



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 Thursday 23 January 2025 at 10.00 am to consider the following business:-

PART A

1. Apologies for absence
2. Minutes of the previous meeting (Pages 3 - 6)
3. Audit Strategy Memorandum Year ended 31 March 2024 - Mazars (Pages 7 - 46)
4. Issue of Audit Certificate on the 2023/23 Statement of Accounts (Pages 47 - 50)
5. Forecast of Outturn 2024/25 to 31 December 2024 - Report of the Deputy Chief Executive (Pages 51 - 58)
6. Short-Term Investments and Long-Term Borrowing - Quarter 3 - Report of the Deputy Chief Executive (Pages 59 - 60)
7. Revenue and Capital Budgets 2025/26 and Medium-Term Financial Plan - Report of the Deputy Chief Executive (Pages 61 - 70)
8. 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

A handwritten signature in black ink that reads "Helen Bradley".

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 R Bell, A Batey, J Cairns, B Kellett and L Mavin

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 **27 November 2024 at 10:00hours**.

Present: Cllr R Bell (Chair)
Durham County Council: Cllr Julie Cairns
Cllr Alison Batey
Cllr Bill Kellett
Darlington Borough Council: Cllr A Anderson
Officers: Tony Hope
Keith Lazzari
Internal Audit: Nicola Cooke
External Audit (Mazars): Smriti Sood/James Collins
Secretariat Emma Walton/Natasha McLoughlin

Part A

1 Apologies

No apologies were noted.

2 Minutes of the Previous Meetings

The minutes of the previous meeting held on 26 September 2024 were agreed as a true record.

3 Internal Audit Progress Report

NCooke introduced the progress report as at end of Quarter 2 2024/25. NCooke had met with KLazzari yesterday, there were no areas of concern to highlight.

Members considered and noted the Quarter 2 internal audit position.

4 Corporate Governance Action Plan Update

KLazzari presented the Corporate Governance Action Plan, which is reviewed quarterly by the Senior Leadership Team. All actions were currently on-going, areas highlighted:

Action 2 – regarding pay awards - The MTFP is based upon increases in pay awards of 3% in 2024/25 and 2025/26 and 2% thereafter. The MTFP deficit position could change dramatically if pay awards are agreed above this level.

Action 4 – The Service has recently entered into a collaboration with 3 other FRSs 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.

It was noted that some items on the plan overlap with the risk register.

Members were asked to note the update.

5 Corporate Risk Register

KLazzari presented details of the Corporate Risk Register, currently 6 risks have been identified.

FIN152 – reduced risk - as MTFP currently showing as balanced in 2024/25 and 2025/26.

FIN153 – reduced risk – MTFP assumptions are being monitored and pay awards for 2024/25 can be managed within the budget.

AAnderson asked what the impact of a 1% pay increase on MTFP currently would cost, THope informed the committee it would be a £297k increase.

AFoster queried item ER218 – heightened terrorist threat in County Durham, following the riots that were mitigated in Durham City earlier this year and fires associated, this would increase risk of staff on operational duty being affected. THope stated that body worn cameras were in place for staff to utilise. KLazarri also added that there were debriefs taking place after all incidents like this where any risk and impact on service would be reported. Bodyworn cameras were also reviewed by police to support during this time.

Members were requested to note the report.

6 Forecast of Outturn 2024/25 Quarter 2

THope presented the report which provides an indication of the Service's revenue and capital financial outturn position based upon expenditure and income to the 30 September 2024.

Based upon expenditure and income to 30 September 2024, the forecast revenue outturn position to the 31 March 2025 is an underspend of £0.268M (0.76%).

AFoster raised the utilities overspend of £80k. THope informed the Committee that unfortunately the increase in PFI utility costs hadn't been factored into the budget, but will be going forward.

AAnderson queried the vehicle underspend identified. THope explained that this was slippage from last year as there had been delays since covid of the manufacturing of fire appliances.

ABatey raised the issue of charging points for electric vehicles and access to these at HQ, Stations etc for staff. KL said that this was part of the sustainability strategy, there would be charging points across the County for access, this would initially be a big investment but a longer-term saving. There is currently no charge for staff charging their vehicles onsite, but this would be reviewed going forward with a view to charging as usage increases.

At this stage no further borrowing is anticipated during 2024/25.

No areas of concern were raised.

Members were asked to note the report.

7 Short-term Investments and Long-Term Borrowing Quarter 2

THope presented the short-term investments and Long-Term Borrowing for Quarter 2 report. He highlighted the following:

- Interest of £276,402.40 has been earned up to the 30 September 2024 which is above the budgeted amount of £75,000.00 for the year to date.
- Short-term investment balance of £15,818,000 as at 30 September 2024.
- Long-term borrowing – outstanding principal balance of £4,859,134.69.

Members noted content of the report.

8 2025/26 Budget and Medium-Term Financial Plan

Members received an update on the financial pressures facing the Authority which include the impact of unfunded pay awards, rising energy and utility costs and a lack of funding for capital investment. Although the Authority's financial position has improved following the identification of savings through budget challenge, increased interest receipts and the implementation of riding with four, there are risks in our current MTFP assumptions particularly around pay. The Committee were reminded of the uncertainty surrounding future funding and the reliance on council tax receipts which now account for over 60% of the Authority's funding.

The settlement will be announced 19 December 2024 and this will be 1 year funding settlement then going forward it would be multi-year funding.

Members noted the content of the report.

9 County Durham and Darlington Fire and Rescue Authority Audit Progress Report November 2024

Audit work is ongoing with 3 key risk areas, which would apply to any service not just Fire.

- Management override of controls
- Net defined benefit liability valuation
- Valuation of property, plant and equipment.

There are currently no matters which need bringing to the attention of the Committee, planned timescales are within the audit report which they intend to deliver ahead of the February 2025 backstop deadline.

Discussion took place around the February 2025 deadline.

The committee are very mindful of the possibility of not being able to meet the February 2025 deadline. However, they remain concerned about the impact of delays in the completion of the audit and urged Mazars to do everything possible to meet the deadline. The Committee understand the position Mazars are in with regard to queries they are submitting to staff and the time involved in processing these. THope assured the Committee that audit queries will be dealt with as a priority.

The audit update was noted by the members.

Part B

10 Outstanding Audit Recommendations Quarter ended 30 September 2024

NCooke updated the committee that there were 5 recommendations that were overdue and had revised target dates now.

AFoster queried if the fire home safety visits were being targeted, considering the cost-of-living issues and changes to fuel allowance for our older population. Are those people on universal credit being identified to receive a visit? THope said that the Service works with the Local Authorities and other agencies to identify these people to visit.

The report was noted by the members.



Audit Strategy Memorandum

County Durham and Darlington Fire and Rescue Authority– Year ending 31 March 2024

Members of the Audit and Finance Committee
County Durham and Darlington Fire and Rescue Authority
Service Headquarters
Belmont Business Centre
Durham
DH1 1TW

13th January 2025

Forvis Mazars

Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Dear Audit and Finance Committee Member,

Audit Strategy Memorandum – Year Ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for County Durham and Darlington Fire and Rescue Authority for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing County Durham and Darlington Fire and Rescue Authority which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on +44 (0)7881 283 527.

Yours Faithfully,

Signed: 
James Collins (Jan 13, 2025 12:41 GMT)

James Collins

Forvis Mazars

Contents

01	Engagement and responsibilities summary
02	Your audit engagement team
03	Audit scope, approach and timeline
04	Significant risks and other key judgement areas
05	Value for money arrangements
06	Audit fees and other services
07	Confirmation of our independence
08	Materiality and misstatements
A	Appendix A – Key communication points
B	Appendix B - Current year updates, forthcoming accounting and other issues
C	Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

Engagement and responsibilities summary

01

Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of County Durham and Darlington Fire and Rescue Authority for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

At the time of presenting our Audit Strategy Memorandum, there are a series of active consultations in place that could impact upon both the Authority's financial statements and the work we are required to undertake. Appendix C summarises the proposals under each of the consultations and further details can be found on the Financial Reporting Council's [website](#). Should the outcome of these consultations affect the risks we have identified or the scope of our work, we will provide further information to the Committee in due course.

Engagement and responsibilities summary

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Finance Committee, as Those Charged With Governance, of their responsibilities.

The Treasurer is responsible for the assessment of whether it is appropriate for the Authority to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management, internal audit, other key individuals, where relevant, as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.



Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of County Durham and Darlington Fire and Rescue Authority's internal control.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Authority's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Authority and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Value for money

We are also responsible for forming a view on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

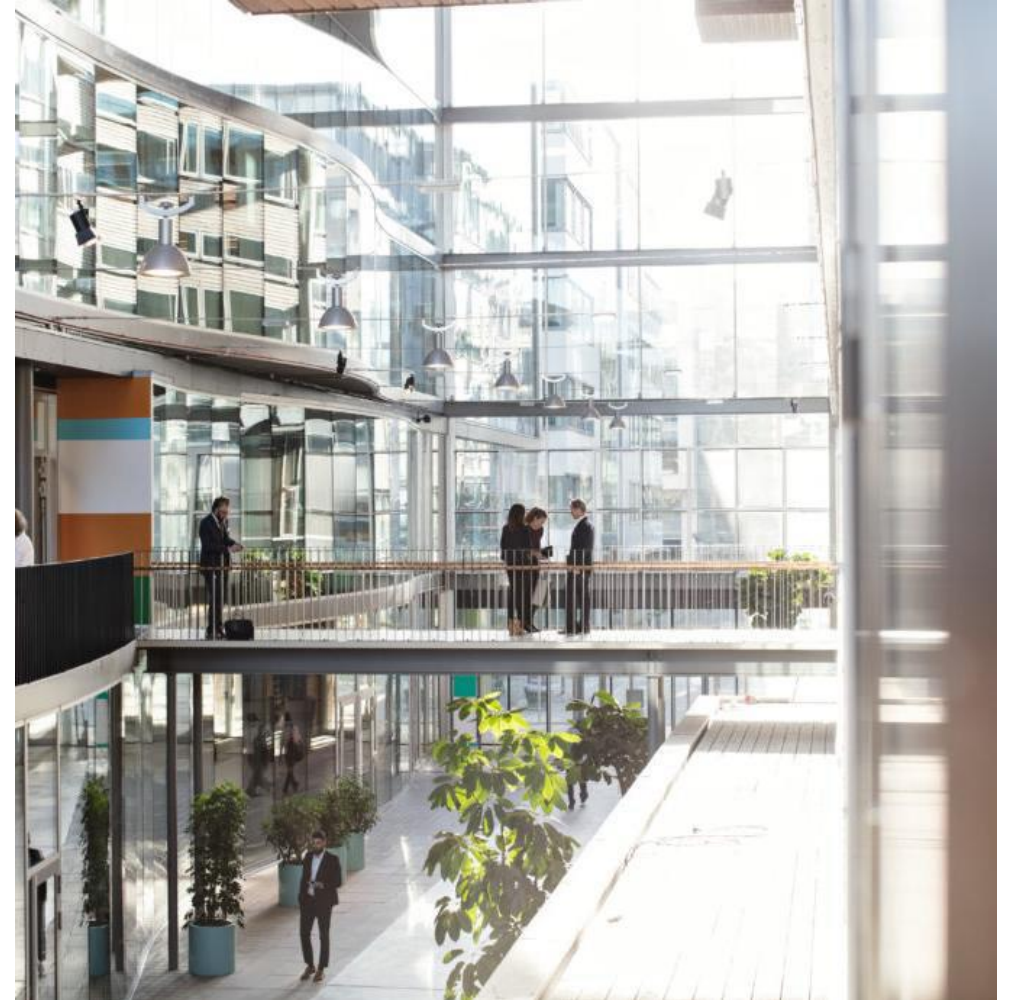
02

Your audit engagement team

Your audit team

Page 14

Name	Role	Contact
James Collins	Engagement Lead	james.collins@Mazars.co.uk +44 (0)7881 283 527
Smriti Sood	Engagement Manager	smriti.sood@Mazars.co.uk +44 (0)7816 209 240



03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

Audit scope, approach, and timeline

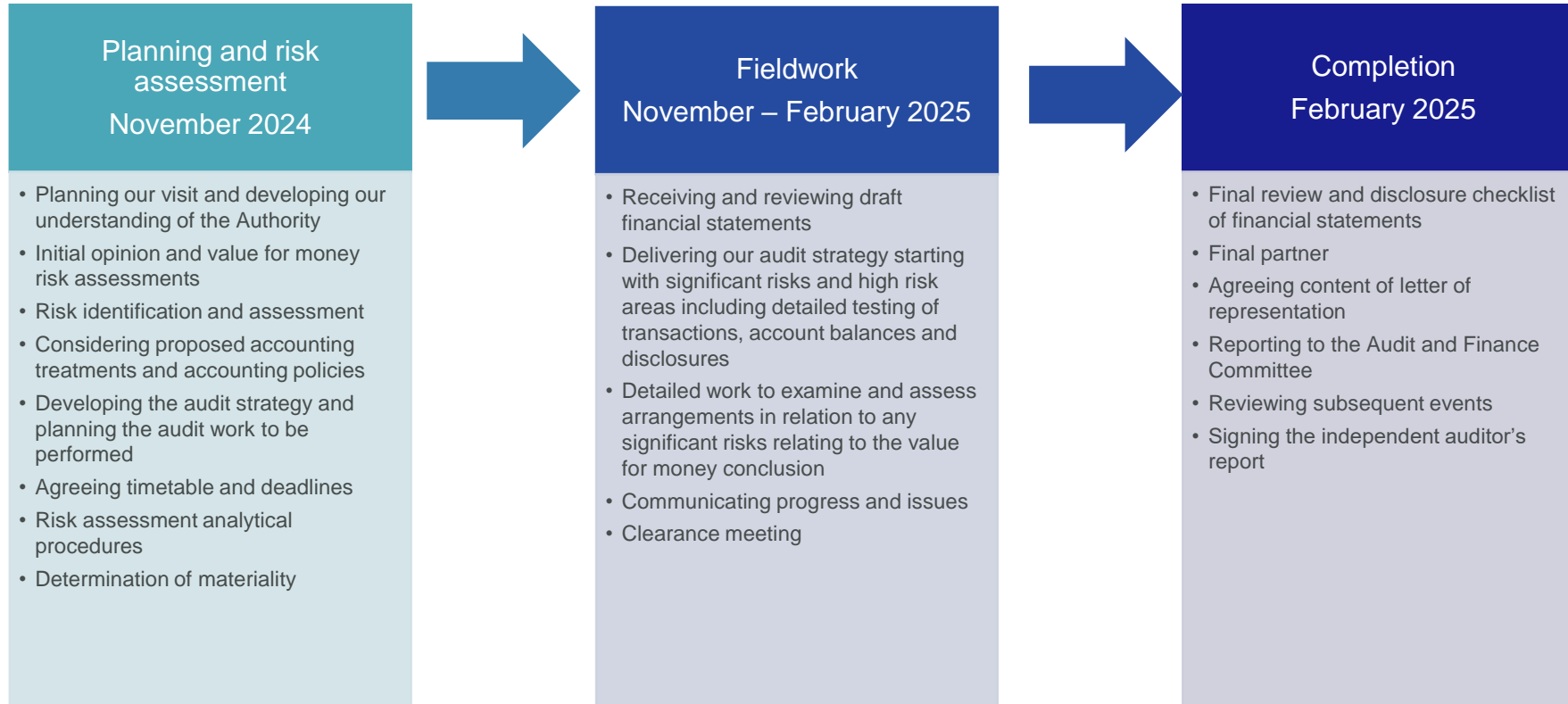
Risk-based approach



Audit scope, approach, and timeline

Audit timeline

Page 18



Audit scope, approach, and timeline

Management's experts and our experts

Management makes use of experts in specific areas when preparing the Authority's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management's expert	Our expert
Defined benefit liability	Government Actuary's department (GAD) for Firefighters; and Aon Hewitt for local Government Pension Scheme (LGPS) employees	NAO's Consulting Actuary (PWC)
Property, plant and equipment valuation	Align Property Partners.	We will carry out appropriate testing and consider available third party information. See section on significant risks.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

The table below summarises the service organisations used by the Authority and our planned audit approach.

Item of Account	Service organisation	Audit approach
Provision and maintenance of the general ledger system (including Accounts Payable and Accounts Receivable) which affects all items of account.	Durham County Council	Forvis Mazars is also the auditor of the Council and have direct access to accounting records and staff. Accordingly, we can substantively test the financial statements in the same way as if the Authority did not rely on a service organisation. We will review and document the controls in place for production of the financial statements and also within the material financial information systems.

Audit scope, approach, and timeline

We are responsible for the audit of the group consolidation. An analysis of County Durham and Darlington Fire and Rescue Authority is shown below, setting out an overview of the type of work to be performed on the financial information of the components (which are both not material for our audit of the Authority and Group).

Entity	Auditor	Scope
County Durham and Darlington Fire and Rescue Authority;	Forvis Mazars	Full
Vital Fire Solutions	Forvis Mazars	Specific Audit Procedures (Substantive testing of Revenue and Expenditure)
County Durham and Darlington Fire and Rescue Community Interest Company	Forvis Mazars	Analytical Procedures at group level

Audit scope, approach, and timeline

Group audit approach

We are responsible for the audit of the group consolidated financial statements. For the year ended 31 March 2024, the Group will be made up of the following components:

- County Durham and Darlington Fire and Rescue Authority (the Authority);
- Vital Fire Solutions(VFS);
- Community Interest Company (CIC);

James Collins will be responsible for ensuring appropriate audit procedures are performed to obtain assurance for the group and Authority.

An analysis of the group is shown below, setting out an overview of the type of work to be performed on the financial information of the consolidated financial statements. We will carry out sufficient, appropriate work at the group level to gain assurance over consolidated components

The scope of our audit is based on an analysis of the risks we have identified at the group level. When scoping our audit, we have considered quantitative criteria (the contribution of the group's consolidated components to the group financial statements) and qualitative criteria (risks of material misstatement that consolidated components may present individually). A further analysis will be performed on the other entities to verify they do not present any other risks. Where necessary, we will include some of these subsidiaries in our audit scope.

The nature and extent of audit work we plan to perform on the consolidated components is set out below.

Entity	Identifier	% of Assets	% of liabilities	% of Income	% of Expenditure	Auditor	Scope
CDDFRA	Gross Revenue Expenditure	99.51%	99.92%	89.11%	98.86%	Forvis Mazars – James Collins	Full Scope Audit
VFS	Gross Revenue Expenditure	0.46%	0.08%	10.87%	1.14%	Forvis Mazars – James Collins	Specific Audit Procedures (Substantive testing of Revenue and Expenditure)
CIS	Gross Revenue Expenditure	0.02%	0%	0.02%	0%	Forvis Mazars – James Collins	Group analytical procedures.

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

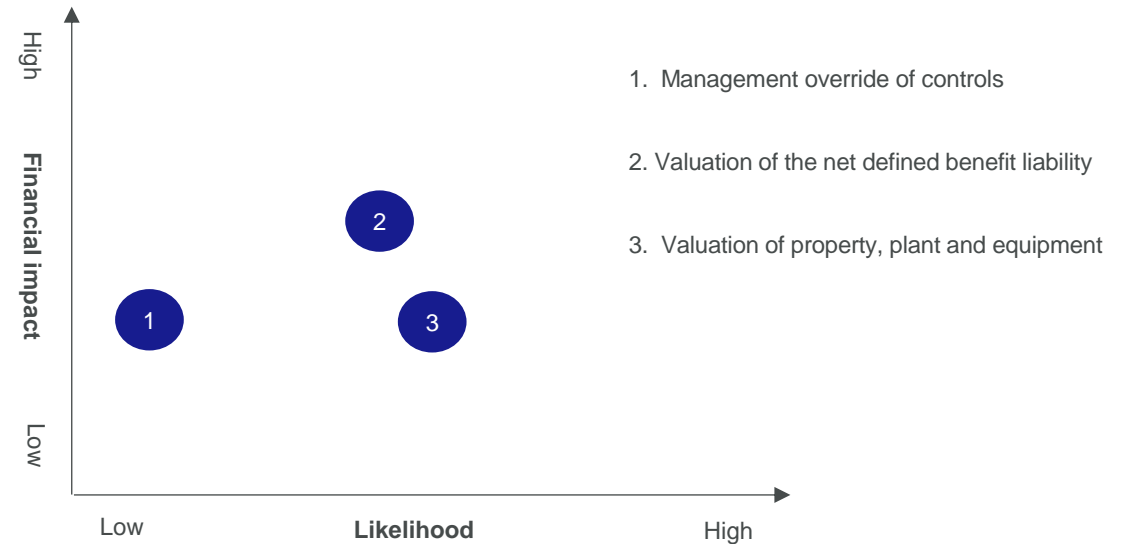
- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Authority. We have summarised our audit response to these risks on the next page.



Key: ● Significant risk

Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Finance Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●			We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits (LGPS and FFPS). The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>		●	●	<p>We will discuss with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We will review the appropriateness of the key assumptions included within the valuations, compare them to expected ranges and review the methodology applied in the valuation. We will consider the adequacy of disclosures in the financial statements.</p> <p>We will also seek assurance from the auditor of Durham County Council Pension Fund.</p>
3	<p>Valuation of property, plant and equipment (PPE)</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.</p>		●	●	<p>We plan to address this risk by considering the Authority's arrangements for ensuring that PPE values are reasonable and we will use data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the external valuer. We will also assess the competence, skills and experience of the valuer.</p> <p>We plan to discuss methods used with the valuer and examine supporting information. We will use available indices to challenge any assets not revalued in year have not materially changed in value. Where material, we will test the revaluations in year to valuation reports and supporting calculation sheets and ensure that the calculations are correct and source data agrees.</p>

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether the Audit and Finance Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Group and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Audit and Finance Committee which we will obtain prior to completing our audit

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to the Audit and Finance Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

05

Value for money arrangements

Value for money arrangements

The framework for value for money work

We are required to form a view as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Authority has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Authority's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Authority's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Authority's arrangements for each specified reporting criteria. Relevant information sources include: <ul style="list-style-type: none">• NAO guidance and supporting information;• information from internal and external sources including regulators;• knowledge from previous audits and other audit work undertaken in the year; and• interviews and discussions with officers and Members.
Additional risk-based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority.

Value for money arrangements

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Authority's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, we have not identified any risks of significant weaknesses in arrangements in our planning to date. We issued our Auditor's Annual Report on our 2022/23 work in February 2024, which included the VFM Commentary required by the Code. This did not identify any significant weaknesses in arrangements or make any recommendations

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT) for the audit of County Durham and Darlington Fire and Rescue Authority for the year ended 31 March 2024, are outlined below.

Fees for work as the Authority’s appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of .

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Code Audit Work	£92,278	£42,915




Fees for non-PSAA work

At this stage we are not expecting to undertake any non-PSAA work at the Authority in 2023/24

Confirmation of our independence

07

Confirmation of our independence

	Requirements	We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.
	Compliance	We are not aware of any relationship between Forvis Mazars and County Durham and Darlington Fire and Rescue Authority that, in our professional judgement, may reasonably be thought to impair our independence. We are independent of County Durham and Darlington Fire and Rescue Authority and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.
	Non-audit and Audit fees	We have set out a summary any non-audit services provided by Forvis Mazars (with related fees) to County Durham and Darlington Fire and Rescue Authority in Section 6, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with James Collins in the first instance.

Prior to the provision of any non-audit services, James Collins will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2018/19 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

08

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit and Finance Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

For the group and single-entity financial statements, we consider that Gross Revenue Expenditure is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of Gross Revenue Expenditure for the group financial statements, and for the Authority's single entity statements.

As set out in the tables alongside, based on currently available information (Draft Accounts for 2023-2024) we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £1.004m (£1.042m in the prior year), and performance materiality to be in the region of £803k (£833k in the prior year).

For the single entity statements, we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £1.002m (£1.034m in the prior year), and performance materiality to be in the region of £802k (£828k in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£1,004	£1,042
Performance materiality	£803	£833
Clearly trivial	£30	£31
Specific materiality		
• Senior officer remuneration	£5	£5
• exit packages	£20	£20

Authority's single-entity financial statements

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£1,002	£1,034
Performance materiality	£802	£828
Clearly trivial	£30	£31
Specific materiality		
• Senior officer remuneration	£5	£5
• exit packages	£20	£20

Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit and Finance Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £30k, based on 3% of overall materiality. If you have any queries about this, please raise these with James Collins.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit and Finance Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

Reporting

In summary, we will categorize and report misstatements above the reporting threshold to the Audit and Finance Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with The Audit and Finance Committee as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit strategy memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Enquiries of the Audit and Finance Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit completion Report and discussion at the Audit and Finance Committee. Audit planning and clearance meetings

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Finance Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report and the Audit and Finance Committee meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit and Finance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit and Finance Committee may be aware of.	Audit Completion Report and Audit and Finance Committee meetings
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	Audit Completion Report
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p>	Audit Strategy Memorandum

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 Insurance Contracts has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

As we outline in the introduction to this report, there are a number of consultations currently taking place that may have implications for: the format and content of the Authority's financial statements, the work we are required to undertake under the Code of Audit Practice and the timetable for the publication of the audited statements of account.

In this Appendix, we summarise the proposals in each of the consultations for information.

CIPFA/LASAAC consultation on short-term measures to aid the recovery of local authority reporting and audit

This [consultation](#) proposes amendments to the Code of Practice on Local Authority Accounting (the Accounting Code), applicable only to relevant bodies in England. The proposals are to:

- Extend the current temporary solution for accounting for infrastructure assets beyond 2024/25;
- Remove some disclosure requirements relating to a body's net defined benefit liabilities / assets; and
- Simplify the measurement for operational property, plant and equipment in specific circumstances up to 2025/26.

DLUHC consultation on addressing the local audit backlog in England

This [consultation](#) proposes a range of measures aimed at 'clear the backlog and put the system on a sustainable footing' and outlines two key phases of recovery up to 2027/28. A key aspect of the proposals is to require Category 1 bodies, such as the Authority, to publish audited financial statements by a series of backstop dates. This proposal will be put in place by amending the Accounts and Audit Regulations 2015. For statements of account for financial years up to and including 2022/23, this would mean audited accounts will need to be published by 30 September 2024 unless a pre-defined exemption criteria has been met (such as there being an outstanding objection to the accounts at the backstop date).

The consultation sets out other proposals including:

- Publishing a list of bodies and audit firms which do not meet the statutory deadline for publishing audited statements of account; and

- Setting out 'backstop' dates for each financial year up to and including 2027/28.

In including a statutory backstop date for the publication of audited statements of account, the consultation makes it clear that the DLUHC expects that this will give rise to auditors issuing modified audit reports where they have not been able to complete their work on the financial statements.

NAO consultation on draft amendments to the Code of Audit Practice

This [consultation](#) has been launched alongside DLUHC's consultation on amendments to the Accounts and Audit Regulations 2015 and seeks to introduce measures that support more timely auditor reporting. The principle changes to the Code of Audit Practice being proposed are to:

- Require the auditor to issue an opinion on the financial statements by the 'backstop' date outlined in the amended Accounts and Audit Regulations 2015, whether this opinion is modified or not (subject to a number of exemptions);
- Allow the auditor to apply a reduced scope of work in relation to VFM arrangements work for outstanding audits up to and including 2022/23; and
- Require the auditor to publish the Auditor's Annual Report by 30 November each year from the 2023/24 audit year, and for this report to provide a summary of progress on the audit at the time of issue (even if the audit is not complete).

Contact

Page 46

Forvis Mazars

James Collins
Director

Tel: +44 (0)7881 283 527
james.collins@mazars.co.uk

The contents of this document are confidential and not for distribution to anyone other than the recipients.
Disclosure to third parties cannot be made without the prior written consent of Forvis Mazars LLP.

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2024. All rights reserved.



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

Tel: +44 (0)191 383 6300
www.mazars.co.uk

Mr T Hope
Treasurer
County Durham
and Darlington Fire and Rescue Authority
Fire and Rescue Service Headquarters
Belmont Business Park
Durham
DH1 1TW

Direct +44 (0)191 383 6300
Dial
Email gavin.barker@mazars.co.uk

20 December 2024

Dear Mr Hope

County Durham and Darlington Fire and Rescue Authority - Issue of Audit Certificate on the Statement of Accounts 2022/23

We are pleased to attach our signed Audit Certificate for the 2022/23 financial year which formally concludes the 2022/23 audit.

There was a substantial delay in the issue of the Audit Certificate due to us awaiting confirmation from the National Audit Office (NAO) that the Authority would not be selected for additional WGA work as a sampled component. We have now received the confirmation awaited from NAO, and I am delighted to attach our audit certificate dated today.

On 23 January 2024, following approval and certification of the 2022/23 financial statements by the Audit and Finance Committee we issued our Independent Auditor's Report in relation to the accounts for the year ended 31 March 2023. The audit opinion was unqualified.

We issued our commentary on Value for Money (VFM) arrangements in our Auditor's Annual Report 2022/23 on the same date. We did not identify any significant weaknesses or recommendations in relation to the Authority's VFM arrangements.

We issued our report on WGA to NAO on 29 January 2024.

As the audit certificate has been issued you are now able to issue the notice required by Regulation 16 of the Accounts and Audit (England) Regulations 2015.

Under Regulation 10 of the Accounts and Audit (England) Regulations 2015 you published on your website:

- the statement of accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act;

- the annual governance statement approved in accordance with regulation 6(3); and
- the narrative statement prepared in accordance with regulation 8.

You also provided a notice of explanation for the delay in the issue of the Audit Certificate.

You will now be able to publish the attached Audit Certificate for 2022/23 alongside the 2022/23 financial statements and with the Notice you are now required to publish under Regulation 16.

For the avoidance of doubt, the Independent Auditor's Report for the year ended 31 March 2023 comprises the report issued on 23 January 2024 and incorporated into your financial statements and the Audit Certificate issued today.

Following guidance issued to auditors by the National Audit Office, it is now our policy that our signed audit report should be published as part of the publication of your financial statements on your website.

We have provided you with a copy of the financial statements for the year ended 31 March 2023 including our report on those statements. We outline below your responsibilities in respect of the use of our report.

Please ensure that:

- you only publish the financial statements accompanied by our report on those statements;
- you only publish the financial statements accompanied by any 'other information' provided to us before we issued our report and specifically referred to in our report; and
- you do not publish the financial statements accompanied by any other information not provided to us prior to issuing our report.

Please note that:

- the examination of the controls over the electronic publication of audited financial statements is beyond the scope of the audit of the financial statements and we cannot be held responsible for changes made to audited information after the initial publication of the financial statements and our report; and
- where you wish to publish or distribute the financial statements electronically, you are responsible for ensuring that the publication accurately presents the financial statements and our report on those financial statements. This responsibility also applies to the presentation of any financial information published in respect of prior periods.

Please feel free to contact me if you like clarification on any point. Thank you again to you and your team for the support and cooperation in enabling us to complete the audit of the financial statements in the difficult circumstances this year.

Yours sincerely

Gavin Barker

Gavin Barker
Director

Audit Completion Certificate issued to the Members of County Durham and Darlington Fire and Rescue Authority for the year ended 31 March 2023

In our auditor's report dated 23 January 2024 we explained that the audit could not be formally concluded until we had completed the work necessary to issue our assurance statement in respect of County Durham and Darlington Fire and Rescue Authority's Whole of Government Accounts consolidation pack.

This work has now been completed.

Certificate

We certify that we have completed the audit of County Durham and Darlington Fire and Rescue Authority and the Group for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



Gavin Barker
Key Audit Partner
For and on behalf of Mazars LLP

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

20 December 2024

This page is intentionally left blank



Safest People Safest Places

AUDIT AND FINANCE COMMITTEE

23 JANUARY 2025

FORECAST OF OUTTURN 2024/25 – ESTIMATE BASED ON EXPENDITURE AND INCOME TO 31 DECEMBER 2024 (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 2024.

Forecast of Outturn – Revenue Budget

2. Based upon expenditure and income to 31 December 2024, the forecast revenue outturn position to the 31 March 2025 is an underspend of £0.816M (2.30%).
3. A breakdown of expenditure and income compared to the budget is set out in Appendix 1 and details of the main variances are set out below:
4. **Salaries & Wages - Forecast Outturn £386,000 (1.36%) Overspent**

The original budget included an allowance for a 3% pay award to all staff groups however the firefighters pay award was agreed at 4% from 01 July 2024. The July pay award also included an increase in the retainer fee paid to on-call firefighters from 01 January 2025 at an additional cost of £69,000 in the current year (£276,000 in a full year). Allowance was made in the contingencies budget for a further 2% increase in pay, therefore the overspend on salaries and wages is partly offset by the underspend on the contingencies budget heading.

5. **Ill Health Charges – Forecast Outturn £38,000 (5.80%) 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. Based on the position at 31 December an overspend of £38,000 is forecast at the year end.

6. **Other Employee Costs – Forecast Outturn £102,000 (19.69%) Overspent**

Expenditure on other employee costs is forecast to exceed the budget by £102,000 due to additional expenditure on essential operational staff training.

7. Premises – Forecast Outturn £0.240M (7.14%) Overspent

Expenditure on repairs and maintenance is forecast to exceed the budget by £81,000 due to the need to carry out essential repairs (including the Breathing Apparatus training facility at the Training Centre). Increased expenditure on utilities accounts for the remainder of the forecast overspend and includes an additional £84,000 for PFI stations. The 2025/26 budget has been adjusted to reflect the increased expenditure on utilities.

8. Transport - Forecast Outturn £129,000 (15.62%) 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 £51,000 (1.07%) Overspent

Based on expenditure to 31 December an overspend of £51,000 is forecast across a number of budget headings. This is an improvement on the forecast overspend position at 30 September of £132,000 due to strict control of non-essential expenditure.

10. Capital Financing – Forecast Outturn £792,000 (32.14%) Overspent

This budget includes provision to meet the full year cost of loan repayments and interest together with revenue contributions to finance capital expenditure. Capital expenditure on the replacement control system will be funded from revenue following the release of £534,000 from the IT projects reserve. A further contribution of £850,000 is planned from the Modernisation Reserve to finance capital expenditure avoiding the need to borrow in the current financial year.

11. Contingencies – Forecast Outturn £306,000 (37.97%) Underspent

The contingencies budget is set aside to meet any unforeseen events and includes an allowance for inflation and pay awards in excess of the budgeted amount. Every effort is being made to contain expenditure within existing budgets and known overspends are reflected in the forecast outturn position. The remaining balance of the contingencies budget has been released into the revenue account as an underspend. This partially offsets the reported overspendings on salaries and wages.

12. Income – Forecast Outturn £606,000 (9.57%) 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. A one-off grant of £60,000 will be received in 2024/25 in respect of the Authority's share of the business rates levy account surplus for the 2023/24 financial year. Additional income has also been generated from the recharge of staff salaries to the Service's trading company Vital Fire Solutions

13. Contribution from Reserves £1,384,000 Not included in the original budget

At the end of 2023/24 a transfer of £534,000 was made to the IT Projects reserve to fund capital expenditure in 2024/25 associated with the replacement control system. A contribution of £850,000 is also planned from the Modernisation Reserve to fund current year capital expenditure. These transfers from reserves offset the additional expenditure on capital financing outlined above.

Forecast of Outturn – Capital Budget

15. The capital budget for 2024/25 is £2.913M. Based on the latest available information the forecast outturn position is an underspend of £1.210M (41.54%). A breakdown of expenditure compared with the budget is set out in Appendix 2 and details of the main variances are set out below:

16. **Estates Minor Works – Expenditure Forecast to be in line with Budget**

Expenditure on estates minor works is forecast to be in line with budget at the year end.

17. **ICT – Expenditure Forecast to be in line with Budget**

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

18. **Vehicles – Forecast Outturn £1.210M Underspent**

Provision was made in the budget for the replacement of fire appliances, operational vehicles, and several officers cars. Following a review of requirements and a reappraisal of replacement timescales a number of these vehicles will not be delivered by the year-end therefore £1.210M 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.

Reserves

20. The table below sets out the Authority's reserves position.

Reserve	Opening Balance at 01/04/24	Transfer to Reserve	Transfer from Reserve	Estimated Balance at 31/03/24
	£M	£M	£M	£M
General Reserve	1.773			1.773
Earmarked Reserves				
Pensions	0.500			0.500
Community Safety	0.082			0.082
Insurance	0.285			0.285
Resilience	1.000			1.000
Modernisation	1.240		0.850	0.390
ESMCP	0.065			0.065
Training	0.200			0.200
Strategic Finance – Funding Pressures	0.326			0.326
IT Projects	0.534		0.534	0.000
Total Earmarked Reserves	4.232	0	1.384	2.848
Total Reserves	6.005	0	1.384	4.621

21. With the exception of the transfers from reserves set out above to finance capital expenditure, at this stage no further drawings from reserves are anticipated during 2024/25.

Investments

22. On 31 December 2024 the Authority had £13.680M on short-term deposit which was made up as follows: -

Borrower	Amount Invested £M
Money Market Funds	7.100
Lloyds Bank (Current Account)	0.380
Debt Management Office	6.200
Total	13.680

Long-Term Borrowing

22. The outstanding principal balance of £4.844M on 31 December 2024 relates to long-term loans to finance capital expenditure. This was made up as follows: -

Lender	Amount Borrowed £M	Interest Rate	Loan End Date
PWLB Lending Facility			
• Loan 324867	£1.917	2.08%	28/03/2071
• Loan 510768	£2.927	2.73%	04/05/2072
Total	£4.844		

23. At this stage no further borrowing is anticipated during 2024/25.

Recommendations

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

Revenue Budget Forecast of Outturn - 31 December 2024

Description	Budget £'000	Forecast Outturn Position £'000	Variance £'000	Transfers to/(from) Reserves £'000	Adj Variance £'000	% Variance
Employees - Salaries and Wages	28,387	28,773	386	0	386	1.36
Employees - Ill Health Charges	655	693	38	0	38	5.80
Employees - Other	518	620	102	0	102	19.69
Premises	3,362	3,602	240	0	240	7.14
Transport	826	697	-129	0	-129	-15.62
Supplies & Services	4,764	4,815	51	0	51	1.07
Capital Financing	2,464	3,256	792	0	792	32.14
Contingencies	806	500	-306	0	-306	-37.97
GROSS EXPENDITURE	41,782	42,956	1,174	0	1,174	2.81
Income	-6,332	-6,938	-606	0	-606	9.57
Contribution from Reserves	0	-1,384	-1,384	0	-1,384	0.00
NET EXPENDITURE	35,450	34,634	-816	0	-816	-2.30

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

This page is intentionally left blank

Capital Budget Forecast of Outturn - 31 December 2024

Description	Budget	Forecast Outturn	Variance	% Variance
	£000	£000	£000	%
Estates Minor Works	500	500	0	0.00
ICT	286	286	0	0.00
Vehicles	1,610	400	-1,210	-75.16
Equipment	517	517	0	0.00
TOTAL	2,913	1,703	-1,210	-41.54

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

This page is intentionally left blank



Safest People, Safest Places

Audit and Finance Committee

23 January 2025

Short-Term Investments and Long-Term Borrowing – Period to 31 December 2024 (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 2024.

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 2024.

	Position as at 31 December 2024
Interest Earned	£477,463.33
Average Return Earned	4.97%
Average Bank of England base rate	5.06%
Balance Invested at Quarter End	£13,680,000.00
Average Daily Balance of Investments	£12,750,281.69

3. Interest of £477,463.33 has been earned up to the 31 December 2024 which is above the budgeted amount of £112,500.00 for the year to date.

4. The short-term investments balance of £13,680,000.00 at the 31 December 2024 is made up as follows: -

Borrower	Amount Invested £M
Money Market Fund	
<ul style="list-style-type: none"> • Goldman Sachs • Insight 	£3.100 £4.000
Lloyds	£0.380
Debt Management Office	£6.200
Total	£13.680

Long-Term Borrowing

5. The outstanding principal balance of £4,844,122.19 relating to long-term loans at the 30 December 2024 is made up as follows: -

Lender	Outstanding Balance £M	Maturity Date	Annual Interest Rate
PWLB Lending Facility			
<ul style="list-style-type: none"> • Loan 324867 • Loan 510768 	£1.917 £2.927	28 March 2071 04 May 2072	2.080% 2.730%
Total	£4.844		

Recommendation

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

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

AUDIT AND FINANCE COMMITTEE

23 JANUARY 2025

REVENUE AND CAPITAL BUDGETS 2025/26 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 2025/26 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 17 February 2025.

Background

2. The current MTFP was approved at the meeting of the Authority on 16 February 2024 and was based on several assumptions which are set out in table 1 below:

Table 1: Current MTFP Assumptions

	2024/25	2025/26	2026/27	2027/28
Income Assumptions				
Council Tax Base	+0.79%	+0.90%	+0.90%	+0.90%
Council Tax Level	+2.99%	+1.99%	+1.99%	+1.99%
Government Funding	+6.70%	+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%

3. The current MTFP is set out in Table 2 below:

Table 2: Current MTFP

	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Net Expenditure	35.450	36.117	37.809	38,344
Government Funding	11.962	12.202	12.446	12.695
Local Non-Domestic Rates	1.549	1.549	1.549	1.549
Council Tax	21.492	22.118	22.766	23.432
Services Grant	0.050	0.050	0.051	0.052
Funding Guarantee	0.530	0.198	0.198	0.198
Deficit on Collection Fund	(0.133)	0	0	0
Total Funding	35.450	36.117	37.010	37.926
Surplus/ (Shortfall)	0	0	(0.799)	(0.418)

4. 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 2025/26 together with a draft MTFP for the four-year period covering 2025/26 to 2028/29. There are many significant factors affecting the MTFP which are difficult to quantify including: the level of government funding beyond 2025/26, 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 2025/26

5. The government announced the provisional settlement on 18 December 2024 which once again is a one-year funding settlement for 2025/26, compounding the uncertainty surrounding future funding.
6. The Services Grant that was introduced in 2022/23 will be discontinued in 2025/26 along with the Funding Guarantee which was introduced in 2024/25 to ensure that all local authorities see at least a 3% increase in Core Spending Power before any council tax decisions locally. The Authority received £580,000 from these two funding sources in 2024/25 which will not continue in 2025/26.
7. 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 2025/26 and the current year (2024/25).

Table 3: Provisional Settlement

Description	2024/25 £m	2025/26 £m
Government Funding	11.962	12.132
Local Non-Domestic Rates	1.549	1.547
Settlement Funding Assessment	13.511	13.679
Services Grant	50	0
Funding Guarantee	530	0
Total	14.091	13.679
Change in Funding	+0.887	-0.412
% Change in Funding	+6.7%	-2.9%

8. The Authority's funding from government will decrease by £0.412M (2.9%) in 2025/26.
9. Alongside the Provisional Settlement MHCLG has published a consultation on funding reform. The Autumn 2024 Budget announced the Government's intention to pursue a comprehensive set of reforms to place local government in a more sustainable position. The government is committed to allocating funding where it is needed most using the best available evidence to assess differences in need (including deprivation) and the resources available to individual authorities. It is intended that reform of funding allocations will begin at the 2026/27 Settlement which will be a multi-year settlement.
10. Whilst it hoped that the Authority will see an increase in funding following the reform this is not certain. 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

11. The council tax bases for Durham County Council and Darlington Borough Council have been provided for 2025/26 and are set out in table 4 below:

Table 4: Council Tax-base Information

	Durham County Council	Darlington Borough Council	Total
2024/25 Tax-base	146,645.30	35,300.80	181,946.10
2025/26 Tax-base	148,760.60	35,904.50	184,665.10
Change	+2,115.30	+603.70	+2,719.00

12. The increase in the council tax base of 1.5% generates an additional £321,168 of council tax revenue based on the current Band D council tax of £118.12

Council Tax and Business Rates Collection Funds

13. The Authority has been notified by Durham County Council and Darlington Borough Council of forecast surpluses/deficits on the council tax and business rates collection funds for 2024/25. The Authority's estimated share of the 2024/25 net surplus on the collection funds is £77,000.

14. The estimated surplus on the collection funds in 2024/25 will be included in the budget requirement for 2025/26.

Local Council Tax Referendum

15. The Government has also announced details of the local council tax referendum principles for 2025/26.
16. Fire and rescue authorities will have flexibility to increase Band D council tax by up to £5 (4.23%). Any fire and rescue authority that wishes to increase Band D council tax in 2025/26 by more than £5, as compared to the 2024/25 council tax level will be required to hold a referendum.

Budget Pressures

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

Pay Awards

18. The current MTFP includes an allowance for pay increases of 2% in each year 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 £298,000. Any unfunded pay increase above the level included in the MTFP would therefore have a significant impact on the forecast deficit.

Inflation

19. In addition to the increase in general inflation, there have been significant increases in the cost of gas and electricity during 2024/25 and further increases are possible going forward. For 2025/26, the budgets for gas and electricity have been increased to reflect current prices and an allowance of 2% 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.

Employers National Insurance Contributions (NICs)

20. The Autumn Budget included an increase to employer's NICs and corresponding compensation for local authorities. The Provisional Settlement confirmed that there would be £515m for local government (excluding police and education services, which are being treated separately). The majority of this funding will be distributed via the final settlement. We do not expect the compensation to fully cover the cost of the changes to employer NICs which is estimated to be £462,000 in 2025/26. Initial indications are that the compensation grant may only cover half of the additional cost. At this stage we have assumed that the compensation grant will not continue beyond 2025/26.

Firefighters Pension Scheme (FPS)

21. 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 provided a new pensions grant to fire and rescue services in 2024/25 and 2025/26 in relation to the additional employer contributions along with a further grant towards additional pension administration costs. This is a one-off grant 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

22. The 2025/26 revenue budget has been constructed 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 2025/26 budget.

Medium Term Financial Plan 2025/26 to 2028/29

23. The MTFP incorporates 2025/26 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 2025/26.
24. The estimates for 2026/27 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.
25. 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

	2025/26	2026/27	2027/28	2028/29
Income Assumptions				
Council Tax Base	+1.49%	+0.92%	+0.92%	+0.92%
Band D Council Tax Level	+£5.00	+1.99%	+1.99%	+1.99%
Government Funding	-2.90%	+2.00%	+2.00%	+2.00%
Expenditure Assumptions				
Pay Awards	+2.00%	+2.00%	+2.00%	+2.00%
Inflation	+2.00%	+2.00%	+2.00%	+2.00%

26. The Authority has been notified of an overall collection fund surplus in relation to 2024/25 which have been included in the 2025/26 budget. No surplus or deficit has been incorporated into the MTFP models for future years.

27. The MTFP in Table 6 below is based on the assumptions outlined in Table 5 including a £5 increase in Band D council tax.

Table 6: Medium Term Financial Plan 2025/26 to 2028/29

	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Net Expenditure	36.732	38.622	39.493	40.502
Government Funding	12,132	12.374	12.622	12.874
Local Non-Domestic Rates	1.547	1.547	1.547	1.547
Council Tax	22.736	23.402	24.086	24.792
Surplus on Collection Funds	77	0	0	0
NIC Compensation Grant	240	0	0	0
Total Funding	36.732	37.323	38.255	39.213
Surplus/ (Shortfall)	0	(1.299)	(1.238)	(1.289)

28. The MTFP in Table 6 above shows a balanced budget for 2025/26 and a shortfall in funding of £1.2M from 2026/27 onwards.
29. Due to the uncertainty around future funding and the number of assumptions which could turn out to be different, the figures for 2026/27 onwards are less robust and are for indicative purposes only at this stage.

Impact of Changes to Assumptions on the MTFP

30. 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.
31. 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	0.298
1% change in level of Inflation	0.086
1% change in level of council tax	0.218
1% change in level of settlement funding	0.137

Balancing the Budget over the Medium Term

32. At the Fire Authority strategic planning day on 21 November 2024, 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	0.499	LEAST
6	Remove 1 x station TRV	0.494	LEAST
7	1 X RDS station removal of second pump	0.143	GREATER
8	1 x station second pump to day crewing	0.317	GREATER
9	1 x station to day crewing	0.528	GREATER
10	1 x station 1 pump and 1 TRV	0.469	GREATER
11	1 x wholetime station removal of second pump	0.962	GREATER
12	1 x station to RDS only	1.251	GREATER

* Value of saving at the time of implementation

33. Options 1-4 in the table above are complete and the savings have been built into the budget and the MTFP. At this stage none of the other options have been incorporated into the budget for 2025/26 or the MTFP.

Proposed Council Tax Increase 2024/25

34. The MTFP is based on a Band D council tax increase of £5.00 (4.23%) in 2025/26, 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 £5.00 Band D council tax increase in 2025/26 on each of the property bands:

Table 9: Effect of a £5.00 Band D (4.23%) Increase in Council Tax

Council Tax Band	Proportion of 'Basic Amount'	2024/25 Council Tax	Increase (per annum)	2025/26 Council Tax	Increase (per week)
Band A	6/9	£78.75	£3.33	£82.08	6.4p
Band B	7/9	£91.87	£3.89	£95.76	7.5p
Band C	8/9	£104.99	£4.45	£109.44	8.6p
Band D	'Basic Amount'	£118.12	£5.00	£123.12	9.6p
Band E	11/9	£144.37	£6.11	£150.48	8.1p
Band F	13/9	£170.62	£7.22	£177.84	13.9p
Band G	15/9	£196.87	£8.33	£205.20	16.0p
Band H	18/9	£236.24	£10.00	£246.24	19.2p

35. A £5.00 (4.23%) increase in the basic amount (Band D) council tax will generate an additional £923,000 of council tax income in 2025/26.
36. 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 2025/26 to 2028/29

37. 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.
38. The Authority's capital programme is summarised in table 10 below.

Table 10: Capital Programme 2025/26 – 2028/29

	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Major Works	3.000	3.000	0	0
Minor Works	0.500	0.500	0.250	0.250
Vehicles	3.380	1.556	0.371	2.629
Equipment	0.493	0.470	0.223	1.256
ICT	0.558	0.150	0.150	0.150
Total Expenditure	7.931	5.676	1.244	4.285

Risks

39. There are several risks associated with the MTFP that need to be considered when setting the 2025/26 budget:

Local Business Rates Retention

40. 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

41. 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

42. 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.
43. The outcome of the last 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 2025/26 towards the additional cost however there is a risk that the Home Office is unable to secure this funding in future years.
44. 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

45. 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.
46. 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.

47. 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

48. The estimated reserves position at the end of 2024/25 and for the remainder of the MTFP period is set out in table 11 below:

Table 11: Estimated Reserves Position 2024/25 – 2028/29

Reserve	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
General Reserve	1.773	1.773	1.773	1.773	1.773
Earmarked Reserves	2.848	2.111	2.111	2.111	2.111
TOTAL RESERVES	4.621	3.884	3.884	3.884	3.884

Recommendations

49. Members are recommended to:

- (i) **consider** the information in this report
- (ii) **consider** the level of council tax for the 2025/26 financial year
- (iii) **note** the risks that have been identified as part of the budget setting process
- (iv) **agree** a firm recommendation on the 2025/26 level of council tax to be made to the Combined Fire Authority meeting on the 17 February 2025.