable Reserves					
General Fund	1,459	51	1,510	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	6,236	-1,996	4,240	Detailed below	Note 8.20 to the accounts
Capital Grants Unapplied	-	-	-	Grants to be used to finance capital expenditure in future years	Movement in Reserves Statement
Capital Receipts Unapplied	-	-	-	Receipts from the sale of capital assets to be used to finance capital expenditure in future years	Movement in Reserves Statement
Total Usable Reserves	7,695	-1,945	5,750		
Unusable Reserves					
Revaluation Reserve	5,762	3,924	9,686	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 8.21 (i) to the accounts
Capital Adjustment Account	20,881	1,329	22,210	Capital resources set aside to meet capital expenditure	Note 8.21 (ii) to the accounts
Collection Fund Adjustment Account	-1,156	492	-664	Share of Collection Fund Balance outstanding	Note 8.21 (iii) to the accounts
Pensions Reserve (IAS19)	-434,158	-6,470	-440,628	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 8.21 (iv) to the accounts
Short-term Accumulating Absences	-66	-3	-69	Balancing account to allow inclusion of employee's liability in the Balance Sheet	Note 8.21 (v) to the accounts
Total Unusable Reserves	-408,737	-728	-409,465		
Total Reserves	-401,042	-2,673	-403,715		

NOTES TO CORE FINANCIAL STATEMENTS

8.19 Movement in Earmarked Reserves

The following contributions have been made to / from (-) the earmarked reserves:

	1 April 2022 £000	Increase / decrease (-) in year £000	31 March 2023 £000
Pensions	500	-	500
Community Safety	166	-82	84
Insurance	285	-	285
Civil Resilience (New Dimensions)	39	-39	-
Resilience	1,000	-	1,000
Modernisation	862	-	862
ESMCP	625	-26	599
New Risks	29	-29	-
Training	200	-	200
Strategic Finance –Funding Pressures	466	-94	372
IT Projects	68	-68	-
Total	4,240	-338	3,902

Comparatives for 2021/22 are as follows:

	1 April 2021 £000	Increase / decrease (-) in year £000	31 March 2022 £000
Pensions	500	-	500
Community Safety	158	8	166
Insurance	285	-	285
Civil Resilience (New Dimensions)	20	19	39
Resilience	1,294	-294	1,000
Modernisation	2,637	-1,775	862
ESMCP	731	-106	625
New Risks	32	-3	29
Training	85	115	200
Strategic Finance –Funding Pressures	426	40	466
IT Projects	68	-	68
Total	6,236	-1,996	4,240

8.20 Earmarked Reserves

Earmarked reserves at 31 March 2023 were as follows:

Pensions Reserve

To meet any unforeseen pension costs which may arise because of changes to pension schemes.

Modernisation Reserve

To meet any one-off costs associated with service transformation.

Community Safety Reserve

To enable specific community safety improvements to be undertaken.

NOTES TO CORE FINANCIAL STATEMENTS

Insurance

To meet any unexpected increase in the level of excesses paid on insurance claims.

Civil Resilience (New Dimensions)

The balance of unspent grant, earmarked for Civil Resilience expenditure.

Resilience Reserve

To fund continuity of service provision, following an unforeseen event.

Emergency Services Mobile Communications Programme (ESMCP)

The balance of unspent grant, earmarked to fund the replacement mobile communications systems.

New Risks

The balance of unspent grant, earmarked to fund the response to emerging new risks.

Training

The balance of unspent funding, to fund future training programmes.

Strategic Finance – Funding Pressures

To fund continuity of service provision, in the event of future funding pressures.

IT Projects

To fund future Information Technology Projects.

8.21 Unusable Reserves

(i) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2021/22 £000	2022/23 £000
Opening Balance at 1 April	5,762	9,686
Revaluation gains/losses	4,113	2,132
Excess of current cost depreciation	-189	-213
Balance written off on disposal of asset	-	-
Closing Balance at 31 March	9,686	11,605

NOTES TO CORE FINANCIAL STATEMENTS

(ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

NOTES TO CORE FINANCIAL STATEMENTS

	2021/22 £000	£000	2022/23 £000	£000
Opening Balance at 1 April		20,881		22,210
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, impairment and downward revaluations of non-current assets	-1,527		-1,567	
Amortisation of intangible assets	-64		-44	
Revenue Expenditure funded from Capital under Statute	-		-	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-20		-107	
		-1,611		-1,718
Adjusting amounts written out of the Revaluation Reserve		189		213
Net written out amount of the cost of non-current assets consumed in the year		-1,422		-1,505
Capital financing applied in the year				
Use of Capital Receipts Reserve to finance new capital expenditure	20		7	
Application of grants to capital financing from the Capital Grants Unapplied Account	-		-	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	101		19	
Statutory provision for the financing for capital investment charged against the General Fund	391		407	
Capital expenditure charged against the General Fund	2,239		930	
		2,751		1,363
Closing Balance at 31 March		22,210		22,068

NOTES TO CORE FINANCIAL STATEMENTS

(iii) Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2021/22 £000	2022/23 £000
Opening Balance at 1 April	-1,156	-664
Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	492	411
Closing Balance at 31 March	-664	-253

(iv) Pensions Reserve (IAS 19)

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The statutory arrangements will ensure that funding will have been set aside by the time benefits come to be paid.

	2021/22 £000	2022/23 £000
Opening Balance at 1 April	-434,158	-440,628
Remeasurements of the net defined benefit liability/ asset (-)	7,664	137,774
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-19,368	-19,887
Employers pension contributions and direct payments to pensioners payable in the year	5,234	5,270
Closing Balance at 31 March	-440,628	-317,471

NOTES TO CORE FINANCIAL STATEMENTS

(v) Short-term Accumulating Absences

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2021/22 £000	2022/23 £000
Opening Balance at 1 April	-66	-69
Settlement or cancellation of accrual made at the year end of the preceding year	66	69
Amounts accrued at the end of the current year	-69	-63
Closing Balance at 31 March	-69	-63

8.22 General Reserve

The net accumulated unapplied General Fund Revenue balance is £1.605m as at 31 March 2023 which equates to 5% of the 2022/23 Net Expenditure Budget. This is in line with the Authority's policy on reserves which is to maintain a General Reserve of 5% of the Net Expenditure Budget for the short to medium term.

8.23 Contingent Assets and Contingent Liabilities

- **Contingent Liability - Subsidiary Companies**

The Fire Authority has provided a financial guarantee to its subsidiary companies; County Durham and Darlington Fire and Rescue Community Interest Company and Vital Fire Solutions Limited. As there is no certainty that this guarantee would need to be utilised or the value of such a guarantee, it has been included as a contingent liability.

- **Contingent Assets**

There are no contingent assets for 2022/23.

8.24 Authorisation of Accounts for Issue/Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Treasurer, Anthony Hope, on 23rd January 2024. This is the date up to which events after the Balance Sheet date have been considered. No such events have been identified for 2022/23.

NOTES TO CORE FINANCIAL STATEMENTS

9 CASH FLOW STATEMENT

9.1 Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

2021/22 £000		2022/23 £000
1,527	Depreciation, impairment and downward revaluations	1,567
64	Amortisation	44
-	Increase/Decrease (-) Interest Creditors	33
-647	Increase/Decrease (-) in Creditors	-384
1,270	Increase (-)/Decrease in Debtors	-1,720
-	Increase (-)/Decrease in Impairment of Debtors	-
-2	Increase (-)/Decrease in Inventories	71
-112	Increase/Decrease (-) in Deferred Liabilities	-112
14,134	Movement in Pension Liability	14,617
-8	Contributions to/from (-) Provisions	167
20	Carrying amount of non-current assets held for sale, sold or derecognised	107
16,246		14,390

9.2 Operating Activities

The cash flows for operating activities include the following items:

2021/22 £000		2022/23 £000
25,792	Employee Costs	26,702
-18,842	Council Tax Receipts	-19,502
-3,499	Revenue Support Grant	-3,606
-7,610	Redistributed NNDR	-7,015
-3	Interest receivable	-177
41	Interest payable in respect of borrowing	115
723	Interest payable in respect of PFI	697

9.3 Investing Activities

2021/22 £000		2022/23 £000
2,081	Purchase of property, plant and equipment, investment property and intangible assets	956
-20	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-7
-101	Other receipts from investing activities	-19
1,960		930

NOTES TO CORE FINANCIAL STATEMENTS

9.4 Financing Activities

2021/22 £000		2022/23 £000
-	Cash receipts from short and long-term borrowing	-3,000
237	Cash payments for the reductions of outstanding liabilities relating to on-balance sheet PFI contract	263
23	Repayment of short and long term borrowing	38
260		2,699

9.5 Reconciliation of Liabilities Arising from Financing Activities

	Balance at 1 April 2022 £000	Financing cash flows £000	Balance at 31 March 2023 £000
Long-term borrowings	1,977	2,996	4,973
On Balance Sheet PFI Liabilities	6,498	-263	6,235
	8,475	2,733	11,208

9.6 Net Increase in Cash and Cash Equivalents

Under IFRS, cash and cash equivalents include the Authority's cash in hand, bank overdrafts and short-term investments. The movement in cash and cash equivalents was as follows:

	2021/22 £000	2022/23 £000	Increase/ Decrease in year £000
Cash	471	594	123
Cash Equivalents	901	2,113	1,212
	1,372	2,707	1,335

PENSION FUND ACCOUNT

FIRE PENSION FUND ACCOUNT

The Firefighter's Pension Scheme for fire officers is an unfunded defined benefit scheme administered by County Durham and Darlington Fire and Rescue Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Under the Firefighter's Pension Scheme (Amendment) (England) Order 2006, if the amounts receivable by the pensions fund for the year are less than amounts payable, the Fire Authority must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by Central Government. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority which then must repay the amount to Central Government.

There are no investment assets relating to the Fire Pension Fund.

Details of the Authority's long-term pension obligations can be found in Note 8.17 of the financial statements.

The transactions of the Fire Pension Fund, together with a Net Assets Statement, are as follows:

Fire Pension Fund Account

Dealings with members, employers and others directly involved in the scheme

	2021/22 £000	2022/23 £000
Contributions receivable		
Fire Authority contributions in relation to pensionable pay		
Normal	-3,651	-3,709
Early retirement	-	-
Firefighter's contributions	-1,663	-1,683
Transfers in from other schemes	-88	-47
Ill health capital contributions	-270	-162
Benefits payable		
Pensions	10,092	10,654
Commutation and lump sum retirement benefits	1,539	2,736
Lump sum death benefits	213	-
Refund of contributions	-	-
Transfers out to other schemes	-	-
Net amount payable for the year	6,172	7,789
Top-up grant payable by the Government	-6,172	-7,789
Year-end balance	-	-

PENSION FUND ACCOUNT

Net Assets Statement

	At 31 March 2022 £000	At 31 March 2023 £000
Net current assets and liabilities		
Amount due to (-) / from the Authority's General Fund	-173	-1,326
Amount due to (-) / from Central Government	173	1,326
Total	-	-

1. Basis of Preparation

The pension fund accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (there were no material changes to the Pension Fund Account as a result of the IFRS transition).

The financial statements do not take account of liabilities to pay pensions and other benefits which fall due after the end of the financial year.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amount receivable from the Authority and pensionable employees. The contributions are made at rates determined by the Government Actuary's Department. The employer's contributions for the 2015 Firefighter's Pension Scheme are set at a rate of 28.8% of pensionable pay. The employee's contributions are set on a sliding scale of 11% to 14.5%. As the legacy schemes closed to future accrual on 31st March 2022, there are no longer any contribution rates in force in relation to these schemes.

The Authority is also required to make payments into the Pension Fund in respect of ill-health retirements when they are granted.

Benefits

Benefits are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values are those sums payable by or receivable from other pension schemes and relate to periods of previous pensionable employment.

Transfers are accounted for on a receipts and payments basis.

GLOSSARY OF TERMS

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money happens to be received or paid.

Actuarial Gains and Losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

Actuarial Valuation

A valuation by an actuary on behalf of a pension fund of assets held, estimate of the present value of benefits to be paid and estimate of required future contributions.

Amortisation

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible asset, whether arising from use, effluxion of time or obsolescence through technical or other changes.

Budget

The Authority's plans and policies expressed in financial terms.

Capital Adjustment Account

A capital reserve that reflects the difference between the cost of property, plant and equipment consumed and the capital financing set aside to pay for them.

Capital Charge

A charge to the revenue account to reflect the cost of property, plant and equipment used.

Capital Expenditure

Expenditure on the acquisition of property, plant and equipment or expenditure which adds to and not merely maintains the value of existing property, plant and equipment.

Capital Grant

Grant from Central Government used to finance capital schemes.

Capital Receipts

Proceeds from the sale of capital assets.

Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash Equivalents

Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

GLOSSARY OF TERMS

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local authority finance.

Collection Fund

A fund administered by Durham County Council and Darlington Borough Council in which individuals' Council Tax payments are paid. The Authority raises precepts on the funds to finance part of net revenue expenditure.

Collection Fund Adjustment Account

The account through which to implement the accruals basis for recording the precept without affecting the bottom line for taxpayers.

Component Accounting

Component accounting requires that where an asset has several components, which can be physically separated from the principal asset and which have significantly different useful lives, these should be recognised separately and should be depreciated based on their respective useful lives. Component accounting aims to improve depreciation accounting and improve the measurement of operating results.

Contingency

The sum of money set aside to meet unforeseen expenditure or liability.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority, or where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Council Tax

The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

Creditors

Persons or bodies to whom sums are owed by the Authority.

Current Assets

Items that can be readily converted into cash.

Current Liabilities

Items that are due immediately or in the short-term.

Debtors

Persons or bodies who owe sums to the Authority.

GLOSSARY OF TERMS

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a property, plant or equipment, whether arising from use, effluxion of time or obsolescence through technical or other changes.

Earmarked Reserves

These represent monies set aside that can only be used for a specific purpose.

Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year end. They include salary, paid annual leave, paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which the employee renders service to the Authority. An accrual is made for the cost of the benefit earned by an employee but not taken before the year end. The accrual is charged to the surplus or deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Regulations

A written code of procedures approved by the Authority intended to provide a framework for proper financial management.

GAD - The Government Actuaries Department

They provide estimates of the liabilities of the Firefighter's Pension Scheme.

Government Grants

Assistance by Government in the form of cash in return for past or future compliance with certain conditions relating to the activities of the Authority.

Impairment

A reduction in the value of an asset from the Balance Sheet value occurring because of a change in the condition and consumption of the asset or because of market conditions.

Interest Income

The money earned from the investment of surplus cash.

International Financial Reporting Standards (IFRS)

The Authority's financial statements have been prepared in accordance with the following statutory accounting standards adopted by the International Accounting Standards Board (IASB):

- International Financial Reporting Standards (IFRS)
- International Accounting Standards (IAS)

GLOSSARY OF TERMS

- Interpretations of the International Financial Reporting Interpretations Committee (IFRIC)
- Interpretations of the Standing Interpretations Committee (SIC)

Leasing

A method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two main types of lease: 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee, and other leases, which are known as 'operating leases'. With finance leases, assets acquired are included within the property, plant and equipment in the Balance Sheet at the market value of the asset involved; monies owing to the lessor are included within deferred liabilities on the Balance Sheet. With an operating lease an annual rent is charged to the relevant service revenue account.

Minimum Revenue Provision

The minimum amount which must be charged in year for the repayment of debt.

National Non-Domestic Rates (NNDR)

The business rate in the pound is the same for all non-domestic ratepayers and is set annually by the government. Income from business rates goes into a Central Government pool that is then distributed to authorities according to resident population.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use; i.e. the cost of replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

Non-Operational Assets

Property, plant and equipment not directly occupied, used or consumed in the delivery of services. These are assets under construction and surplus assets held for disposal.

Operational Assets

Property, plant and equipment held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Outturn

The actual amount spent in the financial year.

Payments in Advance

These represent payments prior to 31st March for supplies and services received after 1st April.

Precept Income

The Authority obtains part of its income from precepts levied on its billing authorities (Durham County Council and Darlington Borough Council). Precepts, based on the

GLOSSARY OF TERMS

Council Tax base of each council, are levied on a collection fund, administered separately by each council.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. Where the Authority controls the services that are provided under a PFI scheme, and ownership of the assets will pass to the Authority at the end of the contract, for no additional charge, the Authority carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Property, Plant and Equipment

Tangible and intangible assets that yield benefits to the authority and the services it provides for a period of more than one year.

Provisions

Sums set aside to meet any liabilities or losses which are likely or certain to be incurred, but uncertain as to the amounts or dates on which they will arise.

Receipts in Advance

These represent income received prior to 31st March for supplies and services provided after 1st April.

Reserves

Sums set aside for purposes falling outside the definition of a 'provision'. There are two categories of reserves - see 'Usable Reserves' and 'Unusable Reserves' for further definition.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve

Capital reserve to hold unrealised revaluation gains arising (since 1 April 2007) from holding property, plant and equipment.

Revenue Contributions to Capital

Contribution from revenue to finance capital expenditure, thus reducing the requirement to borrow.

Revenue Expenditure and Income

Expenditure and income arising from the day-to-day operation of the Authority's service.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Any grants receivable, including capital, that are applied to REFCUS will be accounted for as revenue grants in the Comprehensive Income and Expenditure Statement. Income is posted to the line that the qualifying expenditure is charged to.

GLOSSARY OF TERMS

Revenue Support Grant (RSG)

General government grant to assist in financing the overall net cost of services.

Running Expenses

All expenses other than those relating to employees and the financing costs of capital expenditure (capital financing costs and revenue contributions). Running expenses include expenditure on maintenance of buildings, consumable supplies, transport etc.

Termination Benefits

Amounts payable because of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Net Cost of Service in the Comprehensive Income and Expenditure Statement.

UK GAAP – Generally Accepted Accounting Standards

As IFRS is primarily drafted for the commercial sector and therefore does not address all accounting issues relevant to local government in the UK, the Code prescribes a hierarchy of alternative standards on which the accounting treatment and disclosures should be based where appropriate. The hierarchy comprises:

- Financial Reporting Standards (FRS)
- Statements of Standard Accounting Practice (SSAP)
- Pronouncements of the Urgent Issues Task Force (UITF)

Unusable Reserves

Reserves the Authority is not able to use to provide services e.g., reserves that hold unrealised gains and losses, e.g., the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold.

Usable Reserves

Reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, e.g., Capital Modernisation Reserve.

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Safest People, Safest Places

AUDIT AND FINANCE COMMITTEE

23 JANUARY 2024

CORPORATE GOVERNANCE ACTION PLAN UPDATE

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of Report

1. To provide an update of the progress being made in relation to the actions arising from the development of the Authority's corporate governance arrangements.

Background

2. The Authority developed an action plan to progress the high priority actions identified during the production of the Annual Governance Statement (AGS) and reported as part of the final accounts for 2022/23.
3. The Authority continues to develop its governance arrangements and has procedures in place for monitoring actions arising from the 2022/23 final accounts. The effectiveness of internal audit has also been reviewed and a Code of Corporate Governance is in place and approved in line with CIPFA/SOLACE guidance.

Corporate Governance Action Plan

3. The Service Leadership Team (SLT) has responsibility for progressing key governance improvements that have been identified. These issues are reviewed quarterly, and progress is monitored to ensure that appropriate actions are being taken to mitigate any risks to effective governance.
4. The 2023/24 Corporate Governance Action Plan is attached at Appendix A. The action plan has been updated to reflect the position in relation to the action points on 31 December 2023.

Recommendation

5. Members are requested to **note and comment** on the contents of the report and the on-going work in relation to the corporate governance arrangements of the Authority.

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Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
01	<p>Public Sector Spending</p> <p>The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. To set a balanced budget for the forthcoming financial year (2023/24) the Authority was required to draw £0.571M from its already limited reserves. Further savings will be required to balance the budget going forward. Alternative delivery options for services continue to be considered and implementation plans are being progressed. Implementation will be closely monitored to ensure that planned service changes and associated savings are realized.</p>	<p>The Authority fails to balance its budget and service provision deteriorates as a result.</p>	High	<p>The Authority should look to further progress its implementation plans and monitor them to ensure that it's in year budget is balanced and service delivery maintained.</p>	<p>To arrive at a balanced budget for 2023/24 it was necessary to draw £0.571M from reserves which increased to £0.821M following the settlement of the firefighters pay award. The CRMP consultation included a proposal to ride with a crew of four on all fire appliances which was agreed and implemented on 01 July 2023.</p> <p>Following the identification of further savings and additional interest on investments there will be no requirement to draw from reserves in 2023/24.</p> <p>Several savings options have been developed to deal with any future shortfall in funding. These options have been discussed in detail with members at the Strategic Planning Days and further savings options are also being examined to assist in balancing the budget.</p>	<p>Deputy Chief Executive</p> <p>ONGOING</p>
02	<p>Assumptions Underpinning the Medium-Term Financial Plan</p> <p>The assumptions made in the medium-term financial plan, particularly around savings, inflation, pay awards, employer pension contributions and potential liabilities, future Government grants and income from council tax and business rates whilst based on the best information available are subject to change from economic</p>	<p>The Authority fails to balance its budget over the medium to longer term and service provision deteriorates as a result.</p>	High	<p>The Authority should monitor, as intended, the assumptions made within its medium-term financial plan to ensure they accurately reflect the most up to date position known and enable corrective action to be taken where required at the earliest opportunity.</p>	<p>The MTFP assumptions are monitored on an on-going basis and have been updated during the preparation of the 2024/25 budget and MTFP.</p> <p>The MTFP is based upon increases in pay awards of 5% in 2023/24, 3% in 2024/24 and 2% thereafter. The MTFP deficit position could change dramatically if pay awards are agreed above this level.</p>	<p>Deputy Chief Executive</p> <p>ONGOING</p>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	circumstances and public finances in general. This represents a potential risk to the Authority's medium-term financial plan which will be monitored closely to enable corrective action to be taken where necessary.				<p>Whilst it is impossible to predict what might happen in the future, alternative MTFP scenarios have been modelled to illustrate the impact of changes to the assumptions.</p> <p>The situation regarding pay awards and inflation is monitored closely and any impact on the budget in the current year would normally be managed using contingencies and/or reserves. Members will be kept informed if further corrective action is required.</p>	
03	<p>Changes to the Governance of public services in light of stated Government policy direction</p> <p>The Policing and Crime Act requires fire, police, and ambulance services to collaborate, where the proposed collaboration would be in the interests of their own efficiency and effectiveness and one or more of the other services take the same view. The legislation also makes provision for a Police and Crime Commissioner to take responsibility for the fire and rescue service in their area, as well as to take the additional step to create a single employer for police and fire. The government has also published a White Paper on Fire Reform which focusses on three key areas: people, professionalism and governance. The Service will continue to monitor, at local, sub national and national level, the development and potential impact, of differing governance arrangements, the relevant</p>	The Authority fails to comply with the requirements and wider implications of the Policing and Crime Act.	High	The Service should monitor as intended the impact of any changes that arise as a result of the Policing and Crime Act and act accordingly.	<p>The CFO is working on a national level with the NFCC and the SLT is working locally with the CFA and PCVC which will help to mitigate the potential impact of this risk. The White Paper consultation has now concluded, and the government has published its response. There is no mandatory requirement to transfer fire governance to PCC's.</p> <p>Close monitoring over the coming months will help the service understand more about the White Paper and potential impact which will allow for appropriate mitigating strategies and communications to be prepared in advance.</p>	<p>Chief Fire Officer</p> <p>ONGOING</p>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	underpinning statutory frameworks and current national negotiating machinery. .					
04	<p>Impact of Changes to the Firefighters Pension Scheme</p> <p>The service will closely monitor the impact of changes to the Firefighters Pension Scheme in terms of cost, business continuity, resilience, and local industrial relations.</p> <p>.</p>	The Authority fails to balance its budget and service provision deteriorates as a result.	High	The Service should monitor as intended the impact of changes to the Firefighters Pension Scheme both in terms of cost and service delivery.	<p>We have been informed by the Home Office that the pensions grant will continue at its current level and will be mainstreamed into settlement funding from 2024/24. This provides some certainty on future funding for pensions.</p> <p>The proposals to address age discrimination in the Firefighters pension schemes resulting from the McCloud Sargeant case could lead to a significant increase in the level of employer's pension contributions and a range of staff retiring and accessing their pension earlier than anticipated.</p> <p>At the 16 February 2022 CFA meeting, members agreed to pause the processing of immediate detriment cases until the full extent of liabilities falling on the Authority are known. There is a risk that the Authority could be liable for the tax charges relating to individuals who have previously retired.</p> <p>The recruitment strategy includes options to bring in replacement staff quickly, if necessary, to maintain operational response.</p> <p>.</p>	Deputy Chief Executive ONGOING

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
05	<p>Collaboration Collaboration will continue to be addressed pro-actively in terms of collaborating with other Fire and Rescue Services, the Police, Northeast Ambulance Service and other organisations. The government have placed an increased emphasis on collaboration with Blue Light Services and this is reflected in the Authority's governance structure in relation to collaboration.</p>	The Authority's collaboration aspirations are not achieved.	High	Opportunities for further collaboration should be investigated. Progress made across all Collaborative practices should be reported, for monitoring, to the Authority.	<p>Members are supportive of further collaboration where this is in the interests of the Authority and provides value for money. The Authority has signed a Statement of Intent with Durham Constabulary setting out our intention to work more closely together to enhance co-operation and collaboration. Progress is monitored through the Collaboration Delivery Board.</p> <p>Work is continuing with the development of further collaboration opportunities and a Statement of Intent has been signed to enable closer working with neighbouring FRS's. The Service has recently entered into a collaboration with 3 other FRS's for a shared Emergency Mobilisation and Control system which has enabled the system supplier to deliver efficiencies in the solution and increased resilience for all 4 services.</p> <p>The Authority has approved a Collaboration Strategy and a Collaboration Register is in place to record details of individual collaboration initiatives. A formal process to review the outcomes of individual collaboration initiatives is currently being developed.</p>	Chief Fire Officer ONGOING
06	<p>Fire Service Inspectorate (HMICFRS) The Service will continue to closely monitor developments in relation to the Fire Service Inspectorate. At the conclusion of the current inspection an action plan will be developed to address the areas identified for improvement in the inspection</p>	The Authority suffers reputational damage as a result of an adverse judgement from the new Fire Service Inspectorate.	High	The Service should look to increase its learning capacity further to receiving the outcomes of its inspection and through engagement with Durham Constabulary	The 2021/22 inspection is complete, and the Service has been rated as good across all 3 pillars – Effectiveness, Efficiency and People. An action plan has been developed to address the areas identified for improvement in the inspection report. Progress in completing the actions will be monitored by the Service	Chief Fire Officer ONGOING

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	report. Progress in completing the actions will be monitored by the Service Leadership Team and the Authority going forward.			and the National Fire Chief's Council.	Leadership Team and the Authority going forward. The service continues to engage with Durham Constabulary and the National Fire Chief's Council to share learning capacity.	
07	<p>Independent Review of Building Regulations and Fire Safety</p> <p>The service will closely monitor developments following the publication of Dame Judith Hackitt's independent review into building regulations and fire safety following the Grenfell Tower fire. Changes to the regulatory requirements will have significant resource implications for the service as the government is committed to doing more to set and enforce high standards.</p>	Staffing resources are stretched, service provision deteriorates, and the Authority's suffers reputational damage as a result.	High	The Service should monitor as intended developments following the publication of Dame Judith Hackitt's independent review.	<p>The Service has fully adopted and integrated the Competency Framework for Fire Safety Regulators published in 2020 into protection activities. This framework is currently under review with the Service having provided feedback for the consultation and will take cognisance of any changes to the framework.</p> <p>Receiving Royal Assent on 29 April 2021 the Fire Safety Act 2021 commenced on 16 May 2022. The Act amends the Regulatory Reform (Fire Safety) Order 2005 (the Fire Safety Order). It clarifies that responsible persons for multi-occupied residential buildings must manage and reduce the risk of fire for the structure and external walls of the building, including cladding, balconies and windows, and entrance doors to individual flats that open into common parts.</p> <p>Commencing January 2023, the Fire Safety (England) Regulations 2022 now makes it a requirement for the responsible person of residential buildings to provide various levels of information and to report significant faults to their local fire and rescue service., The required level of information required is based on the size of the premises.</p>	Chief Fire Officer ONGOING

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
					<p>The Building Safety Act 2022 introduces new duties for the management of fire and building safety in high-rise residential buildings from 1st April 2023. It names the Health and Safety Executive (HSE) as the Building Safety Regulator (BSR). All buildings in scope of the Act will need to be registered with the BSR</p> <p>The Service has adopted and integrated the required changes to the Service website including links with the NFCC resources/ best practice. This will support responsible persons meet their duties under these new pieces of legislation.</p> <p>Currently there are no high-rise residential buildings in the Service's area, however the Service are fully engaged with the NFCC Protection Policy and Reform Unit to ensure preparedness to meet any new requirements.</p>	
08	<p>HMICFRS Spotlight Report – Values and Culture in Fire and Rescue services</p> <p>On the 30 March 2023, HMICFRS released its spotlight report “Values and Culture in Fire and Rescue Services” which was commissioned by The Minister of State for Crime, Policing and Fire. The report draws on the evidence collected through all inspections since 2018 and recent data requests around the handling of misconduct cases and background</p>	The Authority suffers reputational damage as a result of an adverse publicity arising from misconduct cases.	High	The Service should monitor progress towards addressing the actions outlined in the Spotlight Report.	A gap analysis has been undertaken with the key objective to highlight any immediate actions required. Whilst the Service is well placed to address several of the recommendations with already established and well embedded processes in place such as background checks, confidential reporting lines, policies and procedures and undertaking staff engagement activities there are a few areas identified where we can strengthen. Progress in completing the actions will be monitored by the	Chief Fire Officer ONGOING

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	checks of current and new employees. The Service will address the recommendations in the report and monitor progress to completion.				Service Leadership Team and the Authority going forward.	

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Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



AUDIT AND FINANCE COMMITTEE

23 JANUARY 2024

CORPORATE RISK REGISTER – POSITION AT 31 DECEMBER 2023

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of Report

1. To provide details of the Corporate Risk Register at 31 December 2023.

Background

2. The Service actively manages risks at all levels of the organisation. The Authority's Risk Management Strategy sets out the framework for the reporting of risks and mitigating actions to members of the Fire Authority. This process also enables members to consider any risks that they have identified and their impact on the Authority.

Corporate Risk Register

3. The corporate risk register is a dynamic document that provides a summary of the high-level risks facing the Service. Officers review the risks facing the Service on an on-going basis as part of the overall control framework within individual sections. The Service Management Team and the Service Leadership Team also scrutinise risks monthly to ensure a corporate and cross cutting approach.
4. There are currently seven risks on the corporate risk register. The register shows the original risk that has been identified, the gross risk score and the residual risk score after mitigating actions. A copy of the corporate risk register is attached at Appendix 1.

Recommendations

5. Members are requested to **note** the report.

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Corporate Risk Register – 31 December 2023

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
ER218	Heightened terrorist threat in County Durham and Darlington increasing the risk to CDDFRS staff and communities. This also includes the organisation not being able to provide critical services to the community due to a major disruption.	12 L=3 I=4	9 L=3 I=3	<p>The score reflects the latest intelligence.</p> <p>The Chief Fire Officer and SLT members are embedded across the LRF. The lead National Incident Liaison Officer (NILO) provides updates to the Service on national counter terrorism issues. the Service is also involved in the counter terrorism strategy (CONTEST) and production of the counter terrorism local profile. Marauding terrorism attack (MTA) refresher training delivered each year for revalidation of competence.</p> <p>A Multi-agency tactical exercise took place on 1st Dec 2021 to test joint operational planning (JOPS2) and the Joint Emergency services Interoperability Programme (JESIP). A full debrief took place Dec 2021 and learning points will be actioned as appropriate.</p>	NO CHANGE

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
ER224	Failure to respond effectively and provide services due to Industrial Action.	<p>15 L=3 I=5</p>	<p>8 L=2 I=4</p>	<p>No industrial action has been notified however the position regarding firefighters pay could escalate to industrial action in 2024 if an acceptable offer is not made. Future national uncertainties could also impact on this risk such as governance changes.</p> <p>The residual score reflects the fact that we have effective management of industrial relations and a communications strategy to all stakeholders together with a business continuity plan relating to industrial action.</p>	NO CHANGE

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
FIN152	Failure to achieve the savings via the service transformation options outlined in the CRMP consultation leading to a greater budget deficit.	20 L=4 I=5	8 L=2 I=4	To arrive at a balanced budget for 23/24 it was necessary to draw £0.571M from reserves which increased to £0.821M following the settlement of the firefighters pay award. The CRMP consultation included a proposal to ride with a crew of four on all fire appliances which was agreed and implemented on 01 July 2023. Following the identification of further savings and additional interest on investments there will be no requirement to draw from reserves in 2023/24. Several savings options have been developed to deal with any future shortfall in funding. These options have been discussed in detail with members at the Strategic Planning Days and further savings options are also being examined to assist in balancing the budget.	REDUCED

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>

FIN153	The actual position relating to pay awards, inflation and grant cuts etc, turns out to be different to the assumptions underpinning the MTFP leading to a greater budget deficit.	<p style="text-align: center;">20 L=4 I=5</p>	<p style="text-align: center;">12 L=3 I=4</p>	<p>The MTFP assumptions are monitored and updated on an on-going basis.</p> <p>The MTFP is based upon increases in pay awards of 5% in 2023/24, 3% in 2024/24 and 2% thereafter. The MTFP deficit position could change dramatically if pay awards are agreed above this level.</p> <p>Whilst it is impossible to predict what might happen in the future, alternative MTFP scenarios have been modelled to illustrate the impact of changes to the assumptions.</p> <p>The situation regarding pay awards and inflation is monitored closely and any impact on the budget in the current year would normally be managed using contingencies and/or reserves. Members will be kept informed if further corrective action is required.</p>	REDUCED
<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>

FIN 225	Insufficient government funding to meet capital programme requirements which could impact on the revenue budget leading to an increased MTFP deficit.	12 L=3 I=4	9 L=3 I=3	The Authority no longer receives government funding for capital expenditure which was previously £1.3M per annum. Provision is made in the revenue budget going forward to meet the impact of borrowing and/or direct funding. Recent increases in interest rates will add further pressure on the revenue budget from increased debt repayment costs.	NO CHANGE
FIN 08	Changes to public sector pension schemes could lead to higher employer and employee contributions; increased turnover of staff; difficulty in recruiting and retaining high calibre staff and a reduction in staff morale and productivity.	20 L=4 I=5	9 L=3 I=3	<p>We have been informed by the Home Office that the pensions grant will continue at its current level prior to being mainstreamed into settlement funding. This provides some certainty on future funding for pensions. The proposals to address age discrimination in the Firefighters pension schemes resulting from the McCloud Sargeant case could lead to a significant increase in the level of employer's pension contributions and a range of staff retiring and accessing their pension earlier than anticipated. At the 16 February 2022 CFA meeting, members agreed to pause the processing of immediate detriment cases until the full extent of liabilities falling on the Authority are known. There is a risk that the Authority could be liable for the tax charges relating to individuals who have previously retired.</p> <p>The recruitment strategy includes options to bring in replacement staff quickly, if necessary, in order to maintain operational response.</p>	REDUCED
<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>

<p>SLT1/21</p>	<p>White Paper on fire services reform: Originally due to be published for consultation summer of 2021 but has been subject to delay. The implications of this document are not fully known but could involve significant change within the FRS including CDDFRS.</p>	<p>16 L=4 I=4</p>	<p>12 L=3 I=4</p>	<p>The CFO is working on a national level with the NFCC and the SLT is working locally with the CFA and PCVC which will help to mitigate the potential impact of this risk. The White Paper consultation has now concluded and the government has published its response.</p> <p>Close monitoring over the coming months will help the service understand more about the White Paper and potential impact which will allow for appropriate mitigating strategies and communications to be prepared in advance.</p>	<p>NO CHANGE</p>
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Safest People, Safest Places

Audit and Finance Committee

23 January 2024

Short-Term Investments and Long-Term Borrowing – Period to 31 December 2023 (Quarter 3)

Report of Treasurer

Purpose of the Report

1. To provide an update on the performance of the Authority's short-term investments and long-term loans for the period ended 31 December 2023.

Short-Term Investments

2. In accordance with the Fire and Rescue Authority's adopted Treasury Policy Statement, the following transactions have been made with the UK Government Debt Management Office, Money Market Funds, UK clearing banks and major building societies for the financial year ended 31 December 2023.

	Position as at 31 December 2023
Interest Earned	£350,562.18
Average Return Earned	5.04%
Average Bank of England base rate	4.95%
Balance Invested at Quarter End	£8,820,000.00
Average Daily Balance of Investments	£9,989,086.00

3. Interest of £350,562.18 has been earned up to the 31 December 2023 which is above the budgeted amount of £37,500 for the year to date.

4. The short-term investments balance of £8,820,000 at the 31 December 2023 is made up as follows: -

Borrower	Amount Invested £M
Money Market Fund	
<ul style="list-style-type: none"> • Goldman Sachs • Insight 	<p style="text-align: right;">£2.000</p> <p style="text-align: right;">£3.800</p>
Lloyds	£0.320
Debt Management Office	£2.700
Total	£8.820

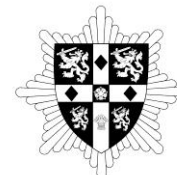
Long-Term Borrowing

5. The outstanding principal balance of £4,898,000.00 relating to long-term loans at the 31 December 2023 is made up as follows: -

Lender	Amount Invested £M
PWLB Lending Facility	
<ul style="list-style-type: none"> • Loan 324867 • Loan 510768 	<p style="text-align: right;">£1.941</p> <p style="text-align: right;">£2.957</p>
Total	£4.898

Recommendation

6. Members are requested to **note** the current position regarding the Authority's short-term investments and long-term borrowing.



AUDIT AND FINANCE COMMITTEE

23 JANUARY 2024

FORECAST OF OUTTURN 2023/24 – ESTIMATE BASED ON EXPENDITURE AND INCOME TO 31 DECEMBER (QUARTER 3)

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of the Report

1. To provide an indication of the Service's revenue and capital financial outturn position based upon expenditure and income to the 31 December 2023.

Forecast of Outturn – Revenue Budget

2. The budget included an estimated drawing from reserves of £0.571M which will no longer be required based on the forecast outturn position. Taking this into account based upon expenditure and income to 31 December 2023, the forecast revenue outturn position to the 31 March 2024 is an underspend of £1.260M (3.93%).
3. A breakdown of expenditure and income compared to the budget is set out in Appendix A and details of the main variances are set out below:
4. **Salaries & Wages - Forecast Outturn £963,000 (3.60%) Underspent**

To assist in balancing the budget in future years, members agreed to consult the public on the option of riding with a crew of 4 on all fire appliances. The change to riding with 4 was implemented from 01 July 2023 saving £608,000 in staffing costs in the current financial year. Further savings are also forecast as a result of vacant corporate staff posts and a number of firefighter retirements during the year. The savings are partially offset by the alignment of station and watch manager posts from grade A to grade B.

5. **Ill Health Charges – Forecast Outturn £159,000 (25.24%) Overspent**

Expenditure in this area is particularly difficult to forecast as it depends upon the number and timing of ill health retirements during the year. Several long-term ill-health retirements have recently been progressed and based upon this it is likely that expenditure will exceed the budget by £159,000.

6. **Other Employee Costs – Forecast Outturn £69,000 (14.41%) Overspent**

Expenditure on other employee costs is forecast to exceed the budget by £69,000 due to additional expenditure on occupational cover contracts to cover for firefighter vacancies arising from retirements.

7. Premises – Forecast Outturn £0.303M (9.20%) Overspent

Expenditure on repairs and maintenance is forecast to exceed the budget by £179,000 due to the need to carry out essential repairs (including the Breathing Apparatus training facility at the Training Centre). Expenditure on electricity is forecast to exceed the budget by £255,000 mainly due to inflation. This is partially offset by savings in business rates of £105,000 which were realised following a rating review of all premises.

8. Transport - Forecast Outturn £115,000 (14.58%) Underspent

Expenditure on vehicle running costs is forecast to be below budget mainly due to a reduction in the cost of fuel.

9. Supplies and Services – Forecast Outturn £384,000 (8.73%) Underspent

To assist in balancing the budget a full review of all budget headings has been undertaken to identify savings and correct any shortfalls in current budgets. The review identified net savings across a number of budget heads which together with strict control of non-essential expenditure will result in a forecast underspend of £384,000.

10. Capital Financing – Expenditure Forecast to be in line With Budget

This budget includes provision to meet the full year cost of loan repayments and interest and is forecast to be in line with the budget at the year end.

11. Contingencies – Forecast Outturn £500,000 (100.00%) Underspent

The contingencies budget is set aside to meet any unforeseen events and includes an allowance for inflation. Every effort is being made to contain expenditure within existing budgets and known overspends are reflected in the forecast outturn position. The contingencies budget has therefore been released into the revenue account as an underspend.

12. Income – Forecast Outturn £400,000 (6.60%) more than budget

There has been a significant increase in interest on short-term investments which is forecast to exceed the budget by £400,000 in 2023/24.

13. Contribution from Reserves £571,000 (93.00%) less than budget

The budget includes a contribution from reserves of £571,000 which will no longer be required following the implementation of savings initiatives during the year.

Forecast of Outturn – Capital Budget

15. The original capital budget for 2023/24 was £3.708M. Based on the latest available information the forecast outturn position is an underspend of £1.720M (46.39%). A breakdown of expenditure compared with the budget is set out in Appendix B and details of the main variances are set out below:

16. Estates Improvement Programme – Forecast Outturn £0.078M Underspent

The capital budget includes £0.431M to complete the refurbishment of Wheatley Hill fire station. The refurbishment is now complete and final budget estimates indicate an

underspend of £0.038M on the project. An underspend of £0.040M is forecast on the Minor Works budget as the budget included provision for resurfacing the yard at Wheatley Hill fire station which was completed as part of the refurbishment project.

17. **ICT – Forecast Outturn £0.030M Underspent**

Expenditure on ICT equipment replacement is forecast to be below budget at the year end.

18. **Vehicles – Forecast Outturn £1.612M Underspent**

Provision was made in the budget for the replacement of fire appliances, operational vehicles, and several officers cars. A number of these vehicles will not be delivered by the year-end therefore £1.612M of expenditure will slip into next financial year.

19. **Equipment – Expenditure Forecast to be in line with Budget**

Expenditure on equipment is forecast to be in line with budget at the year end.

Conclusions

20. Based upon expenditure and income to 31 December 2023 the forecast revenue underspend for the year is £1.260M including the estimated drawing from reserves of £0.571M which will not be required.

21. An underspending of £1.720M is currently forecast on the capital budget at the year-end mainly due to slippage in the replacement of vehicles.

Recommendations

22. Members are requested to **note** the forecast revenue and capital outturn position.

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Revenue Budget Forecast of Outturn - 31 December 2023

Description	Budget £'000	Forecast Outturn Position £'000	Variance £'000	Transfers to/(from) Reserves £'000	Adj Variance £'000	% Variance
Employees - Salaries and Wages	26,755	25,792	-963	0	-963	-3.60
Employees - Ill Health Charges	630	789	159	0	159	25.24
Employees - Other	479	548	69	0	69	14.41
Premises	3,294	3,597	303	0	303	9.20
Transport	789	674	-115	0	-115	-14.58
Supplies & Services	4,611	4,227	-384	0	-384	-8.33
Capital Financing	1,721	1,721	0	0	0	0.00
Contingencies	500	0	-500	0	-500	-100.00
GROSS EXPENDITURE	38,779	37,348	-1,431	0	-1,431	-3.69
Income	-6,064	-6,464	-400	0	-400	6.60
Contribution from Reserves	-614	-43	571	0	571	-93.00
NET EXPENDITURE	32,101	30,841	-1,260	0	-1,260	-3.93

A minus sign in the variance column represents an underspending or increased income

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Capital Budget Forecast of Outturn - 31 December 2023

Description	Budget	Forecast Outturn	Variance	% Variance
	£000	£000	£000	%
Estates Improvement Programme				
Wheatley Hill Fire Station Refurbishment	431	393	-38	-8.82
Training Centre Adaptations	600	600		
Minor Works	250	210	-40	-16.00
	1,281	1,203	-78	-6.09
ICT	150	120	-30	-20.00
Vehicles	1,993	381	-1,612	-80.88
Equipment	284	284	0	0.00
TOTAL	3,708	1,988	-1,720	-46.39

A minus sign in the variance column represents an under-spending.

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County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

23 January 2024

Revenue and Capital Budgets 2024/25 and Medium-Term Financial Plan

Report of Deputy Chief Executive

Purpose of Report

1. The purpose of this report is to set out details of the provisional local government finance settlement for 2024/25 and to consider the revenue and capital budgets and medium-term financial plan (MTFP). Following consideration of the report, members will be requested to agree a firm recommendation on the level of council tax to the meeting of the Fire Authority on 16 February 2024.

Background

2. The current MTFP was approved at the meeting of the Authority on 15 February 2023 and members were informed at that time that to set a balanced budget for the current year (2023/24) it would be necessary to draw £571,000 from reserves. The required draw from reserves increased by a further £250,000 to £821,000 following the announcement of the firefighters pay award which was above the level included in the 2023/24 budget.
3. The MTFP which was approved by the Authority in February 2023 is set out in table 1 below:

Table 1: Medium Term Financial Plan (approved February 2023)

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Net Expenditure	32.672	34.493	35.657	36.686
Contribution from Reserves	-0.571	0	0	0
Revised Net Expenditure	32.101	34.493	35.657	36.686
Government Funding	9.897	10.094	10.296	10.502
Local Non-Domestic Rates	1.459	1.459	1.459	1.459
Council Tax	20.700	21.516	22.145	22.794
Services Grant	0.288	0.282	0.288	0.294
Deficit on Collection Fund	(0.243)	0	0	0
Total Funding	32.101	33.351	34.188	35.049
Surplus/ (Deficit)	0	(1.142)	(1.469)	(1.637)

4. The MTFP was based on several assumptions which are set out in Table 2 below:

Table 2: MTFP Assumptions

	2023/24	2024/25	2025/26	2026/27
Income Assumptions				
Council Tax Base	+1.30%	+0.90%	+0.90%	+0.90%
Council Tax Level	+4.60%	+2.99%	+1.99%	+1.99%
Settlement Funding Assessment	+4.16%	+2.00%	+2.00%	+2.00%
Expenditure Assumptions				
Pay Awards	+5.00%	+3.00%	+2.00%	+2.00%
Inflation	+5.00%	+2.00%	+2.00%	+2.00%

5. In view of the budget shortfall, members agreed to consult the public on the option of riding with a crew of 4 on all fire appliances. 68% of the respondents agreed with the proposal which would remove 16 posts from the operational establishment saving £780,000 in a full year. The change to riding with 4 was implemented from 01 July 2023 saving £571,000 in staffing costs in the current financial year.
6. To assist in balancing the budget a full review of all budget headings has been undertaken to identify savings and correct any shortfalls in current budgets. The review identified annual net savings of £309,000 which have been removed from the MTFP from 2024/25.
7. There has been a significant increase in interest on short-term investments which is forecast to exceed the budget by £250,000 in 2023/24. As the position regarding future interest rates is particularly difficult to forecast an increase of £100,000 has been built into the MTFP for 2024/25 and 2025/26.

8. The current MTFP has been revised to incorporate the latest available information on government funding, council tax, pay awards and inflation. This report sets out a draft budget for 2024/25 together with a draft MTFP for the four-year period covering 2024/25 to 2027/28. There are many significant factors affecting the MTFP which are difficult to quantify including: the level of government funding beyond 2024/25, the level of future pay awards, the level of inflation and the level of employer's pension contributions. The draft MTFP is therefore based on assumptions which could have a significant impact on the Authority's overall financial position should the actual position turn out to be different.

Provisional Settlement 2024/25

9. The government announced the provisional settlement on 18 December 2023 which once again is a one-year funding settlement for 2024/25, compounding the uncertainty surrounding future funding.
10. The Services Grant that was introduced in 2022/23 will continue in 2024/25 however the quantum has been reduced to pay for other parts of the settlement. The settlement also includes an extension to the Funding Guarantee to ensure that all local authorities see at least a 3% increase in Core Spending Power before any council tax decisions locally.
11. The provisional Settlement Funding Assessment has been calculated by formula and is the government's assessment of the financial resources to be provided from a combination of revenue support grant, local business rates income and top-up grant. Table 3 below sets out the settlement figures for 2024/25 and the current year (2023/24).

Table 3: Provisional Settlement

Description	2023/24 £m	2024/25 £m
Government Funding	9.897	11.962
Local Non-Domestic Rates	1.459	1.531
Settlement Funding Assessment	11.356	13.493
Services Grant	288	45
Funding Guarantee	0	198
Total	11.644	13.736
Pensions Grant	1.560	0
Adjusted Total Funding	13.204	13.736
Change in Funding	+0.465	+0.532
% Change in Funding	+4.2%	+4.0%

12. In 2023/24 the Authority received a separate Pensions Grant which has been rolled into revenue support grant (government funding) in 2024/25. The Authority's overall funding will increase by £0.532M (4.0%) in 2024/25. The position beyond 2024/25 remains uncertain and in view of this uncertainty the Authority will need to continue to prepare for the possibility of further reductions in funding going forward.

Council Tax Base

13. The council tax bases for Durham County Council and Darlington Borough Council have been provided for 2024/25 and are set out in table 4 below:

Table 4: Council Tax-base Information

	Durham County Council	Darlington Borough Council	Total
2023/24 Tax-base	145,675.90	34,814.50	180,490.40
2024/25 Tax-base	146,624.00	35,300.80	181,924.80
Change	+948.10	+486.30	+1,434.40

14. The increase in the council tax base of 0.79% generates an additional £164,557 of council tax revenue based on the current Band D council tax of £114.69.

Council Tax and Business Rates Collection Funds

15. COVID-19 and the cost-of-living crises continued to impact on council tax receipts in 2023/24. The Authority has been notified by Durham County Council and Darlington Borough Council of forecast deficits on the council tax collection funds for 2023/24. The Authority's estimated share of the 2023/24 deficits is £179,000. With regard to business rates, we have been notified by Durham County Council of a surplus of £58,000 for 2023/24 however we are still awaiting confirmation of the business rates surplus/deficit figure for Darlington.
16. The estimated deficits on the collection funds in 2023/24 will need to be included in the budget requirement for 2024/25.

Local Council Tax Referendum

17. The Government has also announced details of the local council tax referendum principles for 2024/25.
18. Fire and rescue authorities will have flexibility to increase Band D council tax by up to 3%. Any fire and rescue authority that wishes to increase Band D council tax in 2024/25 by 3% or more, as compared to the 2023/24 council tax level will be required to hold a referendum.

Budget Pressures

19. The following budget pressures have been identified some of which have been incorporated into the revised MTFP:

Pay Awards

20. The current MTFP includes an allowance for pay increases of 3% in 2024/25 and 2% in 2025/26 and 2026/27 however there is a great deal of uncertainty surrounding the level of pay awards going forward. Each additional 1% increase in pay for the whole workforce costs in the region of £270,000. Any unfunded pay increase above the level included in the MTFP would therefore have a significant impact on the forecast deficit.

Inflation

21. In addition to the increase in general inflation, there have been significant increases in the cost of gas, electricity, and fuel during 2023/24 and further increases are possible going forward. For 2024/25, the budgets for gas, electricity and fuel have been increased to reflect current prices and an allowance of 3% has been added to other non-pay budget headings. A further allowance to cover exceptional inflationary pressures has been made within the contingencies budget which can be allocated to budget holders on an exceptional basis should the need arise.

Firefighters Pension Scheme (FPS)

22. The results of the latest actuarial valuation of the Firefighters Pension Scheme were published on 19 December 2023. Following the valuation, the revised employer contribution rate will be 37.6% of pensionable pay from 01 April 2024, an increase of 8.5%. The Home Office have confirmed that they will be providing a new pensions grant to fire and rescue services in 2024/25 in relation to the additional employer contributions along with a further grant towards additional pension administration costs. This is a one-off grant in 2024/25 only at this stage and the Home Office will need to bid for funding in the forthcoming Spending Review to secure the grant for future years.

Efficiency Savings

23. The 2024/25 revenue budget has been constructed using a zero-based approach and all budget heads have been reviewed with an emphasis on the identification of efficiency savings. Where savings have been identified based on historic and predicted future spend the relevant amount has been removed from the 2024/25 budget.

Medium Term Financial Plan 2024/25 to 2027/28

24. The MTFP incorporates 2024/25 and future year's expenditure and income estimates. We are still awaiting confirmation of some figures which are likely to change before the final version of the MTFP is presented to the Fire Authority for approval. Any changes are expected to be marginal and will not impact on the proposed level of council tax for 2024/25.
25. The estimates for 2025/26 onwards are less robust as they are based on assumptions therefore there is a significant risk that the actual position could turn out to be different.
26. The MTFP is based on assumptions which are set out in table 5 below. At this stage the assumptions are believed to be reasonable based upon the information that is available.

Table 5: MTFP Assumptions

	2024/25	2025/26	2026/27	2027/28
Income Assumptions				
Council Tax Base	+0.79%	+0.90%	+0.90%	+0.90%
Band D Council Tax Level	+2.99%	+1.99%	+1.99%	+1.99%
Government Funding	+4.00%	+2.00%	+2.00%	+2.00%
Expenditure Assumptions				
Pay Awards	+3.00%	+3.00%	+2.00%	+2.00%
Inflation	+3.00%	+2.00%	+2.00%	+2.00%

27. The Authority has been notified of collection fund deficits (the reduction in council tax and business rates collected over that which was budgeted to collect) in relation to 2023/24 which have been included in the 2024/25 budget. No surplus or deficit has been incorporated into the MTFP models for future years.
28. The MTFP below is based on the assumptions outlined in Table 5 and include a 4.0% increase in government funding in 2024/25 and a 2.99% increase in Band D council tax.

Table 6: Medium Term Financial Plan 2024/25 to 2027/28

	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Net Expenditure	35.104	36.095	37.377	38.226
Government Funding	11.962	12.201	12.445	12.694
Local Non-Domestic Rates	1.531	1.531	1.531	1.531
Council Tax	21.489	22.118	22.766	23.432
Services Grant	0.045	0.045	0.046	0.047
Funding Guarantee	0.198	0.198	0.198	0.198
Deficit on Collection Fund	(0.121)	0		
Total Funding	35.104	36.093	36.986	37.903
Surplus/ (Shortfall)	0	(0.002)	(0.391)	(0.323)

29. The MTFP in Table 6 above shows a balanced budget for 2024/25 and a shortfall in funding of £0.002M in 2025/26 rising to £0.323M in 2027/28.
30. Following the implementation of riding with a crew of 4 on all fire appliances together with the identification of savings and increased investment income, the forecast shortfall over the MTFP period has significantly reduced from £1.637M to £0.323M. However, due to the uncertainty around future funding and the number of assumptions

which could turn out to be different, the figures for 2025/26 onwards are less robust and are for indicative purposes only at this stage.

Impact of Changes to Assumptions on the MTFP

31. Several assumptions have been made in relation to settlement funding, pay, prices and pension costs across the MTFP period. Whilst the assumptions are reasonable at this stage, there is a risk that the actual position could turn out to be different.
32. Table 7 below sets out the potential impact of changes to the main assumptions on the MTFP position:

Table 7: Impact of Changes to Expenditure and Income Assumptions

Impact of Changes to Expenditure Assumptions	Annual Impact £m
1% change in level of pay award	0.270
1% change in level of Inflation	0.082
1% change in level of council tax	0.206
1% change in level of settlement funding	0.120

Balancing the Budget over the Medium Term

33. At the Fire Authority strategic planning day on 10 October 2022, members received an update on the available options that have been modelled to shape the Service's Emergency Response provision in future years together with alternative options for service delivery. A summary of the savings options is set out in Table 8 below:

Table 8: Summary of Options to Balance the Budget

Option Number	Option	Saving £m	Response Standards Impact
1	Service Headquarters	0.200	IMPLEMENTED
2	Phase 2 of the Service Structure	0.013	IMPLEMENTED
3	Review of SLT and Middle Managers	0.445	IMPLEMENTED
4	Ride with a crew of 4 on all appliances	0.780	IMPLEMENTED
5	SRU Unit Crewed	0.452	LEAST
6	Remove 1 x station TRV	0.446	LEAST

7	1 X RDS station removal of second pump	0.120	GREATER
8	1 x station second pump to day crewing	0.287	GREATER
9	1 x station to day crewing	0.478	GREATER
10	1 x station 1 pump and 1 TRV	0.427	GREATER
11	1 x wholetime station removal of second pump	0.870	GREATER
12	1 x station to RDS only	1.132	GREATER

34. Options 1-4 in the table above are complete and the savings have been built into the 2024/25 budget and the MTFP. At this stage none of the other options have been incorporated into the budget for 2024/25 or the MTFP.

Proposed Council Tax Increase 2024/25

35. The MTFP is based on a Band D council tax increase of 2.99% in 2024/25, and 1.99% in each of the following years. This is the maximum increase allowed without holding a referendum. Table 9 below sets out the effect of a 2.99% Band D council tax increase in 2024/25 on each of the property bands:

Table 9: Effect of a 2.99% Increase in Council Tax

Council Tax Band	Proportion of 'Basic Amount'	2023/24 Council Tax	Increase (per annum)	2024/25 Council Tax	Increase (per week)
Band A	6/9	£76.46	£2.29	£78.75	4.4p
Band B	7/9	£89.20	£2.67	£91.87	5.1p
Band C	8/9	£101.95	£3.04	£104.99	5.8p
Band D	'Basic Amount'	£114.69	£3.43	£118.12	6.6p
Band E	11/9	£140.18	£4.19	£144.37	8.1p
Band F	13/9	£165.66	£5.07	£170.62	9.8p
Band G	15/9	£191.15	£5.72	£196.87	11.0p
Band H	18/9	£229.38	£6.86	£236.24	13.2p

36. A 2.99% increase in the basic amount (Band D) council tax will generate an additional £624,000 of council tax income in 2024/25.
37. Members are requested to consider the level of council tax for 2024/25 with a view to making a firm recommendation to the meeting of the Fire Authority to be held on 16 February 2024.

Capital Programme 2024/25 to 2027/28

38. The capital programme includes provision for building works, vehicle and equipment renewals and ICT replacement. The revenue costs associated with the capital programme have been incorporated into the MTFP models set out in this report.
39. The Authority's capital programme is summarised in table 10 below.

Table 10: Capital Programme 2024/25 – 2027/28

	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Major Works	0	0	4.000	0
Minor Works	0.500	0.500	0.500	0.500
Vehicles	1.610	1.749	0.980	2.107
Equipment	0.516	0.418	0.415	0.157
ICT	0.150	0.150	0.150	0.150
Total Expenditure	2.776	2.817	6.045	2.914

Risks

40. There are several risks associated with the MTFP that need to be considered when setting the 2024/25 budget:

Local Business Rates Retention

41. The local business rates retention scheme introduces risks in relation to the Authority being exposed to fluctuations in business rates income in County Durham and Darlington. The Authority is also exposed to collection rate risk and if collection rates fall then there will be a direct impact on the Authority's available financial resources.

Local Council Tax Benefit Schemes

42. The local council tax benefit schemes administered by Durham County Council and Darlington Borough Council exposes the Authority to a further council tax collection rate risk.

Expenditure and Income Assumptions

43. Assumptions have been made in relation to government funding, pay, prices and pension costs across the MTFP period. Whilst the assumptions are reasonable at this stage, there is a risk that the actual position could turn out to be different.
44. The outcome of the latest valuation exercise for the Firefighters Pension Scheme resulted in an increase of 8.5% in the average employer's contribution rate. The Home Office have stated that grant funding will be made available in 2024/25 towards the additional cost however there is a risk that the Home Office is unable to secure this funding in future years.

45. The above risks will be closely monitored, and the Authority will be notified of any significant movement in the financial assumptions and projections that have been made within the MTFP.

Reserves

46. The National Framework document which sets out the priorities and objectives for fire and rescue authorities (FRA's) makes specific reference to reserves. The document requires FRA's to provide information to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the FRA's MTFP.
47. The information which FRA's are required to publish includes:
- how the level of the general reserve has been set.
 - justification for holding a general reserve larger than five percent of budget.
 - whether the funds in each earmarked reserve are legally or contractually committed, and if so, what amount is so committed; and
 - a summary of what activities or items will be funded by each earmarked reserve, and how they support the fire and rescue authority's strategy to deliver good quality services to the public.
48. The reserves held by the Authority are reviewed on an ongoing basis in accordance with the agreed reserves policy which states that the Authority will:
- Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
 - Aim to maintain a general reserve of 5% of the net expenditure currently £1.605M
49. The estimated reserves position at the end of 2023/24 and for the remainder of the MTFP period is set out in table 11 below:

Table 11: Estimated Reserves Position 2023/24 – 2027/28

Reserve	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
General Reserve	1.605	1.605	1.605	1.605	1.605
Earmarked Reserves	2.756	2.157	2.157	2.157	2.157
TOTAL RESERVES	4.361	3.762	3.762	3.762	3.762

Recommendations

50. Members are recommended to:
- (i) **consider** the information in this report
 - (ii) **consider** the level of council tax for the 2024/25 financial year
 - (iii) **note** the risks that have been identified as part of the budget setting process
 - (iv) **agree** a firm recommendation on the 2024/25 level of council tax to be made to the Combined Fire Authority meeting on the 16 February 2024.