

Safest People, Safest Places

Local Government Act 1972

A Meeting of the Combined Fire Authority for County Durham and Darlington Audit and Finance Committee will be held in the County Durham and Darlington Fire and Rescue Service Headquarters on Tuesday 25 February 2025 at 2.30 pm to consider the following business:-

PART A

1. Apologies for absence
2. Minutes of the previous meeting - Report of the Chair (Pages 3 - 6)
3. Audit Completion Report - Year Ended 31 March 2024 - Mazars (Pages 7 - 46)
4. Draft Auditors Annual Report - Year Ended 31 March 2024 - Mazars (Pages 47 - 78)
5. Statement of Accounts for the year ended 31 March 2024 - report of the Deputy Chief Executive (Pages 79 - 184)
6. Local Government Finance Settlement - Letters to Government - Report of the Deputy Chief Executive (Pages 185 - 194)

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

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

County Hall
Durham
DH1 5UL

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

Durham County Councillors:

Councillors 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 **23 January 2025 at 10:00hours**.

Present: Cllr R Bell (Chair)
Durham County Council: Cllr Lesley Mavin
Cllr Alison Batey
Darlington Borough Council: -
Independent Person: Alan Foster
Officers: Tony Hope
Keith Lazzari
Internal Audit: Nicola Cooke
External Audit (Mazars): Smriti Sood/James Collins
Secretariat Natasha McLoughlin

Part A

It was noted that the meeting would not be quorate however it was agreed that the meeting would go ahead and Cllr Anderson would be contacted after the meeting for agreement on the recommendations.

1 Apologies

Apologies were noted from Cllrs A Anderson and B Kellett.

2 Minutes of the Previous Meetings

The minutes of the previous meeting held on 27 November 2024 were agreed as a true record.

3 Audit Strategy Memorandum Year Ended 31 March 2024

S Sood gave an update on the planned work to be carried out by External Audit for 2023/24 which covered audit option, fraud, internal control and value for money.

Cllr Bell queried meeting the end of January deadline. J Collins confirmed at this stage they were confident deadlines would be met.

The report was noted.

4 Issue of Audit Certificate on the 2023/23 Statement of Accounts

C Collins reported that the signed audit certificate for 2022/23 had been issued and reminded the meeting of the reasons for the lateness.

The report was noted.

5 Forecast of Outturn for 2024/2025 to 31 December 2024

T Hope presented the report which provided an indication of the Service's forecast revenue and capital outturn position at Quarter 3. 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%).

A Foster asked for clarification of borrowing versus reserves. K Lazzari explained that in relation to the control project the grant had been put into reserves and was now being drawn down as the service had demonstrated that the system requirements had been met.

The layout of Appendix 2 was discussed. T Hope agreed to amend the table to include capital expenditure on the fire control project.

The report was noted.

6 Short Term-Investments and Long-Term Borrowing – Quarter 3

T Hope presented the short-term investments and long-term borrowing for Quarter 3 report and members noted the position at 31 December 2024.

Discussion followed on the new HQ where the estimated cost was £6.5m which would be funded from borrowing due to the cost of the project.

The report was noted.

7 Revenue and Capital Budgets 2025/26 and Medium Term Financial Plan

T Hope introduced the report which set out details of the provisional local government finance settlement for 2025/26, asked members to consider the draft revenue and capital budgets and medium-term financial plan and sought members agreement on a firm recommendation on the level of council tax to the meeting of the Fire Authority on 17 February 2025.

A Foster commented the disappointing outcome regarding national insurance contributions following the announcement in the budget. T Hope gave an update from his meeting with the Treasury and the assumptions they were given.

Following a discussion, it was agreed to send a lobbying letter to Government regarding the fire funding formula.

Members **noted** the budget pressures and risks identified as part of the budget setting process and **considered** the proposed council tax increase for 2025/26. Following a vote, it was **agreed** to recommend a 4.23% increase (£5 on a Band D property) to the Fire Authority meeting on 17 February 2025.

ACTIONS FROM MEETING

No	Item No	Who	Action	Complete
1	5	TH	To amend appendix to reflect capital expenditure on the fire control projects	ASAP
2	7	TH	To prepare a letter from the committee to send regarding the fire funding formula	ASAP

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Audit Completion Report

County Durham and Darlington Fire and Rescue Authority – year ended 31 March 2024

February 2025

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

Forvis Mazars
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

17th February 2025

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 23rd January 2025.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail then please do not hesitate to contact me on +44 (0)7881 283 527
Yours faithfully

Signed: 
James Collins (FAB 11, 2023, 10.23 GMT)

James Collins

Forvis Mazars LLP

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Executive Summary

01

Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Net Defined benefit Liability Valuation;
- management override of controls; and
- Valuation of land and buildings

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements including any adjusted and unadjusted misstatements. Section 7 outlines our work on the County Durham and Darlington Fire and Rescue Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2024.

At the time of preparing this report, there are some significant matters remaining outstanding as outlined in section 2

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We anticipate having no significant weaknesses to report in relation to the arrangements that the County Durham and Darlington Fire and Rescue Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider Powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. No questions or objections have been received

Status of the audit

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Status of our audit

There are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below.

Review and closure procedures Including reviews of completed work, checking the final version of the financial statements and consideration of any post balance sheet events.	●
Whole of Government Accounts Reviewing and submitting the Whole of Governments Accounts consolidation schedules. The NAO has not yet issued guidance to auditors therefore we are unable to complete.	●

Status

- Likely to result in a material adjustment or a significant change to disclosures in the financial statements.
- Potential to result in a material adjustment or a significant change to disclosures in the financial statements.
- Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.
- Work on value for money arrangements

Audit Approach

03

Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 23rd January 2025

Materiality

Our provisional materiality at the planning stage of the audit was set at £1.004m for Group and £1.002m for Authority using a benchmark of 2% of Gross Revenue expenditure.

Based on the same benchmark our final materiality for Group was £1.031m and for the Authority £1.029m

Use of experts

There are no changes to our planned approach since issuing our Audit Strategy Memorandum as set out below:

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




There are no changes to our planned approach since issuing our Audit Strategy Memorandum as set out below:

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 approach

Overview of our group audit approach

Based on our risk assessment and the financial information for the year ending 31st March 2024, we determined that certain components consolidated into the group financial statements should be subject to either a full scope audit or a specific scope audit, as set out in the table below.

Group component	Auditor	Scope	Changes to scope since planning?	Key points or other matters to report
County Durham and Darlington Fire and Rescue Authority;	Forvis Mazars		No	Full
Vital Fire Solutions	The accounts are not audited		No	Specific Audit Procedures (including substantive testing of material revenue and expenditure)
County Durham and Darlington Fire and Rescue Community Interest Company	The accounts are not audited		No	Analytical Procedures at group level

Full audit
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures
Performance of specific audit procedures on the component's financial information

Review procedures
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

04

Significant findings

Significant findings

Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 17 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant Risks

Management override of controls

Description of the risk

In all entities, management at various levels within an organization 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

Audit conclusion

There are no significant issues arising from our work that we are required to report to you.

Significant findings

Net defined benefit liability valuation

Description of the risk

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

How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.

We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements.

We also sought assurance from the auditor of Durham County Council Pension Fund.

Audit conclusion

There are no significant issues arising from our work that we are required to report to you.

Significant findings

Description of the risk

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

How we addressed this risk

We addressed this risk by considering the Authority's arrangements for ensuring that PPE values are reasonable, and we used data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the external valuer.

We also assessed the competence, skills and experience of the valuer. We discussed methods used with the valuer and examined supporting information. We used indices provided by NAO's valuation expert to confirm the assets not revalued had not materially changed in value. We tested the revaluations in year to valuation reports and supporting calculation sheets to ensure that the calculations were correct and agreed to source data.

Audit conclusion

There were some immaterial errors noted which Authority has agreed to correct. We have no other matters to report.

Significant findings

Qualitative aspects of Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 appropriately tailored to the Authority's circumstances.

Draft accounts were published by the Authority on 31 May 2024 and were of a good quality, supported by good working papers

Significant matters discussed with management

There were no significant matters discussed with management

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2023/24 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Internal control conclusions

05

Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of Authority's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Authority's internal controls, we are required to communicate to Audit and Finance Committee (as those charged with governance) any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

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

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The deficiencies Authority's internal controls that we have identified as at the date of this report are in set out on the following pages.

Internal control conclusions

Follow up on previous internal control points

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of strategic objectives. Our recommendations should be considered for immediate action.

Description of deficiency

There were two officer and one member declarations that were not completed.

Potential effects

There could be undisclosed related party transactions.

Recommendation

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

Management response

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

2023/24 Update

Our testing in 2023/24 noted there were four Councillor declarations that were not completed and returned to the Authority.

Management Response

Every effort is made to obtain a 100% return of related party transaction declarations, and numerous attempts to chase missing declarations have been made. However, despite repeated requests 3 individuals failed to submit a return. All 3 individuals were elected members who stepped down from the CFA in May 2023; a month into the financial year. In addition, a further declaration was not received from a fourth elected member, due to them passing away in September 2023. There is nothing that Authority could have done regarding form in the circumstance of the unexpected death of a member as forms are issued at the year end.

All four individuals submitted a Nil related party declaration in prior years.

This issue is raised with SLT, and in future where an individual is leaving the organisation in advance of the forms being sent out at the year end, Authority will issue forms to them at the time of their departure as part of the exit proceedings, in order to mitigate against the risk of missing returns

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Summary of misstatements

Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £30k. .

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 13th January. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Other Long term Liabilities – net pension liability Cr: Unusable Reserves - pension reserve The Pension Fund auditor reported an unadjusted difference of £8m in the fair value of assets. Based on the Authority share of Fund assets we have estimated the County Durham and Darlington Fire and Rescue Authority's share as £0.062m.			62	62
Dr: Other Long term Liabilities _ pension Liability Cr: Unusable Reserves – Pension Reserve The Pension Fund auditor reported an unadjusted misstatement relating to investment management costs adjustment of £6.3m in the Pension Fund accounts. We have estimated County Durham and Darlington Fire and Rescue Authority's share of this, based on the authority's share of fund assets, to be £0.049m			49	49
Total unadjusted misstatements			111	111

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe Audit and Finance Committee should be made aware of

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr CIES Depreciation Cr Property, Plant and Equipment (PPE) As part of our testing of PPE valuations, we noted that depreciation has not been charged on one asset in the current year. The impact is that depreciation has been undercharged by £34k in 2023/24. This has been amended for in the 2023/24 accounts and the asset will now be depreciated going forwards.	34			34
Dr CIES – revaluation Losses Cr Property, Plant and Equipment The accounts were updated to include the valuation decrease of £0.761m for one asset following reclassification from Assets Under Construction. There was also a trivial adjustment of £0.017m on another asset.	778			778
Dr CIES – Depreciation Cr Property, Plant and Equipment Cr Revaluation Reserve Cr CIES Depreciation Adjustment to correct the accounts for depreciation not charged on buildings that have been revalued in the current year. This appears to be due to an error within the asset register which management have confirmed has now been corrected. This impacted on valuation movements to the CIES and Revaluation Reserve.	689	167	30	552

Summary of misstatements

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Adjusted misstatements *continued*

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Revaluation Reserve Cr Property, Plant and Equipment To correct for the incorrect BCIS rate being used in the valuation of one asset resulting in an overvaluation of £0.086m.			86	86
Dr Revaluation Reserve Dr CIES Cr Property, Plant and Equipment To correct the accounts for the incorrect obsolescence adjustments applied by the valuer in the valuation of nine assets resulting in an overvaluation of £131k plus an additional trivial adjustment on Wheatley Hill of £12k, so total £143k..	19		124	143
Aggregate effect of adjusted misstatements	1,520	167	240	1,593

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit than have been corrected by management.

- Note 8.15 Deferred Liabilities and Note 8.17 IAS 19 – Disclosures were updated
- Note 7.4 Employee Remuneration – Narrative to be updated to clarify movement in Directors
- Note 8.2 Operational Assets – Narrative updated to reflect desktop revaluation completed for 2023-204
- Note 8.15 Deferred Liabilities- Narrative was updated to include long term borrowings
- Note 8.17 IAS 19 – Amendments were made to the disclosure including updating the LGPS narrative to include detail of the Virgin Media High Court case and the potential impact and uncertainty associated with the LGPS.
- Note 4.1 PPE Uncertainty- amendments to the narrative were made
- Note 8.10 Debtors- There were several classifications errors identified within the note which have now been amended

Some minor adjustments were made to the Statement of Accounts to correct grammatical, consistency and other minor errors.

Value for Money

07

Value for Money

Approach to Value for Money

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

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks; and
- **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.

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report by 28th February 2025

Status of our work

We have completed our work in respect of the Authority's arrangements for the year ended 31 March 2024 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report by 28th February 2025.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

James Collins
Forvis Mazars
The Corner
Bank Chambers
26 Mosley Street
NEWCASTLE Upon Tyne
NE1 1DF

February 2025

Dear James,

County Durham and Darlington Fire and Rescue Authority- Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of County Durham and Darlington Fire and Rescue Authority and Group (the Authority and group) for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority and relevant committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority and Group's financial position, financial performance and cash flows

Appendix A: Draft management representation letter

Accounting estimates, including those measured at fair Value

I confirm that the methods, significant assumptions and the data used by the Authority and Group in making the accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority and Group's financial statements communicated by employees, former employees, analysts, regulators or others

Appendix A: Draft management representation letter

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Authority and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Authority and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Authority and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Authority and Group's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Authority and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 8.24 to the financial statements fairly reflects that assessment

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 8.24 to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Appendix A: Draft management representation letter

Going concern

To the best of my knowledge there is nothing to indicate that the Authority and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority and Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Authority and group's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

s151 officer

Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of County Durham and Darlington Fire and Rescue Authority ('the Authority ') and its subsidiaries('the Group') for the year ended 31 March 2024, which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Cash Flow Statement(s), and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2024 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Appendix B: Draft audit report

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Appendix B: Draft audit report

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015 and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

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

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

Appendix B: Draft audit report

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

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

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

We are also required to conclude on whether the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

Appendix B: Draft audit report

Responsibilities of the Authority

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Appendix B: Draft audit report

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Delay in certification of completion of the audit

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

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

James Collins
Director
For and on behalf of Forvis Mazars LLP

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

XX February 2025

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
<p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
<p>Going Concern</p>	<p>We have not identified any evidence to cause us to disagree with Treasurer that County Durham and Darlington Fire and Rescue Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements..</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit and Finance Committee (as those charged with governance)confirming that</p> <ul style="list-style-type: none"> a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Contact

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Forvis Mazars

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Director

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County Durham and Darlington Fire and Rescue Authority– year ended 31 March 2024

February 2025

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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01

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for County Durham and Darlington Fire and Rescue Authority ('the Authority') for the year ended 31 March 2024. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



Opinion on the financial statements

We issued our audit report on **XX** February 2025. Our opinion on the financial statements was unqualified



Value for Money arrangements

We did not identify any significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority's arrangements.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to commence our work in this area until such instructions have been received.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on XX February 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

Draft accounts were published by the Authority on 31 May 2024 and were of a good quality

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Authority
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money arrangements

VFM arrangements

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Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

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

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




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

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	14	No	No	No
 Governance	17	No	No	No
 Improving economy, efficiency and effectiveness	22	No	No	No

VFM arrangements

Financial Sustainability

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



Overall commentary on Financial Sustainability

The Authority has an established process in place for development, approval and reporting of its Medium-Term Financial Plan (MTFP). The MTFP is approved on an annual basis, normally in February each year, and covers a 4 year time period. There is also regular monitoring and reporting against the MTFP, as confirmed by our review of minutes and supporting papers.

The most recent MTFP was approved in February 2024, covering a four-year timeframe from 2024/25 to 2027/28. The MTFP shows a balance budget for both 2024/25 and 2025/26, with small deficits of £0.799m in 2026/27 and £0.418m in 2027/28. The reduced shortfall in 2027/28 is a result of a planned move to alternative headquarters during that year. The MTFP is clear that further work to mitigate these shortfalls is necessary.

The Combined Fire Authority (CFA) holds a Strategic Planning Day where budget pressures are considered as well as the priorities within the Authority's Community Risk Management Plan (CRMP). The Strategic Planning Day was most recently held in November 2024, and was supported by consultation with the public, staff, partners and other stakeholders. The plan recognises the risks and uncertainties facing the Authority in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services. Our review of the MTFP and associated assumptions identified no evidence of significant weaknesses in arrangements and confirmed that sensitivity analysis is undertaken to determine the impact of changes in the key assumptions. The Authority recognises that it faces a number of significant pressures including uncertainty over the long-term funding from Government and increased pay demands and inflation.

Budgets are assigned to operational managers who monitor budgets on a monthly basis, and this is reported to Members on a quarterly basis via the Audit and Finance Committee. For the financial year 2023/24, the Authority reported a surplus of £0.168m. We note that the original budget included a contribution of £0.571m from reserves to balance the budget, however this was not required due to efficiency savings achieved by the Authority during the year. The Authority has a good record of delivering against budget each year, and the outturn report sets out clearly the reasons for any under or overspends during the year. Our review has not highlighted any items which would cast significant doubt on the Authority's MTFP assumptions or on their overall financial performance.

The level of general fund balances and earmarked reserves available to the Authority as at 31 March 2024 has increased to £6.005m, compared to a balance of £5.507m as at 31 March 2023. The level of general fund balances has increased from £1.605m to £1.773m, which is line with the agreed minimum level of 5% of the Authority's net budget provision. Earmarked reserves have also increased from £3.902m in 2022/23 to £4.232m in 2023/24.

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

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

As noted above, the 2024/25 MTFP recognised the risks and uncertainties facing the Authority and they have completed scenario planning to consider the impact of changes in assumptions including pay and inflation, council tax and service grants.

Whilst there are some gaps in the MTFP in later years, the Authority reports regularly on options to balance the MTFP although it recognises that some of these options would be more difficult to implement than others. The Authority has a good record of delivering on its savings plan in previous years including the rationalisation of fire stations, revision of shift patterns and crewing levels and reductions in the senior management team. Further work is being carried out by the Authority to develop savings options, in line with the feedback from members and wider stakeholders gathered as part of the consultation process.

At the November 2024 Audit and Finance Committee meeting, the Authority reported the forecast outturn for 2024/25 as at the end of quarter 2 (period ended 30 September 2024). The report showed an anticipated underspend of £0.268m as at 31 March 2025, despite a number of ongoing budget pressures including: pay awards, inflation and pension schemes. A significant amount of the underspend is due to contingencies, as well as increased income due to an increase in interest on short term investments exceeding the budget. There is no evidence of significant unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan. The Authority is still aware of the financial challenges it faces but has taken action to deliver savings and ensure it can continue to deliver balanced financial plans each year. The Authority delivered a small surplus of £0.168m in 2023/24 and has set a balanced budget for the following two years with no planned use of reserves to fund any shortfalls.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability reporting criteria continued

The total capital expenditure for 2023/24 was £2.116m compared with an original budget of £3.708m. The total underspend for the year was £1.592m and is mainly due to changes to the planned timing of the replacement of some items of vehicles, plant and equipment, although this has been partially offset by a slight overspend in estates improvement programme. We confirmed these have been included as part of the 2024/25 capital programme.

At the November 2024 Audit and Finance Committee meeting, the Authority advised members of the timetable for the consideration and approval of the 2025/26 budget and MTFP which is expected to be reported in February 2025, and we will consider this in more detail as part of our work on our 2024/25 Value for Money commentary.

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

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

Our review did not identify any evidence to indicate the MTFP was not based on reasonable assumptions available at the time of approving the Plan. The MTFP is regularly reviewed, by both the Audit and Finance Committee and also the Fire Authority, as evidenced through our review of minutes. The reports include considering of the main assumptions, and there is regular budget monitoring including quarterly forecast of outturn which support the identification of in-year pressures, and reports on whether savings are being achieved.

As evidenced through review of the MTFP, savings proposals are risk assessed for impact on community and service delivery. There is an extensive consultation programme undertaken on the Community Risk Management Plan (CRMP) and the options for balancing the budget. This covers staff, representative bodies, the public, partner agencies, local councillors, parish councils, residents associations, Area Action Partnerships, community groups, representatives of the non-domestic ratepayers.

Our review of the outturn report as well as the financial statements has not highlighted any apparent reliance on significant one-off accounting measures. Furthermore, our review of the MTFP has not identified significant one-off measures to balance the budget.

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

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

The MTFP report highlights the implications on the workforce, equality, legal, human rights and risks. Saving plans are risk assessed to advise Members of the impact of implementation on the community and service delivery. The plan also considers the impact on the Community Risk Management Plan.

We confirmed the Treasury Strategy is updated on an annual basis and sets out how the Authority manages risks and benefits associated with cash-flow and treasury management.

Risk management is also considered in terms of financial plans and Corporate and Operational risk-registers are regularly updated and reported to the Audit and Finance Committee and CFA throughout the year.

We confirmed the Audit and Finance Committee and CFA consider the updated financial position at various stages throughout the year and this allows for Member scrutiny and challenge. The financial plans for 2023/24 and 2024/25 were considered in February 2023 and February 2024 respectively. The MTFP which was approved in February 2024 was based on a number of assumptions which will be reviewed and updated during the preparation of the 2025/26 budget and MTFP.

The annual budget process includes reviewing the Authority's reserves. We confirmed a review was completed in 2023/24 and 2024/25 to ensure funding set aside remains in line with strategic and statutory priorities. This is evidenced in the outturn reports presented to the Audit and Finance Committee and CFA during the financial year.

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

How the Authority identifies and manages risks to financial resilience

The financial plan recognises the risks and uncertainties facing the Authority in terms of cost pressures, future funding arrangements and potential variations in the costs of the delivery. Our review of the financial plan shows that there is no evidence that assumptions are unrealistic or that reserves are below the minimum required although they are at a comparatively low level for an Authority of this size.

The Authority has an established risk management framework and the Audit and Finance Committee we confirmed the Committee receives regular risk management updates. These reports contain evidence of a clear summary of the Authority's performance, detailing significant variances and providing adequate explanation of the causes.

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

VFM arrangements

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Governance

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



VFM arrangements – Governance

Overall commentary on Governance

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

County Durham and Darlington Fire and Rescue Authority has approved and adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government.

The Authority operates a risk management framework which is linked to the achievement of its strategic priorities and designed to support its decision-making processes and protect the Authority's reputation and other assets. This creates a framework within which risks are identified and evaluated prior to mitigation plans being put in place. The Audit and Finance Committee has responsibility for monitoring and reviewing the risks, control and governance processes and associated assurance processes to ensure the internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. The Service Management Team and the Service Leadership Team (SLT) also scrutinise risks monthly to ensure a corporate and cross cutting approach.

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

The Authority has outsourced its internal audit and counter-fraud services to Durham County Council. The Internal Audit Plan for 2023/24 was reported to Audit and Finance Committee in April 2023. As detailed in the plan, Internal Audit uses a risk-based approach to determine the priorities of the internal audit activity, consistent with objectives.

At the September 2024 Audit and Finance Committee, the Head of Internal Audit issued their Annual Internal Audit Opinion and Report, which provided a 'Moderate' overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2023/24, consistent with Moderate rating given in 2022/23. The moderate opinion provides assurance that whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk. We have reviewed the Internal Audit Report and identified no matters to indicate a significant weakness in arrangements.

At the same meeting in September 2024, there was also an Annual Review of the System of Internal Audit during 2023/24. No issues were identified from our review of this report.

As well as the Annual Internal Audit Opinion and Report which gives an overall assurance rating over the period, our review of minutes also evidenced that there was regular reporting of progress against the plan throughout the period. Our review of these reports has not identified any matter to indicate a weaknesses in the Fire Authority's arrangements.

The Authority also provides assurance to members of the Audit and Finance Committee of the work being done by the Authority in seeking to identify, control and prevent fraud and corruption. A Fraud and Corruption Annual report for the period 2023/24 was prepared by the Head of Internal Audit, and reported to September's Audit and Finance Committee meeting. The report details what the Authority's anti-fraud and anti-corruption arrangements are, and our review has not indicated any significant weaknesses for reporting.

The Authority also has a Corporate Risk Register in place which provides a summary of the high-level risks facing the Service. Officers review the risks facing the Service on an on-going basis as part of the overall control framework within individual sections. The Service Management Team and the Service Leadership Team also scrutinise risks monthly to ensure a corporate and cross cutting approach. The Authority regularly reports against the Corporate Risk Report and Risk Register. The report showing the position as at the 31 March 2024 was taken to the April 2024 Audit and Finance Committee. At that point there were six risks on the corporate risk register. The register shows the original risk that has been identified, the gross risk score and the residual risk score after mitigating actions.

Our review of the risk register, along with the reports and review of minutes of meetings where the risk register is reported, has not highlighted any significant weaknesses in the Authority's arrangements.

The Authority has a framework of written procedures and controls. Central to these are detailed rules for decision making, and rules of procedure, including; a Constitution, Standing Orders, Contract Procedure Rules, Financial Regulations, Member and Officer Codes of Conduct, and a Whistleblowing Policy. The Authority has a dedicated counter fraud response and strategy which includes fraud governance and arrangements to prevent, detect and pursue fraud including Anti-Fraud, Anti-Bribery & Anti-Corruption Policies.

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

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

The annual budget setting process remains consistent year on year, and the arrangements for the 2024/25 budget setting process have largely followed the arrangements in place for 2023/24.

Financial regulations contain details on the overall annual budget preparation and a timetable is put in place. The financial plan recognises the risks and uncertainties facing the Authority in terms of future cost pressures, funding arrangements and potential variations in the costs of delivery. We have reviewed the budget setting arrangements and we have not identified a significant weakness in arrangements.

Overall commentary on the Governance reporting criteria - continued

Financial planning is supported by consultation with other partners and stakeholders. The CFA holds a Strategic Planning Day where budget pressures are considered as well as the priorities within the Authority's Community Risk Management Plan. The plan is supported by consultation with the public, staff, partners and other stakeholders.

The Finance Committee meets regularly throughout the budget setting process to monitor progress against timetable and consider savings options to ensure a balanced budget

How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Authority produces monthly budget monitoring reports to all budget holders and regular meetings are held with finance to discuss variances. Quarterly forecasts of outturn reports are presented to the Senior Leadership Team (SLT) and to the Audit and Finance Committee.

Regular reports on performance are presented to Performance and Programme Board (PPB), SLT, Performance Committee and the CFA. A suite of performance indicators (PIs) is employed to measure both operational and corporate performance. Targets are set on an annual basis against SMART criteria and take account of longer-term trends and the potential for spikes in performance. Performance reporting is by exception and highlights areas where performance was strong or required improvement.

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

We have reviewed the Authority's minutes and confirmed there was regular reporting of the financial and performance position during the 2023/24 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year.

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

How the Authority ensures it makes properly informed decisions, supported by appropriate evidence

and allowing for challenge and transparency.

County Durham and Darlington Fire and Rescue Authority's governance arrangements are set out in its Constitution. The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to help ensure that decisions are efficient, transparent, and accountable to local people. This includes the financial procedures and the scheme of delegation. Areas of potential change are identified throughout the year and the Constitution is amended on an annual basis.

The Authority seeks to make decisions on actions, plans, resource use, forecasts, outputs, and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. There is evidence to demonstrate that the Authority seeks legal, financial, and other professional advice as part of the decision-making process and observes specific requirements of legislation. Furthermore, the Authority ensures that decision makers receive objective and rigorous analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, to secure best value regardless of the service delivery method. As evidenced by our review of minutes and attendance at Audit and Finance Committee.

The Authority demonstrates transparency in its decision-making by:

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

The Authority has adopted a confidential reporting policy, details of which have been communicated to staff and are available electronically.

There is evidence to demonstrate that the Authority has transparent and accessible arrangements in place for dealing with complaints. The website includes facilities for complaints to be made against the Authority by the public and processes are in place to progress any complaints that are made. Information on Transparency is published on the Authority's website and includes areas such as expenditure exceeding £500, register of contracts, policies, grants to voluntary, community and social enterprise organisations for example. The Authority also publishes relevant information relating to salaries, business interests and performance data on its website.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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

The Authority has an Audit and Finance Committee which meets on a quarterly basis and there is evidence that it acts upon the findings/recommendations of Internal Audit and External Audit Reports and is committed to the publication of transparent performance information. This includes but is not limited to:

- Budget reports;
- Operational performance reports;
- Medium-Term Financial Plan;
- Statement of Accounts;
- Annual Governance Statement;
- Statement of Assurance; and
- Information required under the Local Government Transparency Code.

Financial monitoring is completed throughout the period including outturn against budget and forecasting for the remainder of the period.

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

How the Authority monitors and ensures appropriate standards are maintained

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

There is evidence that the Authority seeks appropriate legal, financial, and other professional advice as part of the decision-making process and observes both specific requirements of legislation and general responsibility by law. Other arrangements in place include:

- Contract Procedure Rules which require procurement decisions to comply with basic principles;
- Written codes of conduct for Members and Employees and a register of gifts and hospitality;
- An Annual Governance Statement (AGS) is published and reviews the effectiveness of the Authority's Governance Framework; and
- A Treasury Management Strategy is approved each year with the current version approved in February 2022. There is no history of non-compliance with laws and regulations and treasury management activity.

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

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

VFM arrangements

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Improving Economy, Efficiency and Effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

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

There are established processes in place for reviewing financial and performance information and using this to inform areas for improvement. Forecast of Outturn reports to the Senior Leadership team and the Audit and Finance Committee highlight variances for discussion including both revenue and capital. In addition, the Authority undertakes periodic budget revisions that are presented to the Authority. These identify where there are under / overspends and highlight mitigating activity where appropriate. Areas of adverse performance feed into the Authority's risk register where relevant. Our review of the risk register and attendance at the Audit and Risk Committee confirms that it covers areas such as MTFP assumptions, service transformation savings, insufficient government funding.

The Performance Committee and the Authority consider reports on performance on a quarterly basis detailing performance against a suite of performance indicators and information on corrective action being taken. The indicators measure both operational and corporate performance and targets are set on an annual basis against SMART criteria and take account of longer-term trends and the potential for spikes in performance.

In addition to setting a target level for relevant indicators, the Service also employs a system of tolerance limit triggers that allow under or over performance to be highlighted to the PPB when tolerances are exceeded. Performance is presented from two perspectives, by comparison against the annual target levels, and by comparison with performance at the same point last year.

The Authority's Community Risk Management Plan (CRMP) underpins the vision 'to deliver a professional, innovative and effective Fire and Rescue Service' with the communities that they serve.

An overview across both operational and corporate key PIs at the end of quarter four for 2023/24 shows 55% of the strategic PIs met or exceeded their target level, while 66% of the strategic PIs either maintained or improved when compared to performance last year. The performance report is by exception and highlights areas where performance was strong or required improvement. Performance is mixed but this is not unusual and is not indicative of significant weaknesses in arrangements.

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

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

The Authority monitors detailed performance through the Performance Committee and also receives regular summary reports on performance. Quarterly performance reports are provided to the Performance and Programme Board, the senior Leadership Team, the Performance Committee and the CFA.

The Authority is subject to review by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The HMICFRS assessment examines the Service's effectiveness, efficiency and how well it looks after its people. The 2021/22 report was published in January 2023 and covered the following criteria:

Effectiveness - *How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?*

Efficiency – *How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks? and*

People - *How well does the fire and rescue service look after its people?*

The Authority was given an overall rating of good across each of the three area; which is an improvement on the 2018/19 inspection rate whereby the People category was given an overall rating of 'requires improvement'.

There was only one area out of 14 which 'required improvement' in relation to 'protecting the public, through fire regulation'. The report found that the Authority does not always have the ability to investigate alleged fire safety offences with a view to prosecution; and that once prohibition notices are served, most aren't followed up regularly to check compliance.

The other areas were all rated as 'GOOD'. The report noted that overall, the service has improved since the last inspection, which is reflected in the gradings.

There is regular reporting by the Fire Authority to Performance Committee to update on the current position of the Action Plan resulting from the inspection by HMICFRS. In total there were 19 actions across the three pillars of Effectiveness, Efficiency and People. Per the Performance Committee report in June 2024, the Authority reported that all actions have now been completed (noting that the previous update reported at Q2 showed that there were 11 completed and 8 ongoing actions).

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

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Service is a member of County Durham Partnership and Darlington Partnership and has a seat on each board. A collaboration register is in place to record and monitor progress of collaboration initiatives with partners. Partnerships and collaboration initiatives are monitored through PPB. The Authority actively pursue collaboration opportunities with the Police, Ambulance and other Fire Services.

Collaboration with neighbouring fire and rescue service's continues - establishing a regional collaboration group which has been broadened out to include Cleveland FRS. This includes an agreement to share specialist appliances and promote additional opportunities for collaboration.

The Authority has a strong track record of collaboration with partners including:

- The building of the first quad station in the country at Barnard Castle, providing a joint facility for the Fire, Police, Ambulance and Mountain Rescue services;
- The provision of Community Safety Tri Responders at Stanhope where staff work for the Fire, Police and Ambulance services according to demand;
- Working with the Durham Constabulary Forensic Investigation team under a new agreement and forensic science standard, to combat deliberate fire setting and arson across County Durham and Darlington;
- Durham Constabulary, the Great North Air Ambulance Service (GNAAS), Hazardous Area Response Team (HART) and other partners use the Fire's state-of-the-art training centre at Bowburn, and the Authority share several of its Service estates' premises with Durham Constabulary and North East Ambulance Service (NEAS);
- The Authority use a collaborative approach with police colleagues for Fire Investigation, implementing the International Standardisation Organisation (ISO)17020 standard;
- In last year's 'Royal Life Saving Society UK Drowning Prevention Week' the Authority joined up with their partners in Durham Constabulary and Darlington Borough Council to raise awareness of the dangers of water; and
- The Authority is among leading members of emergency services in assisting the Home Office to deliver new technological solutions for emergency service communications on a new Emergency Services

Network (ESN).

The Authority has also collaborated with one of the UKs leading energy trainer to build a new state of the art offshore emergency fire training centre at Bowburn. The centre is hoping to attract thousands of offshore workers from across the UK and the rest of the world to train each year in offshore emergency response. The project began in September 2022, with the facility opening in July 2024.

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

How the Authority commissions or procures services, how the Authority ensures this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits

County Durham and Darlington Fire and Rescue Authority has adopted procurement approval procedures to comply with its contract procurement rules. The Service has adopted a Whole Life Cycle Approach for managing the purchase of assets. The key aims of the procurement strategy are:

- Efficiency – to help ensure that the Authority obtains maximum value from every pound that is spent through consistent and innovative procurement practice;
- Governance - to help ensure that the Authority has appropriate and proportionate controls, systems and standards to manage procurement risk and to comply with legal requirements; and
- Improvement - Seeking new ways to develop and improve the Authority's procurement activities and exploring how those activities can deliver the Authority's ambitions.

This is supported by a Procurement Policy which helps to ensure conformity and consistency in procurement - ensuring that all goods and services entering the Service are subject to the appropriate checks, risk assessments, certification, documentation and staff training requirements. There are also procurement procedures which underpin the policy and strategy.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Any relevant professional standards are also asked for in the tender process and subject to checks by the contract manager to make sure they are still in date.

Arrangements are in place so all contracts are subject to legal review and the purchasing system helps to ensure that procurement is carried out in a way which complies with all relevant legislative requirements.

All tenders have between 10% and 20% of the scoring set aside for social value and this is subject to monitoring by the contract manager and through contract meetings. In addition, the Authority seeks to address ethical supply chain issues through Sustainable Buying Standards, which are mandatory in all relevant Authority contracts.

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

Other reporting responsibilities

04

Other reporting responsibilities

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers

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

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, However, we will be unable to issue our audit certificate until the NAO has informed us whether the Authority will be a sampled component.. While the group instructions were issued in September 2024 by the National Audit Office in respect of our work on the Council's WGA submission, we are awaiting further instruction on non-sampled components. We are unable to commence our work in this area until such instructions have been received

We submitted this information to the NAO on XX XX 2025.

Audit fees and other services

05

Audit fees and other services

Fees for our work as the Authority’s auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Finance Committee in January 2025. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£92,278	£42,915
Total fees	£92,278 *	£42,915

*Where additional fees are required they are subject to agreement with management and PSAA.

Fees for other work

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

Appendices

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

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

Significant risks and audit findings

As part of our audit of the Authority, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>In all entities, 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. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk by carrying out audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates and judgements impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Overall findings</p> <p>We did not identify any material issues to report</p>
<p>IAS19 Pensions – net defined benefit valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. 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 addressed this risk by:</p> <ul style="list-style-type: none"> • discussing with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary’s output, referring to an expert’s report on all actuaries nationally; • reviewing the appropriateness of the key assumptions included within the valuations, comparing them to expected ranges and reviewing the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements; and • We also sought assurance from the auditor of the Durham County Council Pension Fund. <p>Overall findings</p> <p>We did not identify any other material issues to report. As reported later, we identified some non material unadjusted misstatements.</p>

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

Significant risks and audit findings

As part of our audit of the Authority, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Valuation of land and buildings</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority’s holding of 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.</p> <p>We have therefore identified the valuation of PPE to be an area of significant risk.</p>	<p>We addressed this risk by</p> <ul style="list-style-type: none"> • assessing the Authority’s arrangements for ensuring that land and building valuations are reasonable; • assessing the methodology and basis of the valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by Valuer including those assets not subject to valuation in 2023/24; • considering the competence, skills and experience of the Valuer; and • testing a sample of valuation movements to gain assurance that the accounting treatment is appropriate and there is sufficient evidence to support source data. <p>Overall findings</p> <p>We did not find any material issue to be reported. There were immaterial errors identified which Authority agreed to correct</p>

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

Summary of uncorrected misstatements for the Authority

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Other Long term Liabilities – net pension liability Cr: Unusable Reserves - pension reserve The Pension Fund auditor reported an unadjusted difference of £8m in the fair value of assets. Based on the Authority share of Fund assets we have estimated the County Durham and Darlington Fire and Rescue Authority's share as £0.062m.			62	62
Dr: Other Long term Liabilities _ pension Liability Cr: Unusable Reserves – Pension Reserve The Pension Fund auditor reported an unadjusted misstatement relating to investment management costs adjustment of £6.3m in the Pension Fund accounts. We have estimated County Durham and Darlington Fire and Rescue Authority's share of this, based on the authority's share of fund assets, to be £0.049m			49	49
Total unadjusted misstatements			111	111

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

Internal control observations for the Authority

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Governance Committee any significant deficiencies identified during the course of our work.

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

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

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

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

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

Follow up on previous year recommendations for the Authority – Level 3

Description of deficiency

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

Potential effects

There could be undisclosed related party transactions.

Recommendation

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

Management Response

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

2023/24 Update

There were 4 councillors declarations that were not completed.

Management Response

Every effort is made to obtain a 100% return of related party transaction declarations, and numerous attempts to chase missing declarations have been made. However, despite repeated requests 3 individuals failed to submit a return. All 3 individuals were elected members who stepped down from the CFA in May 2023; a month into the financial year. In addition, a further declaration was not received from a fourth elected member, due to them passing away in September 2023. There is nothing that Authority could have done regarding form in the circumstance of the unexpected death of a member as forms are issued at the year end. All four individuals submitted a Nil related party declaration in prior years. The issue is raised with SLT, and in future where an individual is leaving the organisation in advance of the forms being sent out at the year end, Authority will issue forms to them at the time of their departure as part of the exit proceedings, in order to mitigate against the risk of missing returns

Contact

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County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

AUDIT & FINANCE COMMITTEE

25 FEBRUARY 2025

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2024

REPORT OF TREASURER

Purpose of the Report

1. The purpose of this report is to seek members' approval of the attached Statement of Accounts for County Durham and Darlington Fire and Rescue Authority, for the financial year ended 31 March 2024.

Background

2. At previous meetings of the committee, the auditor explained the challenges that they are facing due to a backlog of work and resource difficulties which reflect the significant challenges in the local audit sector and are being experienced nationally by all audit firms within the local audit regime. The audit work has now been completed and the auditor's report is incorporated into the attached Statement of Accounts.
3. The *'Accounts and Audit (Amendment) Regulations 2024'* set out the requirements for the publication and approval of the annual Statement of Accounts. To comply with the Regulations, the 2023/24 audited Statement of Accounts must be approved by members of the Committee on or before 28 February 2025.
4. During the audit, working in collaboration with the auditor several improvements and amendments have been identified which have been included in the Statement of Accounts presented today.

Statement of Accounts

5. The Statement of Accounts has been prepared in accordance with the requirements of the *'Code of Practice on Local Authority Accounting in the United Kingdom 2023/24'* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the

'Accounts and Audit Regulations 2003', as amended. CIPFA's Code of Practice is based upon International Financial Reporting Standards (IFRS).

6. The Narrative Report explains the purpose of the financial statements and provides a summary of the Authority's financial activities during 2023/24 and the financial position on 31 March 2024. It focusses on matters of relevance to the principal users of the accounts and provides a forward look on issues likely to have an impact in the future.
7. There are four core statements which provide fundamental information on the financial activities and position of the Fire and Rescue Authority, namely the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow Statement. These financial statements are grouped together followed by notes to the core statements and the Pension Fund Account.
8. The Statement of Accounts also includes the Group Financial Statements consolidating the performance and balances of Vital Fire Solutions Limited and County Durham and Darlington Fire and Rescue Service CIC. The preparation of Group Financial Statements eliminates the requirement for separate audits of the two companies.
9. The Statement of Accounts contains a great deal of detailed financial information. To assist in reading and interpreting the contents, Appendix 1 briefly explains the purpose of each section of the document.

Outturn Position

10. The total net revenue expenditure for 2023/24 was £31.933M which was £168,000 less than the original budget. The underspend of £168,000 was transferred to the general reserve. Further information on the outturn position is set out in the separate outturn report which was presented to the meeting of the Committee on 26 September 2024.

Reserves

11. The Authority's useable reserves totalled £6.005M on 31 March 2024, comprising of a general reserve of £1.773M (5% of net revenue expenditure) and earmarked reserves of £4.232M.

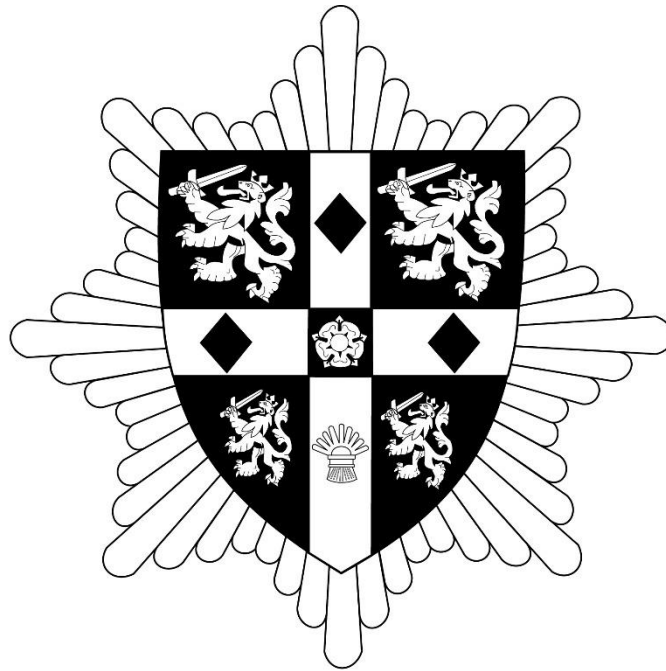
Recommendation

12. Members are recommended to **approve** the Statement of Accounts for County Durham and Darlington Fire and Rescue Authority for the financial year ended 31 March 2024.

STATEMENT OF ACCOUNTS – EXPLANATION

Item	Pages	Explanation of Purpose and Content
Narrative Report	2-11	Summary of the most significant matters reported in the accounts and the overall financial position of the Fire Authority.
Independent Auditors' Report	12-15	On completion of the audit this sets out the auditor's comments.
Statement of Responsibilities for the Statement of Accounts	16	Sets out the responsibilities of the Authority and the Treasurer and includes the Treasurer's certificate.
Group Accounts	17-22	Consolidates the performance and balances of the two subsidiary companies - Vital Fire Solutions and the CIC into the statements of the Authority.
Movement in Reserves Statement	23-24	Summarises the movement on different reserves held by the Authority in the year.
Comprehensive Income and Expenditure Statement	25	Discloses the income receivable and expenditure incurred in operating the Authority for the year.
Balance Sheet	26	Sets out the financial position of the Authority as at 31st March 2023.
Cash Flow Statement	27	Summarises the inflows and outflow of cash and cash equivalents arising from transactions with other parties for revenue and capital purposes.
Notes to the Core Financial Statements	28-89	Provides further information on significant items in the Core Financial Statements as required by the Code.
Pension Fund Account	90-91	Sets out the financial position of the Fire Pension Fund.

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County Durham and Darlington
Fire and Rescue Authority

Statement of Accounts
for the year ended 31st March 2024

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NARRATIVE REPORT

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

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

This document (the “Statement of Accounts”) presents the published accounts for County Durham and Darlington Fire and Rescue Authority (referred to as the “Authority” throughout this document) for the year ended 31st March 2024.

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

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

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

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

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

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

2. Introduction

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the Authority, employees, and other interested parties clear information about the finances of the Authority. It is important in demonstrating the stewardship of public money and shows the resources available and how they have been used to deliver services.

The purpose of this Narrative Report is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the Authority’s financial activities during 2023/24 and its

NARRATIVE REPORT

financial position at 31 March 2024. This report focuses on the matters that are of relevance to the principal users of the accounts. In addition to complementing and supplementing the information provided in the accounts, it also provides a forward look at the issues that have affected the development, performance, and position of the Authority during the financial year, which are likely to have an impact in the future.

The Narrative Report includes:

1. Message from the Treasurer
2. Introduction
3. Background to County Durham and Darlington Fire and Rescue Authority
4. Financial Performance 2023/24
5. Non-Financial Performance 2023/24
6. Operating Environment and Future Plans
7. Going Concern
8. Statement of Accounts

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

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

4. Financial Performance 2023/24

Review of the Financial Year

The Authority's spending is planned and controlled by a rigorous budget and financial management process. The Authority received resources direct from the Government in the form of Revenue Support Grant and Non-Domestic Rates, with the balance of funding coming from precepts on billing authorities for amounts chargeable to local taxpayers. During 2023/24, the Authority's net revenue expenditure, which was met from the above sources, was £31.933m, while spending on capital projects totalled £2.116.

The Authority's general reserve balance, which represents the sum set aside to meet unforeseen future circumstances, was £1.773m at 31 March 2024. This equates to 5% of the 2024/25 net expenditure budget and is in line with the Authority's policy on reserves to maintain a general reserve of 5% of net expenditure.

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

NARRATIVE REPORT

Revenue Income and Expenditure

The estimated net revenue expenditure for 2023/24, to be met from Government Grants and local taxpayers, was approved at £32.101m.

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

Budget Heading	Original Budget £000	Actual £000	Variance £000	Variance %
Expenditure				
Employees	27,864	27,199	-665	-2.39
Premises	3,293	3,626	333	10.10
Transport	790	657	-133	-16.78
Supplies & Services	4,611	4,289	-322	-6.98
Contingencies	500	-	-500	-100.00
Capital Financing	1,721	3,063	1,342	77.98
Provisions & write-offs	-	-9	-9	-100.00
Transfers to Reserves	-	378	378	100.00
Total Expenditure	38,779	39,203	424	1.09
Income				
Government Grants	-5,263	-5,249	14	-0.27
Other Income	-801	-1,973	-1,172	146.32
Transfers from Earmarked Reserves	-614	-48	566	-92.18
Total Income	-6,678	-7,270	-592	8.86
Net Expenditure	32,101	31,933	-168	-0.52
Taxation and Non-Specific Grants Income	-32,101	-32,101	-	-
Outturn	-	-168	-168	

NARRATIVE REPORT

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

	Over spend / Under spend (-) £m	Over spend / Under spend (-) %	Explanation for major variances
Employees	-665	-2.39	To assist in balancing the budget in future years, members agreed to consult the public on the option of riding with a crew of 4 on all fire appliances. The change to riding with 4 was implemented from 01 July 2023 saving £608,000 in staffing costs in the current financial year. Further savings were also achieved from vacant corporate staff posts and a number of firefighter retirements during the year.
Premises	333	10.10	Expenditure on repairs and maintenance exceeded the budget due to the need to carry out essential repairs. Expenditure on electricity exceeded the budget mainly due to inflation. This was partially offset by savings in business rates which were realised following a rating review of all premises
Transport	-133	-16.78	Expenditure on vehicle running costs was below budget mainly due to a reduction in the cost of fuel
Supplies & Services	-322	-6.98	To assist in balancing the budget a full review of all budget headings was undertaken to identify savings and correct any shortfalls in current budgets. The review identified net savings across a number of budget heads which together with strict control of non-essential expenditure resulted in an underspend of £322,000.
Contingencies	-500	-100.00	The contingencies budget includes an allowance for inflation and pay awards which has helped offset the increased costs within other headings
Capital Financing	1,342	77.98	A contribution was made from revenue to finance capital expenditure which was not anticipated in the original budget.
Provisions & write-offs	-9	-100.00	Release of insurance provision in excess of requirement following the settlement of claims.
Transfers to Reserves	378	100.00	Unspent contributions and grant received during the year have been transferred to earmarked reserves to fund future activity.
Government Grants	14	-0.27	Additional grant income was received, which was not included in the original budget.
Other Income	-1,172	146.32	The increase in other income was due to work carried out for third parties, the contribution to the service from Vital Fire Solutions for work carried out by service employees, additional investment income and additional income from training.
Contributions from Reserves	566	-92.18	The original budget included transfers from reserves which were not required due to savings achieved during the year.
Taxation and Non-Specific Grants Income	-	-	Funding received was as expected in the original budget.
Total	-168		

NARRATIVE REPORT

Capital Expenditure

The Authority approved a capital programme for 2023/24 of £3.708m. The actual capital expenditure for the year was £2.116m; £1.592m less than the original budget. The following table analyses the expenditure:

Project	Original Budget £m	Actual £m	Variance £m
Vehicles, Plant & Equipment	3.027	1.315	-1.712
Land & Buildings	0.681	0.801	0.120
Total Expenditure	3.708	2.116	1.592

The variances are set out in the table below:

	Over spend / Under spend (-) £m	Over spend / Under spend (-) %	Explanation for major variances
Vehicles, Plant & Equipment	-1.712	-56.56	The underspend was due to changes to the planned timing of the replacement of some items of vehicles, plant and equipment.
Land & Buildings	0.120	17.62	Additional minor improvements to premises were carried out during the year which were not included in the original budget, including invest to save solar PV installations.
Total	-1.592	-42.93	

Capital expenditure was financed by revenue contributions and capital receipts.

The Authority's Capital Financing Requirement was £11.750m at 31 March 2024. Further details are set out in Note 8.5 to the accounts.

Future Capital Commitments

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

Current Borrowing Facilities and Capital Borrowing Provision

The Budget Report, incorporating Prudential Indicators and the Treasury Management Strategy, submitted to the Authority meeting on 15 February 2023, detailed the 2023/24 borrowing limits for the Authority.

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

- Authorised Limit for External Debt for 2023/24 of £15.976m
- Operational Boundary for External Debt for 2023/24 of £14.523m

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Pension Liability

The Authority's accounts are compliant with International Accounting Standard 19 (IAS19) which is based on the principle that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future.

The net overall impact of IAS19 accounting entries is neutral in the accounts. However, the overall financial position is in effect being distorted by future years' pension deficits. The fact that all pension costs would never be incurred in one year (as implied by IAS19) means the Balance Sheet Net Worth is effectively being distorted by this reporting standard. If this element is removed, then the Authority has a "real" net worth of £40.756m. The Authority also has assets worth £56.538m and cash backed reserves of £6.005m, which support the view that the Authority's Balance Sheet and finance are in fact healthier than implied by the published accounts.

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

5. Non- Financial Performance 2023/24

Performance is monitored by management on an on-going basis and considered in detail by elected members at the end of each quarter. A comprehensive suite of performance indicators (PI's) is used to measure both operational and corporate performance and targets are set with the aim of achieving continuous improvement. During 2023/24, 54% of the strategic PI's met or exceeded their target level and 70% either maintained or improved when compared to the previous year's performance.

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

6. Operating Environment and Future Plans

Looking ahead, the Authority's revenue expenditure for 2024/25 is estimated at £35.450m, together with a capital programme of £2.913m.

As there is a great deal of uncertainty surrounding the level of inflation, pay awards and funding going forward, four alternative medium-term financial plan scenarios have been modelled to reflect the impact of changes to assumptions on the Authority's financial position. The Authority has set a balanced budget for the forthcoming financial year (2024/25) and the medium-term financial plan indicates a balanced budget for 2026/27 with a deficit of £0.8m in 2026/27 falling to £0.4m in 2027/28. There is therefore still a need to identify further savings during the period 2026/27 to 2027/28 and work is ongoing through the Emergency Response Review to identify further savings options to assist in balancing the budget in future years.

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

County Durham and Darlington Fire and Rescue Service has an excellent track record of collaboration and has in the past secured government funding to progress several innovative collaboration projects. This included funding for the building of a new quad station at Barnard

NARRATIVE REPORT

Castle which provides a joint facility for the Fire, Police, Ambulance and Mountain Rescue Services.

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

7. Going Concern

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

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

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

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

- the Authority has set a balanced budget for 2024/25 and has a plan in place to continue to deliver local services until at least 2025. On this basis, it is apparent that the Authority remains a Going Concern.
- the Authority has demonstrated robust financial management through the level of reserves it holds. This underpins its Going Concern status.
- throughout the process for the Medium-Term Financial Plan, no risks were identified which would indicate that the Authority cannot continue as a Going Concern.

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

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

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

8. Statement of Accounts

The Statement of Accounts for the financial year 2023/24 is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code) 2023/24.

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

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting

NARRATIVE REPORT

Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The Code has been prepared based on accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2023. This is with the exception of IFRS 16 Leases, which has been deferred to the 2024/25 Code.

This edition of the Code applies for accounting periods commencing on or after 1 April 2023. It supersedes the edition published on 1st April 2022 (the 2022/23 Code).

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

The Statement of Accounts for the year ended 31 March 2024 include the following:

- **Independent Auditor's Report**

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

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

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

- **Group Accounts**

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

- **Movement in Reserves Statement**

This statement shows the movement in the year on the various reserves held by the Authority. This is analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves". The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing services; more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund for the purposes of council tax setting. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from Earmarked Reserves are made.

- **Comprehensive Income and Expenditure Statement**

This discloses the income receivable and expenditure incurred in operating the Authority for the year. This is the accounting cost of providing services in accordance with accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with

NARRATIVE REPORT

regulations, which may be different from the accounting cost. The taxation position is reflected in the Movement in Reserves Statement.

- **Balance Sheet**

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

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

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

- **Cash Flow Statement**

This summarises the inflows and outflows of cash arising from the transactions with other parties for revenue and capital purposes. It shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded from taxation and grant income or from the receipts from services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the future service delivery of the Authority. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of capital (i.e., borrowing) to the Authority.

- **Notes to the Accounts**

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

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used.
- disclosing information required by the Code that is not presented elsewhere in the financial statements.
- providing information that is not provided elsewhere in the financial statements but is relevant to the understanding of them. This applies to information that is material in a qualitative rather than quantitative sense (for example transactions with Related Parties).

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- **Pension Fund Account**

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

- **Glossary of Terms**

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

If you require this information summarised in other languages or formats, contact 0191 375 5554.

Jeśli potrzebujesz podsumowania tej informacji w języku polskim, skontaktuj się z nami 0191 375 5554.

إذا كنت بحاجة إلى تلخيص هذه المعلومات باللغة العربية، يرجى الاتصال 0191 375 5554

如果您需要用中文总结此信息，请联系 0191 375 5554.

আপনার যদি বাংলায় সংক্ষিপ্ত এই তথ্যের প্রয়োজন হয়, 0191 375 5554 নম্বরে যোগাযোগ করুন।

यदि आपको यह जानकारी संक्षेप में हिंदी में चाहिए तो कृपया संपर्क करें 0191 375 5554.

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of County Durham and Darlington Fire and Rescue Authority ('the Authority ') and its subsidiaries('the Group') for the year ended 31 March 2024, which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Cash Flow Statement(s), and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2024 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material

INDEPENDENT AUDITOR'S REPORT

misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015 and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

We are also required to conclude on whether the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

Responsibilities of the Authority

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

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

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

INDEPENDENT AUDITOR'S REPORT

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

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

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

James Collins

Director

For and on behalf of Forvis Mazars LLP

The Corner,

Bank Chambers,

26 Mosley Street,

Newcastle Upon Tyne,

NE1 1DF

25/02/2025

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in UK 2023/24.

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

Treasurer's Certificate

I certify that these accounts present a true and fair view of the financial position of the Authority as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

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

Date 25/02/2025

Chair's Certificate

I can confirm that these accounts were approved by the Authority at a meeting on 25th February 2025.

Chair of the meeting approving the accounts

Date 25/02/2025

GROUP ACCOUNTS

INTRODUCTION

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

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

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

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

The Group Financial Statements include:

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

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

GROUP ACCOUNTS

GROUP MOVEMENT IN RESERVES STATEMENT

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

	(a) General Fund Balance £000	(b) Earmarked Reserves £000	(c) Capital Receipts Unapplied £000	(d) Total Usable Reserves £000	(e) Unusable Reserves £000	(f) Total Authority Reserves £000	(g) Authority's Share of Subsidiary Reserves £000	Total Group Reserves £000
Balance at 31 March 2022	1,510	4,240	-	5,750	-409,465	-403,715	-1	-403,716
Movement in reserves 2022/23								
Surplus/Deficit (-) on provision of services	-14,798	-	-	-14,798	-	-14,798	-3	-14,801
Other Comprehensive Expenditure and Income	-	-	-	-	139,906	139,906	-	139,906
Total Comprehensive Expenditure and Income	-14,798	-	-	-14,798	139,906	125,108	-3	125,105
Adjustments between accounting basis and funding under regulations	14,555	-	-	14,555	-14,555	-	-	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	-243	-	-	-243	125,351	125,108	-3	125,105
Transfers to (-) / from Earmarked Reserves	338	-338	-	-	-	-	-	-
Increase/Decrease (-) in year	95	-338	-	-243	125,351	125,108	-3	125,105
Balance at 31 March 2023	1,605	3,902	-	5,507	-284,114	-278,607	-4	-278,611
Movement in reserves 2023/24								
Surplus/Deficit (-) on provision of services	-11,801	-	-	-11,801	-	-11,801	-49	-11,850
Other Comprehensive Expenditure and Income	-	-	-	-	12,072	12,072	-	12,072
Total Comprehensive Expenditure and Income	-11,781	-	-	-11,801	12,072	271	-49	222
Adjustments between accounting basis and funding under regulations	12,299	-	-	12,299	-12,299	-	-	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	498	-	-	498	-227	271	-49	222
Transfers to (-) / from Earmarked Reserves	-330	330	-	-	-	-	-	-
Increase/Decrease (-) in year	168	330	-	498	-227	271	-49	222
Balance at 31 March 2024	1,773	4,232	-	6,005	-284,341	-278,336	-53	-278,389

GROUP ACCOUNTS

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23 Gross Expenditure £000	2022/23 Income £000	2022/23 Net Expenditure £000	Gross Expenditure, Gross Income and Net Expenditure on continuing operations	2023/24 Gross Expenditure £000	2023/24 Income £000	2023/24 Net Expenditure £000
29,793	-	29,793	Employees	24,685	-	24,685
2,905	-	2,905	Premises	3,629	-	3,629
781	-	781	Transport	658	-1	657
4,102	-	4,102	Supplies & Services	4,290	-	4,290
178	-	178	Provisions	-9	-	-9
1,612	-	1,612	Capital Financing	2,700	-	2,700
-	-5,054	-5,054	Income	-	-5,141	-5,141
39,371	-5,054	34,317	Net Cost of Service	35,953	-5,142	30,811
			Other Operating Income & Expenditure			
100	-	100	Gain (-) / Loss on disposal of non-current assets: Property, Plant & Equipment	-	-3	-3
100	-	100		-	-3	-3
			Financing and Investment Income & Expenditure			
115	-	115	Interest payable - debt	122	-	122
697	-	697	Interest payable on PFI	669	-	669
189	-	189	Contingent Rents – PFI	274	-	274
11,609	-	11,609	Net interest on the defined benefit liability	14,529	-	14,529
-	-179	-179	Investment interest income	-	-460	-460
12,610	-179	12,431		15,594	-460	15,134
			Taxation & Non-specific Grants Income			
		-19	Recognised capital grants & contributions			-191
		-19,502	Precepts			-20,570
		-7,015	NNDR			-7,415
		-1,905	Non-Ring-fenced Government Grants			-1,944
		-3,606	RSG			-3,972
		-32,047				-34,092
		14,801	Surplus (-) / Deficit on Provision of Services			11,850
		-137,774	Re-measurements of the net defined benefit liability			-11,341
		-2,132	Deficit (-)/Surplus on revaluation of Property, Plant & Equipment			-731
		-139,906	Other Comprehensive Income (-) and Expenditure			-12,072
		-125,105	Total Comprehensive Income (-) and Expenditure			-222

GROUP ACCOUNTS

GROUP BALANCE SHEET

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

As at 31 March 2023 £000	£000		As at 31 March 2024 £000	£000
-		Intangible Assets	50	
39,139		Property, Plant & Equipment		
6,000		Land & Buildings	39,299	
220		Vehicle, Plant, Furniture & Equipment	5,706	
279		Surplus Assets	220	
-		Assets Under Construction	480	
		Long-term Debtors	-	
	45,638	Total Long-term Assets		45,755
568		Assets Held for Sale	253	
612		Inventories	630	
6,091		Short-term Debtors	5,407	
2,773		Cash & Cash Equivalents	3,505	
	10,044	Total Current Assets		9,795
-86		Short-term Borrowing	-87	
-4,724		Short-term Creditors	-4,399	
	-4,810	Total Current Liabilities		-4,486
	50,872	Total Assets less Current Liabilities		51,064
-473		Provisions	-297	
-4,886		Long-term Borrowing	-4,832	
-5,953		Deferred Liability – PFI	-5,653	
-700		Other Deferred Liabilities	-588	
-317,471		Pension Liability (IAS19)	-318,083	
	-329,513	Total Long-term Liabilities		-329,453
	-278,611	Net Assets		-278,389
5,503		Usable Reserves	5,952	
-284,114		Unusable Reserves	-284,341	
	-278,611	Total Reserves		-278,389

GROUP ACCOUNTS

GROUP STATEMENT OF CASH FLOWS

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

2022/23 £000	OPERATING ACTIVITIES	2023/24 £000
14,801	Net surplus (-) or deficit on the provision of services	11,850
-14,361	Adjustments to net surplus or deficit on the provision of services for non-cash movements	-15,034
26	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	540
466	Net cash flows from operating activities	-2,644
930	Investing Activities	1,576
-2,699	Financing Activities	336
-1,303	Net increase (-) or decrease in cash and cash equivalents	-732
1,470	Cash and cash equivalents at the beginning of the reporting period	2,773
2,773	Cash and cash equivalents at the end of the reporting period	3,505

GROUP ACCOUNTS

NOTES TO THE GROUP ACCOUNTS

1. Group Accounting Policies

The Group Financial Statements have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2023/24 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

Consolidation of Subsidiaries

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

International Financial Reporting Standards

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

2. Officers' Remuneration

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

3. Audit Fees

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

Group Adjustments

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

During 2023/24, County Durham and Darlington Fire and Rescue Authority supplied goods and services with a value of £5,600 to County Durham and Darlington Fire and Rescue Community Interest Company.

Goods and services with a value of £856,415 were supplied by County Durham and Darlington Fire and Rescue Authority to Vital Fire Solutions Limited during 2023/24. Vital Fire Solutions provided £9,245 of goods and services to the Authority.

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

MOVEMENT IN RESERVES

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'.

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

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

	(a) General Fund Balance £000	(b) Earmarked Reserves £000	(c) Capital Grants Unapplied £000	(d) Capital Receipts Unapplied £000	(e) Total Usable Reserves £000	(f) Unusable Reserves £000	(g) Total Authority Reserves £000
Balance at 31 March 2023	1,605	3,902	-	-	5,507	-284,114	-278,607
Surplus/Deficit (-) on provision of services	-11,801	-	-	-	-11,801	-	-11,801
Other Comprehensive Expenditure and Income	-	-	-	-	-	12,072	12,072
Total Comprehensive Expenditure and Income	-11,801	-	-	-	-11,801	12,072	271
Adjustments between accounting basis and funding under regulations (Note 6.1)	12,299	-	-	-	12,299	-12,299	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	498	-	-	-	498	-227	271
Transfers to (-) / from Earmarked Reserves (Note 8.19)	-330	330	-	-	-	-	-
Increase/Decrease (-) in year	168	330	-	-	498	-227	271
Balance at 31 March 2024	1,773	4,232	-	-	6,005	-284,341	-278,336

MOVEMENT IN RESERVES

Comparatives for 2022/23 are as follows:

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

2022/23 Gross Expenditure £000	2022/23 Income £000	2022/23 Net Expenditure £000	Gross Expenditure, Gross Income and Net Expenditure on continuing operations	2023/24 Gross Expenditure £000	2023/24 Income £000	2023/24 Net Expenditure £000
29,704	-	29,704	Employees	24,605	-	24,605
2,890	-	2,890	Premises	3,626	-	3,626
776	-	776	Transport	658	-1	657
3,854	-	3,854	Supplies & Services	4,289	-	4,289
178	-	178	Provisions	-9	-	-9
1,612	-	1,612	Capital Financing	2,700	-	2,700
-	-4,702	-4,702	Income	-	-5,116	-5,116
39,014	-4,702	34,312	Net Cost of Service	35,869	-5,117	30,752
			Other Operating Income & Expenditure			
100	-	100	Gain (-) / Loss on disposal of non- current assets: Property, Plant & Equipment (Note 7.2)	-	-3	-3
100	-	100		-	-3	-3
			Financing and Investment Income & Expenditure			
115	-	115	Interest payable on debt	122	-	122
697	-	697	Interest payable on PFI	669	-	669
189	-	189	Contingent Rents – PFI	274	-	274
11,609	-	11,609	Net interest on the defined benefit liability	14,529	-	14,529
-	-177	-177	Investment interest income	-	-450	-450
12,610	-177	12,433		15,594	-450	15,144
			Taxation & Non-specific Grants Income			
		-19	Recognised capital grants and contributions			-191
		-19,502	Precepts (Note 7.12)			-20,570
		-7,015	NNDR			-7,415
		-1,905	Non-Ring-fenced Government Grants			-1,944
		-3,606	RSG			-3,972
		-32,047				-34,092
		14,798	Surplus (-) / Deficit on Provision of Services			11,801
		-137,774	Re-measurements of the net defined benefit liability (Note 8.21)			-11,341
		-2,132	Deficit (-)/Surplus on revaluation of Property, Plant & Equipment			-731
		-139,906	Other Comprehensive Income (-) and Expenditure			-12,072
		-125,108	Total Comprehensive Income (-) and Expenditure			-271

BALANCE SHEET

BALANCE SHEET

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

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

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

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

As at 31 March 2023 £000	£000		As at 31 March 2024 £000	£000
-		Intangible Assets (Note 8.1)	50	
		Property, Plant & Equipment		
39,139		Land & Buildings (Note 8.2)	39,299	
6,000		Vehicle, Plant, Furniture & Equipment (Note 8.2)	5,706	
220		Surplus Assets (Note 8.2)	220	
279		Assets Under Construction (Note 8.3)	480	
15		Long-term Investments (Note 8.13)	15	
	45,653	Total Long-term Assets		45,770
568		Assets Held for Sale	253	
599		Inventories (Note 8.9)	621	
6,101		Short-term Debtors (Note 8.10)	5,406	
2,707		Cash & Cash Equivalents (Note 8.11)	3,479	
	9,975	Total Current Assets		9,759
-86		Short-term Borrowing (Note 8.12)	-87	
-4,666		Short-term Creditors (Note 8.12)	-4,325	
	-4,752	Total Current Liabilities		-4,412
	50,876	Total Assets less Current Liabilities		51,117
-473		Provisions (Note 8.14)	-297	
-4,886		Long-term Borrowing (Note 8.15)	-4,832	
-5,953		Deferred Liability – PFI (Note 8.15)	-5,653	
-700		Other Deferred Liabilities (Note 8.15)	-588	
-317,471		Pension Liability (IAS19) (Note 8.17)	-318,083	
	-329,483	Total Long-term Liabilities		-329,453
	-278,607	Net Assets		-278,336
5,507		Usable Reserves (Note 8.18)	6,005	
-284,114		Unusable Reserves (Note 8.18)	-284,341	
	-278,607	Total Reserves		-278,336

CASH FLOW STATEMENT

CASH FLOW STATEMENT

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

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

2022/23 £000	OPERATING ACTIVITIES	2023/24 £000
14,798	Net surplus (-) or deficit on the provision of services	11,801
-14,390	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 9.1)	-15,025
26	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	540
434	Net cash flows from operating activities	-2,684
930	Investing Activities (Note 9.3)	1,576
-2,699	Financing Activities (Note 9.4)	336
-1,335	Net increase (-) or decrease in cash and cash equivalents	-772
1,372	Cash and cash equivalents at the beginning of the reporting period	2,707
2,707	Cash and cash equivalents at the end of the reporting period (Note 8.11)	3,479

NOTES TO CORE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

NOTES TO CORE FINANCIAL STATEMENTS

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

NOTES TO CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

1.5 Charges to Revenue for Non-Current Assets

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

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

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

NOTES TO CORE FINANCIAL STATEMENTS

1.6 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. They are recognised as an expense in the year in which the employee renders service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by an employee but not taken before the year end. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

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

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

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

Discretionary Benefits (Local Government Pension Scheme)

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities, estimated to arise as a result of an award to any member of staff, are accrued in the year of the decision to make the award and

NOTES TO CORE FINANCIAL STATEMENTS

accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Fire Pension Scheme for Firefighters

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

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

The Local Government Pension Scheme

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

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

1.7 Events after the Balance Sheet Date

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

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

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

NOTES TO CORE FINANCIAL STATEMENTS

1.8 Financial Instruments

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

Fair value measurements are based upon the following valuation techniques:

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

NOTES TO CORE FINANCIAL STATEMENTS

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

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

1.9 Government Grants and Contributions

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

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

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

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

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

1.10 Property, Plant and Equipment

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

NOTES TO CORE FINANCIAL STATEMENTS

Recognition

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

Measurement

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

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

- Operational Assets
 - Land and buildings
 - Vehicles, plant and equipment
- Non-Operational Assets
 - Assets under construction
 - Surplus assets held for disposal
 - Assets held for sale

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Disposals

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

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

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

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

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

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

Depreciation

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

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

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

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

1.11 Donated Assets

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

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

1.12 Intangible Assets

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

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

1.13 Basis of Valuation of Inventories

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

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

1.14 Accounting for Leases – Authority as Lessee

Operating Leases

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

1.15 Overheads and Support Services

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

1.16 Private Finance Initiative (PFI)

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

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

NOTES TO CORE FINANCIAL STATEMENTS

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

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

1.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

NOTES TO CORE FINANCIAL STATEMENTS

1.18 Reserves

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

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

- set aside sufficient sums in Earmarked Reserves as it considers prudent to do so;
- aim to maintain General Reserves of 5% of the Net Expenditure; currently £1.773m

Earmarked reserves relating to Pensions, Modernisation, Community Safety, Resilience, Insurance, Training, IT Projects and Strategic Finance (Funding Pressures) were held as at 31 March 2024 together with a General Revenue Reserve.

1.19 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

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

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

1.20 VAT

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

1.21 Group Accounts

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

1.22 Council Tax Income

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

NOTES TO CORE FINANCIAL STATEMENTS

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

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

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

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

The standards that may be relevant for additional disclosures in respect of accounting changes that are introduced in the 2024/25 Code are:

- IFRS16 (Leases) issued in January 2016 (but only where a local authority has not decided to voluntarily implement in the 2023/24 financial year.
- IAS 1 (Presentation of Financial Statements) amendments for the classification of liabilities as current or non-current, and for improving information regarding non-current liabilities with covenants.
- Amendments to IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments : Disclosures) to provide additional disclosures about supplier finance arrangements.

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

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as

NOTES TO CORE FINANCIAL STATEMENTS

balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4.1 Property, Plant and Equipment – Depreciation

Uncertainty

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

Effect if actual results differ from assumptions

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

It is estimated that the annual depreciation charge for buildings would increase by approximately £0.012m for every year that useful lives had to be reduced.

4.2 Property, Plant and Equipment – Valuation

Assets are valued in accordance with valuation standards issued by The Royal Institute of Chartered Surveyors (RICS). The use of a number of estimation techniques, including various property indices, results in valuations being subject to major estimation uncertainty.

Effect if actual results differ from assumptions

At 31 March 2024 the Gross Book Value (GBV) of the Authority's land and buildings is £42.245m. A 1% change in asset valuations would result in a £0.425 change in GBV. These changes would not have a direct impact on the Authority's General Fund since any change to the CIES would be reversed in the Authority's Unusable Reserves.

4.3 Pension Liability

Uncertainty

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

Effect if actual results differ from assumptions

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

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

Change in assumption *	Increase in Liability %	Increase in Liability £m
Rate of return:		
in excess of earnings – reduction of 0.5% per annum	1.0	3
in excess of pensions – reduction of 0.5% per annum	6.5	20
Pensioner mortality		
pensioners living (on average) 1 year longer	2.0	7

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

5 EXPENDITURE AND FUNDING ANALYSIS

5.1 Expenditure and Funding Analysis

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

2022/23 Net Expenditure Chargeable to the General Fund £000	2022/23 Adjustments Between the Funding and Accounting Basis £000	2022/23 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2023/24 Net Expenditure Chargeable to the General Fund £000	2023/24 Adjustments Between the Funding and Accounting Basis £000	2023/24 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
26,702	3,002	29,704	Employees	27,199	-2,594	24,605
2,890	-	2,890	Premises	3,626	-	3,626
776	-	776	Transport	657	-	657
3,854	-	3,854	Supplies & Services	4,289	-	4,289
178	-	178	Provisions	-9	-	-9
1,338	274	1,612	Capital Financing	1,998	702	2,700
-4,702	-	-4,702	Income	-5,116	-	-5,116
31,036	3,276	34,312	Net Cost of Services	32,644	-1,892	30,752
-	100	100	Other Operating Income & Expenditure	-	-3	-3
824	11,609	12,433	Financing and Investment	615	14,529	15,144
-31,617	-430	-32,047	Income & expenditure	-33,757	-335	-34,092
			Taxation & Non-Specific Grants Income			
243	14,555	14,798	Surplus (-) or Deficit on Provision of Services	-498	12,299	11,801
-1,510			Opening General Fund Balance	-1,605		
-95			Surplus on General Fund Balance in the year	-168		
-1,605			Closing General Fund Balance	-1,773		

NOTES TO CORE FINANCIAL STATEMENTS

5.2 Note to the Expenditure and Funding Analysis

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

- **Adjustments for Capital Purposes**

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

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

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

- **Net Change for the Pensions Adjustments**

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

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

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

- **Other Differences**

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

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

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

NOTES TO CORE FINANCIAL STATEMENTS

2023/24 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Employees	-	-2,576	-18	-2,594
Premises	-	-	-	-
Transport	-	-	-	-
Supplies & Services	-	-	-	-
Provisions	-	-	-	-
Capital Financing Income	702	-	-	702
Net Cost of Services	702	-2,576	-18	-1,892
Other Operating Income & Expenditure	-3	-	-	-3
Financing and Investment Income & Expenditure	-	14,529	-	14,529
Taxation & Non-Specific Grants Income	-191	-	-144	-335
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	508	11,953	-162	12,299

The comparatives for 2022/23 are shown in the table below:

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

NOTES TO CORE FINANCIAL STATEMENTS

6 MOVEMENT IN RESERVES STATEMENT

6.1 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2023/24	General Fund Balance (Usable Reserves) £000	Capital Receipts Reserve (Usable Reserves) £000	Capital Grants Unapplied (Usable Reserves) £000	Movement in Unusable Reserves £000
Charges for depreciation, impairment, and downward revaluations of non-current assets	-2,691			2,691
Amortisation of Intangible Assets	-9			9
Capital Grants and Contributions	191			-191
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-346			346
Use of Capital Receipts Reserve to finance new capital	349	-349		
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement		349		-349
Statutory provision for the financing of Capital Investment	422			-422
Capital expenditure charged against the General Fund	1,576			-1,576
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-17,319			17,319
Employer's pensions contributions and direct payments to pensioners payable in the year	5,366			-5,366
Adjustments by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	144			-144
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18			-18
Total Adjustments	-12,299	-	-	12,299

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2022/23 are as follows:

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

7 COMPREHENSIVE INCOME AND EXPENDITURE

7.1 Non-Distributed Costs

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

There are no exceptional items in 2023/24.

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

In accordance with the Code, any gain or loss on disposal of an asset is to be included in the Comprehensive Income and Expenditure Statement. The gain or loss is shown as a reconciling item in the Movement in Reserves Statement. The gain shown in the Comprehensive Income and Expenditure Account for 2023/24 amounts to £2,815 (2022/23: loss £100,693)

NOTES TO CORE FINANCIAL STATEMENTS

7.3 Members' Allowances

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

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

	2022/23 £000	2023/24 £000
Allowances	56	54
Expenses	2	2
Total	58	56

7.4 Employee Remuneration

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

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

2023/24	Salary (including fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g. Car Allowances) £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Fire Officer – S. Errington	-	-	-	-	-	-
Chief Fire Office – S. Helps (a)	167,266	-	38	167,304	48,773	216,077
Deputy Chief Fire Officer (b)	32,398	-	38	32,436	8,810	41,246
Director (c)	80,172	80	-	80,252	19,816	100,068
Director (b)	89,395	90	-	89,485	21,897	111,382
Director (d)	31,797	-	38	31,835	9,158	40,993
Deputy Chief Executive/Treasurer (0.6 FTE)	66,004	-	1,022	67,026	13,032	80,058
	467,032	170	1,136	468,338	121,486	589,824

Chief Fire Officer (S. Errington) retired during 2022/23 and the Deputy Chief Officer (S. Helps) was appointed to the role (a). During 2023/24 one of the Directors was appointed to the vacant Deputy Chief Fire Officer post (b). The remuneration costs for this individual are shown across the two posts held during the year. Another Director left during the year (c) and a new Director has been appointed to fill one of the vacancies (d).

Comparative figures for 2022/23 are as follows:

2022/23	Salary (including fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g. Car Allowances) £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Fire Officer – S. Errington	116,304	90	-	116,394	33,496	149,890
Chief Fire Office – S. Helps (a)	32,886	-	-	32,886	9,471	42,357
Deputy Chief Fire Officer (a)	93,043	90	-	93,133	26,796	119,930
Director (c)	111,893	159	-	112,052	32,225	144,277
Director (b)	88,909	120	-	89,029	24,961	113,990
Director (d)	-	-	-	-	-	-
Deputy Chief Executive/Treasurer (0.6 FTE)	64,746	-	-	64,746	11,590	76,336
	507,782	459	-	508,241	138,539	646,779

NOTES TO CORE FINANCIAL STATEMENTS

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

Remuneration Band	Number of Employees 2022/23	Number of Employees 2023/24
£50,000-£54,999	11	17
£55,000-£59,999	8	8
£60,000-£64,999	10	13
£65,000-£69,999	2	3
£70,000-£74,999	4	4
£75,000-£79,999	1	-
£80,000 -£84,999	-	2
£85,000 - £89,999	-	1

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

No redundancy payments are included in the 2023/24 salary bands shown above.

7.5 Exit Packages

The numbers and total cost of exit packages agreed in 2022/23 and 2023/24 are set out in the tables below:

2023/24 Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages agreed	Total cost of exit packages agreed £000
£0-£20,000	-	-	-	-
£20,001-£40,000	-	-	-	-
£40,001-£60,000	-	-	-	-
£60,001-£80,000	-	-	-	-
£80,001-£100,000	-	-	-	-
£100,001-£150,000	-	-	-	-
Total	-	-	-	-

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

There were no exit packages agreed in 2023/24.

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

NOTES TO CORE FINANCIAL STATEMENTS

7.6 Termination Benefits

The 'Employee' Line of the comprehensive income and expenditure statement for 2023/24 includes £nil in respect of voluntary redundancy/early retirement/compensation payments (£61,657 in 2022/23 in respect of voluntary redundancy/early retirement payments.)

7.7 External Audit Fees

The accounts of the Authority are audited by Forvis Mazars LLP. In accordance with the Code, authorities are required to disclose payment of fees. The fees payable to Forvis Mazars LLP for 2022/23 and 2023/24 are set out below:

	2022/23 £000	2023/24 £000
Fees payable to auditors regarding external audit services carried out by the appointed auditor	44	90
Additional fees payable to auditors for work required for the audit of Group Accounts	2	4
Fees payable to auditors in respect of other services provided by the appointed auditor	-	-
	46	94

Fees payable to auditors regarding external audit services include an increased fee amount in relation to 2022/23 which was not known until after the accounts had been finalised.

7.8 Minimum Revenue Provision (MRP)

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

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

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

7.9 Operating Leases

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

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

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

	31 March 2023 Property £000	31 March 2024 Property £000
Within one year	525	525
Later than one year and not later than five years	1,743	1,218
Total	2,268	1,743

NOTES TO CORE FINANCIAL STATEMENTS

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these property leases was £524,810 (2022/23: £507,197).

7.10 Amounts Reported for Resource Allocation Decisions

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

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

7.11 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2023/24:

	2022/23 £000	2023/24 £000
Private Finance Initiative	1,130	1,130
Central Government	2,300	2,221
Credited to Services	3,430	3,351
Revenue Support Grant	3,606	3,972
National Non-Domestic Rates	7,015	7,415
Small Business Rates Relief Grant	1,414	1,656
Services Grant	491	288
Capital Contributions	19	191
Credited to Taxation and Non-Specific Grant Income	12,545	13,522
Total Grant Income	15,975	16,873

7.12 Related Parties

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

Central Government

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

NOTES TO CORE FINANCIAL STATEMENTS

Members

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

The total of members' allowances paid in 2023/24 is shown in Note 7.3.

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

Officers

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

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

Other Public Bodies

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

Formal agreements are in place between the Authority and Durham County Council for the provision of legal services, financial services and technical services. The agreements are signed by both parties and regularly reviewed by the Authority's Director of Corporate Resources and Treasurer. The value of these agreements is £0.138m (2022/23: £0.141m).

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

	Precepts 2022/23 (Receipts) £000	Precepts 2023/24 (Receipts) £000
Durham County Council	15,505	16,587
Darlington Borough Council	3,768	3,946
	19,273	20,533
Adjustment for share of Collection Fund	229	37
	19,502	20,570

NOTES TO CORE FINANCIAL STATEMENTS

On 31 March 2024, the Authority owes Durham County Council £0.799m (2022/23: £0.475m) relating to amounts due from Council Taxpayers and £0.088m in respect of the Collection Fund (2022/23: £0.178m). Durham County Council owes the Authority £0.161m (2022/23: £0.201m) in respect of amounts due from Non-Domestic Rates Payers and £0.058m (2022/23 : £nil) in respect of the Collection Fund.

In addition, £0.581m (2022/23: £0.604m) is due to the Authority from Durham County Council relating to VAT claimed on the Authority's behalf.

At 31 March 2024, the Authority owes Darlington Borough Council £0.345m (2022/23: £0.353m) in respect of amounts due from Council Taxpayers and £0.078m (2022/23: £0.075m) in respect of the Collection Fund. Darlington Borough Council owes the Authority £0.036m (2022/23: £0.028m) in respect of amounts due from Non-Domestic Rate Payers.

County Durham and Darlington Community Interest Company

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

As at 31 March 2024, £nil (2022/23: £198) was due to the Fire Authority from the company in respect of management and administration recharges.

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

Vital Fire Solutions Limited

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

As at 31 March 2024, £225,920 (2022/23: £201,828) was due to the Fire Authority from the company in respect of management and administration recharges. The Authority owes the company £nil (2022/23: £102) in respect of work carried out on its behalf and £nil (2022/23: £800) in respect of goods purchased on its behalf.

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

7.13 Community Interest Company

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

The accounts of the company are summarised below.

Group Accounts have been produced for 2023/24 and are presented on pages 17 to 22 of this Statement of Accounts.

NOTES TO CORE FINANCIAL STATEMENTS

	2022/23 £000	2023/24 £000
Turnover	1	5
Cost of Sales	-	-
Gross Profit	1	5
Administrative Expenses	-2	-6
Other Income	-	1
Profit/(Loss) for the year before taxation	-1	-
Tax on profit	-	-
Profit/(Loss) for the financial year	-1	-

7.14 Vital Fire Solutions Limited

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

The accounts of the company are summarised below.

Group Accounts have been produced for 2023/24 and are presented on pages 17 to 22 of this Statement of Accounts.

	2022/23 £000	2023/24 £000
Turnover	592	891
Cost of Sales	-332	-476
Gross Profit	260	415
Administrative Expenses	-265	-472
Other Income	3	9
Profit/(Loss) for the year before taxation	-2	-48
Tax on profit	-	-
Profit/(Loss) for the financial year	-2	-48

8 BALANCE SHEET

8.1 Intangible Assets

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

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

	£000
Original Cost	2
Amortisations to 31 March 2023	-2
Balance at 1 April 2023	-
Expenditure in year	59
Disposals	-
Amortisation during year	-9
Amortisation on disposals	-
Balance at 31 March 2024	50

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2022/23 are as follows:

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

8.2 Operational Assets

All valuations of buildings are undertaken by or under the supervision of a fully qualified Chartered Surveyor. Full fixed asset revaluations are undertaken once every five years, unless the changes in the BCIS index during the year would have a material impact on the asset portfolio. The most recent valuation of Land and Buildings is effective from 31 March 2024. These values have been used to determine the 31 March 2024 valuations. The last full valuation as part of the agreed 5 year rolling programme was previously undertaken in 2022/23. There have been no significant changes in the BCIS index in this financial year, therefore the valuation exercise undertaken for 31 March 2024 was a desktop revaluation only.

	Vehicles, Plant & Equipment £000	Land & Buildings £000	Surplus Assets £000	Total £000
Cost or Valuation				
At 1 April 2023	17,652	41,855	221	59,728
Additions	777	198	-	975
Derecognition - Disposals / Demolitions	-439	-	-	-439
Reclassifications	-	881	-	881
Assets reclassified as held for sale	-	-	-	-
Accumulated depreciation and impairment written off to GCA	-	-770	-	-770
Revaluation increases recognised in the Surplus on the Provision of Services	-	210	-	210
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-861	-	-861
Revaluation increases recognised in the Revaluation Reserve	-	1,146	-	1,146
Revaluation decreases recognised in the Revaluation Reserve	-	-414	-	-414
At 31 March 2024	17,990	42,245	221	60,456
Depreciation and Impairments				
At 1 April 2023	-11,652	-2,716	-1	-14,369
Charge for 2023/24	-1,040	-1,000	-	-2,040
Derecognition - Disposals / Demolitions	408	-	-	408
Depreciation written off to GCA	-	770	-	770
At 31 March 2024	-12,284	-2,946	-1	-15,231
Balance Sheet amount at 31 March 2024	5,706	39,299	220	45,225
Balance Sheet amount at 01 April 2023	6,000	39,139	220	45,359

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2022/23 are as follows:

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

NOTES TO CORE FINANCIAL STATEMENTS

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

	Vehicles, Plant & Equipment £000	Land & Buildings £000	Surplus Assets £000	Total £000
Carried at historical cost	5,706	6,468	220	12,394
Valued at fair value as at 31 March 2023	-	2,901	-	2,901
Valued at fair value as at 31 March 2024	-	29,930	-	29,930
Total Cost or Valuation	5,706	39,299	220	45,225

8.3 Non-Operational Assets

	Assets Under Construction 2022/23 £000	Assets Under Construction 2023/24 £000
Cost or valuation		
At 1 April	-	279
Additions	279	1,082
Reclassifications	-	-881
At 31 March	279	480
Depreciation and impairments		
At 1 April	-	-
Charge for year	-	-
At 31 March	-	-
Balance Sheet amount at 31 March	279	480
Balance Sheet amount at 01 April	-	279

8.4 Sources of Funds to Meet Capital Expenditure and Other Plans

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

8.5 Capital Expenditure and Capital Financing

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

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

NOTES TO CORE FINANCIAL STATEMENTS

The requirement has decreased by £0.422m from £12.172m to £11.750m as follows:

	2022/23 £000	2023/24 £000
Opening Capital Financing Requirement	12,579	12,172
Capital Investment		
Property, Plant & Equipment	677	975
Non-Operational Assets	279	1,082
Intangible Assets	-	59
Sources of Finance		
Capital Receipts	-7	-349
Government Grants and Contributions	-19	-191
Minimum Revenue Provision	-144	-140
Minimum Revenue Provision – PFI	-263	-282
Direct Revenue Provision	-930	-1,576
Closing Capital Financing Requirement	12,172	11,750
Explanation of movements in the year		
Reduction in underlying need to borrow (supported by Government financial assistant)	-407	-422
Increase/decrease (-) in Capital Financing Requirement	-407	-422

8.6 Capital Commitments

Major capital commitments as at 31 March 2024 are shown in the table below:

	2022/23 £m	2023/24 £m
Wheatley Hill Fire Station Refurbishment	0.602	-
Station End Equipment	-	0.126
Control Project	-	0.250
Vehicles	-	0.037
Total Capital Commitments	0.602	0.413

8.7 Information on Assets Held

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

Asset Type	Number as at 31 March 2023	Number as at 31 March 2024
Fire Stations	15	15
Standby Accommodation Blocks	2	1
Training Centre	1	1
Vehicles	133	138

NOTES TO CORE FINANCIAL STATEMENTS

8.8 Assets Held for Sale

Non-Current	2022/23	2023/24
Balance outstanding at 1 April	-	568
Assets newly classified as held for sale (Property, Plant & Equipment)	568	-
Assets Sold	-	-315
Balance outstanding at 31 March	568	253

8.9 Inventories

	2022/23 £000	2023/24 £000
Balance outstanding at 1 April	670	599
Purchases	607	703
Recognised as an expense in the year	-678	-681
Balance outstanding at 31 March	599	621
Provision for obsolete stock	-	-
Balance outstanding at 31 March after provision	599	621

8.10 Debtors

These are sums of money due to the Authority but unpaid as at 31 March 2024. The Authority seeks to recover sums due to it as soon as possible and actively pursues outstanding accounts rendered upon debtors.

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

	31 March 2023 £000	31 March 2024 £000
Amounts falling due within one year:		
Debtors		
Government Departments	343	81
Other Local Authorities	1,167	940
Other Debtors	2,714	2,341
Payments in Advance	1,878	2,044
Impairment for Doubtful Debts	-	-
	6,102	5,406
Amounts falling due after one year:	-	-
	6,102	5,406

NOTES TO CORE FINANCIAL STATEMENTS

8.11 Cash and Cash Equivalents

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

	31 March 2023 £000	31 March 2024 £000
Cash held by the Authority	5	4
Bank current accounts	589	158
Short term deposits with banks and building societies	2,113	3,317
Total Cash and Cash Equivalents	2,707	3,479

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

The accrued interest relating to short term deposits included in the figure above amounts to £16,994 as at 31 March 2024 (£13,367 as at 31 March 2023)

8.12 Creditors

These are amounts owed by the Authority for works done, goods received, or services rendered which have not been paid for as at 31 March 2024.

	31 March 2023 £000	31 March 2024 £000
Creditors		
Government Departments	748	455
Other Local Authorities	1,374	1,540
Other Creditors	2,165	2,009
Receipts in Advance	379	321
	4,666	4,325
Short-term Borrowing	86	87
	4,752	4,412

Accrued interest relating to short-term borrowing as at 31 March 2024 was £33,147 (£33,431 as at 31 March 2023)

8.13 Financial Instruments

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

Under IFRS9, the Authority recognises expected losses for Financial Instruments, rather than actual losses. Any expected losses for 2023/24 are immaterial, and therefore, the Authority has elected not to reflect them in the financial statements, in accordance with CIPFA guidance.

NOTES TO CORE FINANCIAL STATEMENTS

Financial Instruments Balances

The carrying amount of financial instruments is shown below:

	31 March 2023 Long-term £000	31 March 2023 Current £000	31 March 2024 Long-term £000	31 March 2024 Current £000
Financial Liabilities at amortised cost				
PWLB Borrowing	4,886	86	4,832	87
Bank Overdraft	-	-	-	-
Trade Creditors	-	464	-	319
Other Creditors	-	1,640	-	1,473
Private Finance Initiative	5,953	282	5,652	300
Total Borrowing	10,839	2,472	10,484	2,179
Loans and Receivables at amortised cost				
Short-term Deposits	-	2,113	-	3,317
Bank Deposits	-	593	-	162
Long-term Debtors	-	-	-	-
Trade Debtors	-	838	-	498
Other Debtors	-	839	-	847
Total Loans and Receivables at amortised cost	-	4,383	-	4,824
Loans and Receivables at FVPL				
Long-term Investments	15	-	15	-
Total Loans and Receivables at FVPL	15	-	15	-
Total Loans and Receivables	15	4,383	15	4,824

Financial Instruments Gains and Losses

The gains and losses recognised in the 2023/24 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2023/24	Financial Liabilities measured at Amortised Cost £000	Financial Assets Loans and Receivables £000
Interest expense	1,070	
Interest income		-450
Net gain(-)/loss for the year	620	

Comparative figures as at 31 March 2023 are as follows:

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

NOTES TO CORE FINANCIAL STATEMENTS

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

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

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

(a) Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to the Authority's customers. Deposits are not made to banks and

NOTES TO CORE FINANCIAL STATEMENTS

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

(b) Liquidity Risk

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

(c) Market Risk

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

8.14 Provisions

Insurance Provision

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

Provision for Non-Domestic Rates Appeals

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

Movement in Provisions

	Insurance Provision £000	Non-Domestic Rates Appeals Provision £000	Total Provisions £000
Balance at 1 April 2023	270	203	473
Additional provisions made in 2023/24	71	41	112
Amounts released in 2023/24	-80	-64	-144
Amounts used in 2023/24	-144	-	-144
Balance at 31 March 2024	117	180	297

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2022/23 are as follows:

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

8.15 Long-Term Borrowing and Deferred Liabilities

The carrying amount of long term and borrowing deferred liabilities is shown below:

	31 March 2023 £000	31 March 2024 £000
Debt	4,886	4,832
Private Finance Initiative (PFI)	5,953	5,654
Other lease arrangements	302	213
Deferred income – training centre	398	374
	11,539	11,073

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

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

Long-term borrowing (debt)

The balances shown in the table below relates to long-term borrowings from the PWLB, further analysed as follows:

	31 March 2023 £000	31 March 2024 £000
Long-term Borrowings		
Repayable within 1-2 years	54	56
Repayable within 2-5 years	171	175
Repayable within 5-10 years	315	322
Repayable within 10 years	4,346	4,279
	4,886	4,832

NOTES TO CORE FINANCIAL STATEMENTS

8.16 Private Finance Initiative (PFI) Scheme

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

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

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

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

The value of PFI assets at 31 March 2024

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

Movements in the values in 2023/24 are summarised below:

	Bishop Auckland £000	Spennymoor £000	Total £000
Initial value of assets financed by contractor	4,638	4,133	8,771
Accumulated Revaluations	-66	1,161	1,095
Revaluations in 2023/24	96	111	207
Gross Book Value after impairment	4,668	5,405	10,073
Accumulated Depreciation	-380	-385	-765
2023/24 Depreciation	-38	-38	-76
Accumulated Depreciation written off	-	-	-
Net Book Value at 31 March 2024	4,250	4,982	9,232

Comparatives for 2022/23 are as follows:

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

NOTES TO CORE FINANCIAL STATEMENTS

The value of liabilities at 31 March 2024

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

Movements in the values in 2023/24 are summarised below:

	2022/23 £000	2023/24 £000
Liability outstanding at 1 April	6,498	6,235
Less: Value of liability written down	-263	-282
Liability outstanding at 31 March	6,235	5,953

Estimates of future payments due:

Period	Repayment Liability £000	Interest £000	Service Charges £000	Lifecycle Replacement £000
2024/25	300	639	304	117
2025/26 to 2028/29	1,590	2,192	1,217	441
2029/30 to 2033/34	3,078	1,590	1,521	611
2034/35 to 2035/36	985	117	328	101
Total	5,953	4,538	3,370	1,270

The estimates do not include any allowance for inflation.

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

Participation in Pension Schemes

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

The Authority participates in the following pension schemes:

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

NOTES TO CORE FINANCIAL STATEMENTS

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

Transactions Relating to Post-employment Benefits

A November 2018 ruling on the legal case involving part time judges (O'Brien v MoJ) has a direct impact on the equivalent case for retained firefighters (Matthews). Home Office Ministers agreed to extend the pension entitlement to eligible retained firefighters to cover service pre-July 2000. The Memorandum of Understanding signed in March 2022 sets out the intended scope and operation of the options exercise required to enact remedy in this case. This options exercise will increase the pension entitlement for some current special retained members and also allow access to the scheme for additional historic retained firefighters. Although the options exercise is underway there is very significant data uncertainty in the calculation of this liability and significant assumptions have had to be made by the actuary. The main assumptions are based on numbers eligible, eligible service period, actual to reference pay ratio, and take-up. As outlined, there is very significant uncertainty in this additional liability estimate and it is very likely that actual experience for the authority will be different to the assumptions we made. Any deficit on the pension fund arising from an increase in liability will be funded from a grant payment in the form of a central government top up grant.

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

Claims have been made in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015 and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government were unsuccessful in seeking permission to appeal this decision. The liability calculations have been updated to be in line with the agreed final remedy.

Firefighters' Pension Schemes

The final remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. At retirement, these members will be given a choice in which scheme they wish to accrue benefits over the remedy period, 1 April 2015 to 31 March 2022. Due to the differing benefits structure, it is expected that the majority of eligible fire members will elect to take the legacy scheme benefits (1992 Scheme or 2006 Scheme) for the remedy period. From 1 April 2022, everyone is assumed to accrue benefits in the CARE scheme.

An allowance for McCloud remedy was first included in the 2018/19 disclosures as a past service cost for four years remedy service from 2015-2019. This past service cost was attributed proportionally to the 1992 and 2006 schemes. For subsequent years to 2021/22 an allowance was made in the 2015 service costs for the annual accrual of additional remedy service. Now that the remedy window is closed all McCloud related liabilities for eligible

NOTES TO CORE FINANCIAL STATEMENTS

members for the period 2019 to 2022 have been moved to the associated legacy schemes. This means all McCloud liability are held within the legacy scheme where it is expected benefits to be paid from. In the 2022/23 disclosures, this led to a past service cost in the 1992 Scheme and the 2006 Scheme and a past service gain in the 2015 Scheme. Now that all the McCloud-related liabilities have moved into the legacy schemes, contribution adjustments are being carried out by pension administrators to ensure affected members have paid the correct contributions for this portion of service. These adjustments can be positive or negative, depending on which schemes a member is moving between. In our accounting disclosures at 31 March 2024, any contributions adjustments made during 2023/24 have been allowed for as a past service cost or gain.

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

LGPS

McCloud Judgement

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

Virgin Media Judgement

In June 2023, the High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that amendments to certain defined benefit pension schemes were void if they were not accompanied by actuarial confirmation certificates issued under section 37 of the Pension Schemes Act 1993. An appeal of this decision was rejected by the Court of Appeal in July 2024. The LGPS is affected by this ruling.

To date, the Government Actuary's Department has been unable to find evidence that section 37 certificates are in place for all amendments. Work is ongoing to identify whether the evidence exists. Until this work is complete, it is not possible to conclude whether there is any impact on the value of retirement benefits under IAS 19 or if it can be reliably estimated. Although this is the current position in law, the Government is being lobbied to make a change to the regulations which would retrospectively validate amendments which would otherwise be void because of a failure to have obtained section 37 certificates. The Government has an existing power to make the necessary regulations but not yet said whether it will do so. It is also possible that Virgin Media could seek permission to appeal to the Supreme Court. Developments are being monitored. In the current circumstances, it is

NOTES TO CORE FINANCIAL STATEMENTS

not considered necessary to make any allowance for the potential impact of this case in the disclosure of the value of retirement benefits in the financial statements.

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

2023/24	Local Government Pension Scheme £000	Fire Fighter's Pension Scheme £000	Total £000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Current service cost	762	1,990	2,752
Past service costs	58	-20	38
Financing and Investment Income and Expenditure:			
Net interest expense	189	14,340	14,529
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	1,009	16,310	17,319
Other Post Employment Benefits:			
Remeasurement of the net defined benefit liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)	-913	-	-913
Actuarial gains / losses (-) arising on changes in demographic assumptions	-479	-	-479
Actuarial gains / losses (-) arising on changes in financial assumptions	-1,161	-5,980	-7,141
Other	356	-3,164	-2,808
Total Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-2,197	-9,144	-11,341
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-1,188	7,166	5,978
Movement in Reserves Statement			
Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post-employment benefits in accordance with IAS19	-1,009	-16,310	-17,319
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	748	4,036	4,784
Retirement benefits payable to pensioners	2	580	582

NOTES TO CORE FINANCIAL STATEMENTS

The comparative figures for 2022/23 are:

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

The cumulative amount of actuarial losses to 31 March 2024 is £58.78m (2022/23 £47.48m), made up as follows:

- Local Government Pension Scheme £8.6m (2022/23 £6.45m)
- Firefighter's Pension Scheme £50.18m (2022/23 £41.03m)

NOTES TO CORE FINANCIAL STATEMENTS

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

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

The pension increase assumption as at 31 March 2024 is based on the Consumer Price Index (CPI) expectation of inflation. This is a consequence of the Government's announcement that CPI is to be used for the indexation of public service pensions from April 2011.

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

The principal assumptions used by the actuary for the periods 2022/23 and 2023/24 are shown in the tables below:

2023/24	Local Government Funded Pension Scheme	Local Government Unfunded Pension Scheme	Firefighter's Pension Scheme
Mortality assumptions:			
Longevity at 65 for current pensioners:			
• Men	21.7	21.7	21.3
• Women	24.0	24.0	21.3
Longevity at 65 for future pensioners:			
• Men	23.0	n/a	22.9
• Women	25.1	n/a	22.9
Rate of Inflation:			
• CPI	2.60	2.60	2.60
Rate of increase in salaries	3.60	n/a	3.85
Rate of increase to pensions in payment	2.60	2.60	2.60
Rate of increase to deferred pensions	2.60	n/a	2.60
Rate for discounting scheme liabilities	4.80	4.80	4.75
Take-up of option to convert annual pension into retirement lump sum:			
• Including any accrued lump sum from pre 2008 service	85	n/a	n/a

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

NOTES TO CORE FINANCIAL STATEMENTS

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

The weighted average duration of the defined benefit obligation is 15 years for Firefighter Pension Scheme and 18 years for the Local Government Pension Scheme.

(i) Firefighter's Pension Scheme

Past Service Liabilities

The past service liabilities for 2023/24 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Estimated liabilities in scheme					
Active members (past service)	59.05	0.88	12.31	16.44	88.68
Deferred pensions	5.69	-	1.41	0.38	7.48
Pensions in Payment (injury awards)	-	6.67	-	-	6.67
Pensions in Payment (excluding injury)	202.77	-	0.37	7.19	209.96
Retained Settlement	-	-	2.46	-	2.46
Total	267.51	7.55	16.55	24.01	315.62
Net pensions deficit	267.51	7.55	16.55	24.01	315.62

The comparative figures for 2022/23 are:

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

The comparative figures for 2021/22 are:

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

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of Movement in Gross Scheme Liabilities

2023/24	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Net deficit at the start of current year	269.06	8.10	16.10	19.81	313.07
Movement in the year:					
Current service cost (net of employee contributions)	0.06	0.07	-	1.86	1.99
Cost covered by employee contributions	-	-	-	1.71	1.71
Past service cost	-0.02	-	-	-	-0.02
Pension Transfers	-	-	-	-	-
Interest on pension liabilities	12.23	0.37	0.75	0.99	14.34
Total benefits paid	-12.25	-0.50	-0.14	-0.61	-13.50
Curtailement and settlements	-	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-	-	-	-	-
Actuarial gain (-)/loss – financial assumptions	-4.70	-0.14	-0.31	-0.83	-5.98
Actuarial gain (-)/loss – other	3.13	-0.35	0.15	1.08	4.01
Net deficit at the end of year	267.51	7.55	16.55	24.01	315.62

The comparative figures for 2022/23 are:

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

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of Movement in Scheme Assets

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Opening fair value of asset	-	-	-	-	-
Movement in the year:					
Interest income	-	-	-	-	-
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	-	-
Other	-12.16	-	-0.14	5.12	-7.18
Contributions by employer	-0.09	-0.50	-	-4.02	-4.61
Contributions by participants	-	-	-	-1.71	-1.71
Net benefits paid out	12.25	0.50	0.14	0.61	13.50
Closing fair value of assets	-	-	-	-	-

The comparative figures for 2022/23 are:

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

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of Movement in Net Obligations

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Net deficit at the start of current year	269.06	8.10	16.10	19.81	313.07
Movement in the year:					
Current service cost (net of employee contributions)	0.06	0.07	-	1.86	1.99
Contributions by employer	-0.09	-0.50	-	-4.02	-4.61
Contributions by participants	-	-	-	-	-
Past service cost	-0.02	-	-	-	-0.02
Pension transfers	-	-	-	-	-
Interest on net defined benefit liability	12.23	0.37	0.75	0.99	14.34
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	-4.70	-0.14	-0.31	-0.83	-5.98
Actuarial gain (-)/loss – change in demographic assumptions	-	-	-	-	-
Actuarial gain (-)/ loss - other	-9.03	-0.35	0.01	6.20	-3.17
Net benefits paid	-	-	-	-	-
Net deficit at the end of year	267.51	7.55	16.55	24.01	315.62

The comparative figures for 2022/23 are:

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

NOTES TO CORE FINANCIAL STATEMENTS

(ii) Durham County Council Pension Fund

Analysis of Movement in Gross Scheme Liabilities

2023/24	Funded £m	Unfunded £m	Total £m
Opening Present Value of Liabilities	31.22	0.02	31.24
Current service cost (net of employee contributions)	0.76	-	0.76
Interest cost	1.45	-	1.45
Contributions from scheme participants	0.27	-	0.27
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	-0.48	-	-0.48
• Actuarial gains/ losses arising from changes in financial assumptions	-1.16	-	-1.16
• Other	0.41	-0.01	0.40
Past service costs	0.06	-	0.06
Benefits paid	-1.22	-	-1.22
Closing present value of liabilities	31.31	0.01	31.32

The comparative figures for 2022/23 are:

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

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of Movement in Scheme Assets

Reconciliation of fair value of the scheme assets:

2023/24	Funded £m	Unfunded £m	Total £m
Opening fair value	26.84	-	26.84
Interest income	1.26	-	1.26
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	0.91	-	0.91
• Other	-	-	-
Contributions from employer	0.80	-	0.80
Contributions by employees into the scheme	0.27	-	0.27
Benefits paid	-1.22	-	-1.22
Closing fair value	28.86	-	28.86

The comparative figures for 2022/23 are:

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

The actual return on scheme assets in the year was a gain of £2.17m (2022/23: £1.45m loss)

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

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

NOTES TO CORE FINANCIAL STATEMENTS

Fair Value of Scheme Assets

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

	2023/24 Quoted £m	2023/24 Unquoted £m	2023/24 Total £m	2022/23 Quoted £m	2022/23 Unquoted £m	2022/23 Total £m
Equity Investments	13.71	1.96	15.67	13.02	1.40	14.41
Property	0.40	1.50	1.90	0.38	1.72	2.09
Government Bonds	2.97	-	2.97	3.41	-	3.41
Corporate Bonds	2.77	-	2.77	1.18	-	1.18
Multi Asset Credit	4.39	-	4.39	4.05	-	4.05
Cash	0.52	-	0.52	0.48	-	0.48
Other	0.63	-	0.63	1.21	-	1.21
Total	25.40	3.46	28.86	23.73	3.11	26.84

Analysis of Movement in Net Obligations

2023/24	Funded £m	Unfunded £m	Total £m
Net deficit at the beginning of year	4.38	0.02	4.40
Current service cost	0.76	-	0.76
Contributions towards funded liabilities	-0.80	-	-0.80
Past service cost	0.06	-	0.06
Interest on net defined benefit liability	0.19	-	0.19
Return on plan assets in excess of/ below that recognised in net interest	-0.91	-	0.91
Actuarial gains/ losses due to changes in financial assumptions	-1.16	-	-1.16
Actuarial gains/ losses due to changes in demographic assumptions	-0.48	-	-0.48
Actuarial gains/ losses due to other changes	0.41	-0.01	0.40
Net deficit at the end of year	2.45	0.01	2.46

The comparative figures for 2022/23 are:

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

NOTES TO CORE FINANCIAL STATEMENTS

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

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Present value of liabilities:					
Local Government Pension Scheme	34.98	44.99	43.58	31.23	31.32
Firefighter's Pension Scheme	390.26	416.52	425.48	313.07	315.62
Total Present Value of Liabilities	425.24	461.51	469.06	344.30	346.94
Fair value of assets					
Local Government Pension Scheme	21.53	27.35	28.43	26.84	28.86
Firefighter's Pension Scheme	-	-	-	-	-
Total Fair Value of Assets	21.53	27.35	28.43	26.84	28.86
Surplus/ deficit (-) in the scheme:					
Local Government Pension Scheme	-13.45	-17.64	-15.15	-4.40	-2.46
Firefighter's Pension Scheme	-390.26	-416.52	-425.48	-313.07	-315.62
Total Deficit	-403.71	-434.16	-440.63	-317.47	-318.08

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £318.083m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £278.336m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains unaffected:

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

Employer Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2025 are £0.813m. Expected contributions to the Firefighter's Pension Scheme in the year to 31 March 2025 are £5.132m.

NOTES TO CORE FINANCIAL STATEMENTS

8.18 Reserves

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

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

Reserve	Balance 1 April 2023 £000	Net Movement in Year £000	Balance 31 March 2024 £000	Purpose of Reserve	Further details of Movement
Usable Reserves					
General Fund	1,605	168	1,773	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	3,902	330	4,232	Detailed below	Note 8.20 to the accounts
Capital Grants Unapplied	-	-	-	Grants to be used to finance capital expenditure in future years	Movement in Reserves Statement
Capital Receipts Unapplied	-	-	-	Receipts from the sale of capital assets to be used to finance capital expenditure in future years	Movement in Reserves Statement
Total Usable Reserves	5,507	498	6,005		
Unusable Reserves					
Revaluation Reserve	11,605	462	12,067	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 8.21 (i) to the accounts
Capital Adjustment Account	22,068	-239	21,829	Capital resources set aside to meet capital expenditure	Note 8.21 (ii) to the accounts
Collection Fund Adjustment Account	-253	144	-109	Share of Collection Fund Balance outstanding	Note 8.21 (iii) to the accounts
Pensions Reserve (IAS19)	-317,471	-612	-318,083	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 8.21 (iv) to the accounts
Short-term Accumulating Absences	-63	18	-45	Balancing account to allow inclusion of employee's liability in the Balance Sheet	Note 8.21 (v) to the accounts
Total Unusable Reserves	-284,114	-227	-284,341		
Total Reserves	-278,607	271	-278,336		

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2022/23 are as follows:

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

NOTES TO CORE FINANCIAL STATEMENTS

8.19 Movement in Earmarked Reserves

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

	1 April 2023 £000	Increase / decrease (-) in year £000	31 March 2024 £000
Pensions	500	-	500
Community Safety	84	-2	82
Insurance	285	-	285
Civil Resilience (New Dimensions)	-	-	-
Resilience	1,000	-	1,000
Modernisation	862	378	1,240
ESMCP	599	-534	65
New Risks	-	-	-
Training	200	-	200
Strategic Finance –Funding Pressures	372	-46	326
IT Projects	-	534	534
Total	3,902	330	4,232

Comparatives for 2022/23 are as follows:

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

8.20 Earmarked Reserves

Earmarked reserves at 31 March 2024 were as follows:

Pensions Reserve

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

Modernisation Reserve

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

Community Safety Reserve

To enable specific community safety improvements to be undertaken.

NOTES TO CORE FINANCIAL STATEMENTS

Insurance

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

Resilience Reserve

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

Emergency Services Mobile Communications Programme (ESMCP)

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

Training

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

Strategic Finance – Funding Pressures

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

IT Projects

To fund future Information Technology Projects.

8.21 Unusable Reserves

(i) Revaluation Reserve

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

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

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

	2022/23 £000	2023/24 £000
Opening Balance at 1 April	9,686	11,605
Revaluation gains/losses	2,132	731
Excess of current cost depreciation	-213	-269
Balance written off on disposal of asset	-	-
Closing Balance at 31 March	11,605	12,067

(ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert

NOTES TO CORE FINANCIAL STATEMENTS

fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

	2022/23 £000	£000	2023/24 £000	£000
Opening Balance at 1 April		22,210		22,068
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, impairment and downward revaluations of non-current assets	-1,567		-2,691	
Amortisation of intangible assets	-44		-9	
Revenue Expenditure funded from Capital under Statute	-		-	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-107		-346	
		-1,718		-3,046
Adjusting amounts written out of the Revaluation Reserve		213		269
Net written out amount of the cost of non-current assets consumed in the year		-1,505		-2,777
Capital financing applied in the year				
Use of Capital Receipts Reserve to finance new capital expenditure	7		349	
Application of grants to capital financing from the Capital Grants Unapplied Account	-		-	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	19		191	
Statutory provision for the financing for capital investment charged against the General Fund	407		422	
Capital expenditure charged against the General Fund	930		1,576	
		1,363		2,538
Closing Balance at 31 March		22,068		21,829

NOTES TO CORE FINANCIAL STATEMENTS

(iii) Collection Fund Adjustment

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

	2022/23 £000	2023/24 £000
Opening Balance at 1 April	-664	-253
Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	411	144
Closing Balance at 31 March	-253	-109

(iv) Pensions Reserve (IAS 19)

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

	2022/23 £000	2023/24 £000
Opening Balance at 1 April	-440,628	-317,471
Remeasurements of the net defined benefit liability/ asset (-)	137,774	11,341
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-19,887	-17,319
Employers pension contributions and direct payments to pensioners payable in the year	5,270	5,366
Closing Balance at 31 March	-317,471	-318,083

NOTES TO CORE FINANCIAL STATEMENTS

(v) Short-term Accumulating Absences

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

	2022/23 £000	2023/24 £000
Opening Balance at 1 April	-69	-63
Settlement or cancellation of accrual made at the year end of the preceding year	69	63
Amounts accrued at the end of the current year	-63	-45
Closing Balance at 31 March	-63	-45

8.22 General Reserve

The net accumulated unapplied General Fund Revenue balance is £1.773m as at 31 March 2024 which equates to 5% of the 2022/23 Net Expenditure Budget. This is in line with the Authority's policy on reserves which is to maintain a General Reserve of 5% of the Net Expenditure Budget for the short to medium term.

8.23 Contingent Assets and Contingent Liabilities

- **Contingent Liability - Subsidiary Companies**

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

- **Contingent Assets**

In December 2023, The Competition Appeal Tribunal (The Tribunal) took the decision to uphold the Competition and Markets Authority (CMA) decision to impose a charge control mechanism on Motorola in respect of the revenue Airwave can earn from its charges.

Motorola has lodged an application for permission to appeal the Tribunal's decision to the Court of Appeal, but in the meantime has commenced issuing credit notes and discounting invoices to reflect the charge control impact from 1 August 2023 onwards. These credit notes have been applied to the totality of the invoice to the Home Office and therefore need to be apportioned to the various authorities, including all Fire and Rescue Authorities in England.

Since an appeal request has been lodged with the Court of Appeal, any credit which is currently applied and accepted may have to be repaid if subsequently it is decided to overturn the Tribunal's decision and in turn set aside CMA's charge control. Motorola have been clear in their communications that this is the basis on which these credits are being applied.

NOTES TO CORE FINANCIAL STATEMENTS

As a result, and on the recommendation of the NFCC Finance Committee, the Home Office will be continuing to invoice Fire & Rescue Authorities in England at the original rate and will not apply the credit notes to the invoices the Home Office sends to FRAs. Instead, it will provide the total value of the credit to Buckinghamshire Fire who have agreed to hold the total credit that relates to Fire England until a final court decision is reached. Any monies remaining with Buckinghamshire Fire after the conclusion of the legal process will be shared between all FRAs in England based on their percentage of the credit, if ultimately Motorola are unsuccessful in their court application.

As at 31 March 2024, County Durham and Darlington FRA's share of credit is estimated to be £0.124m

There are no other contingent assets for 2023/24.

8.24 Authorisation of Accounts for Issue/Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Treasurer, Anthony Hope, on 25th February 2025. This is the date up to which events after the Balance Sheet date have been considered. No such events have been identified for 2023/24.

9 CASH FLOW STATEMENT

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

2022/23 £000		2023/24 £000
1,567	Depreciation, impairment and downward revaluations	2,691
44	Amortisation	9
33	Increase/Decrease (-) Interest Creditors	-
-384	Increase/Decrease (-) in Creditors	-359
-1,720	Increase (-)/Decrease in Debtors	695
-	Increase (-)/Decrease in Impairment of Debtors	-
71	Increase (-)/Decrease in Inventories	-22
-112	Increase/Decrease (-) in Deferred Liabilities	-112
14,617	Movement in Pension Liability	11,953
167	Contributions to/from (-) Provisions	-176
107	Carrying amount of non-current assets held for sale, sold or derecognised	346
14,390		15,025

NOTES TO CORE FINANCIAL STATEMENTS

9.2 Operating Activities

The cash flows for operating activities include the following items:

2022/23 £000		2023/24 £000
26,702	Employee Costs	27,199
-19,502	Council Tax Receipts	-20,570
-3,606	Revenue Support Grant	-3,972
-7,015	Redistributed NNDR	-7,415
-177	Interest receivable	-450
115	Interest payable in respect of borrowing	122
697	Interest payable in respect of PFI	669

9.3 Investing Activities

2022/23 £000		2023/24 £000
956	Purchase of property, plant and equipment, investment property and intangible assets	2,116
-7	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-349
-19	Other receipts from investing activities	-191
930		1,576

9.4 Financing Activities

2022/23 £000		2023/24 £000
-3,000	Cash receipts from short and long-term borrowing	-
263	Cash payments for the reductions of outstanding liabilities relating to on-balance sheet PFI contract	282
38	Repayment of short and long term borrowing	54
-2,699		336

NOTES TO CORE FINANCIAL STATEMENTS

9.5 Reconciliation of Liabilities Arising from Financing Activities

	Balance at 1 April 2023 £000	Financing cash flows £000	Balance at 31 March 2024 £000
Long-term borrowings	4,973	-54	4,919
On Balance Sheet PFI Liabilities	6,235	-282	5,953
	11,208	-336	10,872

9.6 Net Increase in Cash and Cash Equivalents

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

	2022/23 £000	2023/24 £000	Increase/ Decrease (-) in year £000
Cash	594	162	-432
Cash Equivalents	2,113	3,317	1,204
	2,707	3,479	772

PENSION FUND ACCOUNT

FIRE PENSION FUND ACCOUNT

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

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

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

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

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

Fire Pension Fund Account

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

	2022/23 £000	2023/24 £000
Contributions receivable		
Fire Authority contributions in relation to pensionable pay		
Normal	-3,709	-3,806
Early retirement	-	-
Firefighter's contributions	-1,683	-1,750
Transfers in from other schemes	-47	-
Ill health capital contributions	-162	-208
Benefits payable		
Pensions	10,654	11,505
Commutation and lump sum retirement benefits	2,736	1,494
Lump sum death benefits	-	-
Refund of contributions	-	-
Transfers out to other schemes	-	14
Net amount payable for the year	7,789	7,249
Top-up grant payable by the Government	-7,789	-7,249
Year-end balance	-	-

PENSION FUND ACCOUNT

Net Assets Statement

	At 31 March 2023 £000	At 31 March 2024 £000
Net current assets and liabilities		
Amount due to (-) / from the Authority's General Fund	-1,326	-511
Amount due to (-) / from Central Government	1,326	511
Total	-	-

1. Basis of Preparation

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

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

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

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

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

Benefits

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

Transfer Values

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

Transfers are accounted for on a receipts and payments basis.

GLOSSARY OF TERMS

Accruals

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

Actuarial Gains and Losses

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

Actuarial Valuation

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

Amortisation

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

Budget

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

Capital Adjustment Account

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

Capital Charge

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

Capital Expenditure

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

Capital Grant

Grant from Central Government used to finance capital schemes.

Capital Receipts

Proceeds from the sale of capital assets.

Cash

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

Cash Equivalents

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

GLOSSARY OF TERMS

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local authority finance.

Collection Fund

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

Collection Fund Adjustment Account

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

Component Accounting

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

Contingency

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

Contingent Liabilities

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

Contingent Assets

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

Council Tax

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

Creditors

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

Current Assets

Items that can be readily converted into cash.

Current Liabilities

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

Debtors

Persons or bodies who owe sums to the Authority.

GLOSSARY OF TERMS

Deferred Liabilities

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

Depreciation

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

Earmarked Reserves

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

Employee Benefits

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

Financial Instruments

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

Financial Regulations

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

GAD - The Government Actuaries Department

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

Government Grants

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

Impairment

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

Interest Income

The money earned from the investment of surplus cash.

International Financial Reporting Standards (IFRS)

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

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

GLOSSARY OF TERMS

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

Leasing

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

Minimum Revenue Provision

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Net Current Replacement Cost

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

Non-Operational Assets

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

Operational Assets

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

Outturn

The actual amount spent in the financial year.

Payments in Advance

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

Precept Income

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

GLOSSARY OF TERMS

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

Private Finance Initiative (PFI)

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

Property, Plant and Equipment

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

Provisions

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

Receipts in Advance

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

Reserves

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

Retirement Benefits

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

Revaluation Reserve

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

Revenue Contributions to Capital

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

Revenue Expenditure and Income

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

GLOSSARY OF TERMS

Revenue Support Grant (RSG)

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

Running Expenses

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

Termination Benefits

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

UK GAAP – Generally Accepted Accounting Standards

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

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

Unusable Reserves

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

Usable Reserves

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

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

AUDIT AND FINANCE COMMITTEE

25 February 2025

Local Government Finance Settlement - Letters to Government

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of Report

1. The purpose of this report is to provide members with a copy of the letters sent to government regarding the Local government Finance Settlement.

Background

2. At the meeting on 23 January 2025, it was requested that letters be sent to government regarding the reduction in grant funding, the shortfall in compensation grant to cover increased national insurance contributions and the inequity in the current funding formula.
3. Copies of the letters which were sent to the Rt Hon Dame Diana Johnson, Minister of State for Policing, Fire and Crime Prevention and The Right Honourable Angela Rayner, Secretary of State for Housing Communities and Local Government are attached at Appendix A and B. A copy of the Authority's response to the consultation on the Provisional Local Government Finance Settlement is also attached at Appendix C.

Recommendations

4. Members are requested to note the report.

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This matter is being dealt with by:
Ext: 03000 269 678
Date: 10 February 2025
Our Ref: JS.RB.RtHonARayner.Funding
Your Ref:

Clerk,
County Durham and Darlington
Fire and Rescue Authority
County Hall, Durham, DH1 5UL

Telephone Number: 03000 269 678

SENT VIA EMAIL

10 February 2025

Rt Hon Angela Rayner
Secretary of State for Housing Communities and Local Government
House of Commons
London
SW1A 0AA

Dear Angela Rayner

We are writing to you on behalf of County Durham and Darlington Fire and Rescue Authority (CDDFRA) to express our concerns about the level of funding available to fire and rescue services and the perceived injustice that exists within the current system. For over a decade the funding available to fire and rescue services has been under significant pressure and without a change in direction this is likely to lead to further cuts in services to our communities.

CDDFRA's grant funding for 2025/26 has been reduced by £410,000 (3.3%) and in addition we are facing a shortfall of £214,000 in the compensation grant to cover the cost of the increase in employers national insurance contributions which we were initially led to believe would be fully funded. Whilst we welcome the ability to increase band D council tax by up to £5 in 2025/26, its benefit has been outweighed by the loss of government grant and the increase in the employer's national insurance contributions. This leaves a below-inflation increase in spending power and the reality of the position we face is the additional income we can raise via council tax does not cover the cost increases through unfunded pay awards, inflation, and energy prices.

In CDDFRA as the amount of grant we receive has reduced we have experienced a shift in the structure of our funding arrangements over the last 10 years and we now receive two-thirds of our overall finding from local council taxpayers. This reliance on council tax provides real challenges to the Authority when we are faced with significant cost pressures. The impact is magnified in an area such as our where almost 80% of the properties are in council tax band A or band B. A 1% increase in council tax only raises an additional £218,000 for CDDFRA whereas in other areas 1% raises significantly more. Without additional support from government this is not sustainable and we recognise that our funding model of which two thirds relies on council tax places a disproportionate burden on communities during a cost-of-living crisis.

Following challenging budget settlements over recent years, the service has removed posts, collaborated with others where appropriate, invested in technology, removed waste and duplication, restructured every department and reduced spend. Notwithstanding the fact that CDDFRS is a highly productive, efficient and well-run service with a track record of delivering change against a reducing budget, without further financial support it is inevitable that further reductions to the operational establishment will be necessary, directly leading to a reduction in fire cover, increasing the risk to our communities.

The government is committed to reform of local authority funding to reflect an updated assessment of local need and revenues and we support this along with the proposal to update the data in the fire and rescue services Relative Needs Formula. However, we believe it is imperative that any revised funding formula ensures that central funding goes to those areas which need it most and that the years of cutting funding to deprived areas such as ours is reversed.

We hope that the information set out above illustrates our concerns and as always, we warmly extend an offer for you and your officials to visit staff within CDDFRS to discuss matters further.

Yours sincerely



**County Councillor John Shuttleworth
Chairman
County Durham and Darlington Fire
and Rescue Authority**



**Cllr Richard Bell
Chair
Audit and Finance Committee**

CC Rt Hon Dame Diana Johnson, Minister of State for Policing, Fire and Crime Prevention



This matter is being dealt with by:
Ext: 03000 269 678
Date: 10 February 2025
Our Ref: JS.RB.RtHonDJohnson.Funding
Your Ref:

Clerk,
County Durham and Darlington
Fire and Rescue Authority
County Hall, Durham, DH1 5UL

Telephone Number: 03000 269 678

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10 February 2025

Rt Hon Dame Diana Johnson
Minister of State for Policing, Fire and Crime Prevention
House of Commons
London
SW1A 0AA

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In CDDFRA as the amount of grant we receive has reduced we have experienced a shift in the structure of our funding arrangements over the last 10 years and we now receive two-thirds of our overall funding from local council taxpayers. This reliance on council tax provides real challenges to the Authority when we are faced with significant cost pressures. The impact is magnified in an area such as our where almost 80% of the properties are in council tax band A or band B. A 1% increase in council tax only raises an additional £218,000 for CDDFRA whereas in other areas 1% raises significantly more. Without additional support from government this is not sustainable and we recognise that our funding model of which two thirds relies on council tax places a disproportionate burden on communities during a cost-of-living crisis.

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Yours sincerely



**County Councillor John Shuttleworth
Chairman
County Durham and Darlington Fire
and Rescue Authority**



**Cllr Richard Bell
Chair
Audit and Finance Committee**

CC Rt Hon Angela Rayner, Secretary of State for Housing, Communities and Local Government

Provisional Settlement Consultation Response

Question 1: Do you agree with the government's proposals for the Settlement Funding Assessment, including payment of Revenue Support Grant and the basis of calculation of tariffs and top ups, in 2025-26?

Yes. However, if the government does not amend its approach to minimum funding to at least protect grant funding in real terms, then Fire and Rescue Authorities (FRAs) should receive additional Settlement Funding Assessment to compensate.

Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2025-26?

Yes. The simplification of funding is a positive step however it is imperative that the quantum is protected in real terms and not subject to cuts in the future.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2025-26?

The £5 principle is strongly welcomed. It would be helpful if the Government were to set out its intentions regarding the future of council tax referendum principles, confirming that it also intends to maintain the £5 flexibility for FRA's in 2026-27 and 2027-28. Looking ahead, the presumption of maximum council tax use by authorities must end. Ideally, this would end immediately, and the Government would not assume maximum council tax flexibility usage in its Core Spending Power calculations. The consultation document states, "It is for individual authorities to determine whether to use the flexibilities, taking into consideration the pressures many households are facing," and the Policy Statement asserts that the principles "are not a cap, nor do they force councils to set taxes at the threshold level. The decisions on the level to set, or whether to hold a referendum to go beyond the referendum principle, sit squarely with local authorities." While theoretically true, these statements do not reflect reality. Regarding "they are not a cap," the cost of a council tax referendum is significant, and especially given the cost-of-living crisis, taxpayers are very unlikely to vote to pay more tax. Concerning "nor do they force councils to set taxes at the threshold level," while true, this becomes particularly challenging when grant funding is cut due to the Government's presumption of full flexibility usage. This system must end. Council tax should be properly devolved, not de facto set by central government. However, by assuming that all FRAs will utilise the £5 flexibility (and thus cutting grant funding), the Government has essentially centralised this decision-making process.

Question 4: Do you agree with the government's proposals to introduce the Recovery Grant for 2025-26?

No. The government has provided no justification for why fire and rescue authorities were excluded from the Recovery Grant. The Provisional Settlement cuts grant funding to all standalone FRAs therefore it seems that FRAs are paying for part of the Recovery Grant package. High taxbase FRAs significantly benefit from the £5 principle, while low taxbase

FRA's such as this Authority were initially reassured by the introduction of a new Recovery Grant aimed at those with lower taxbases.

Question 5: Do you agree with the Government's proposals on funding for social care as part of the local government finance settlement in 2024-25?

Increased adult social care funding should not be delivered at the expense of FRA's budgets. Given that the Provisional Settlement cuts grant funding to all standalone FRA's, it is not clear that FRA's have avoided paying for part of the total social care package.

Question 6: Do you agree with the government's proposal to allocate £250 million in a new Children's Social Care Prevention Grant to invest in family help?

Increased children's social care funding and prevention must not be delivered at the expense of FRA's budgets. Given that the Provisional Settlement cuts grant funding to all standalone FRA's, it is not clear that FRA's have avoided paying for part of the total social care package.

Question 7: Do you agree with the government's proposals for New Homes Bonus in 2025-26?

No comment

Question 8: Do you agree with the government's proposals to repurpose grants in order to target funding where it is needed most in 2025/26?

The Authority cannot support these proposals, as they disproportionately impact fire and rescue services. While the move to a more simplified funding system for FRA's is welcome, the proposed cuts in government grants must be reversed. The removal of the Minimum Funding Guarantee represents a significant cut to government grant funding for fire and rescue services. Standalone Fire and Rescue Authorities (FRA's) constitute less than 3% of Core Spending Power but received 10% of the total Funding Guarantee grant in 2024-25. It appears that the Government has overlooked the effects of its proposals on FRA's. Whether through the reintroduction of the Funding Guarantee or other means, the Government should ensure that grant funding to FRA's is, at a minimum, protected in cash terms.

In addition, modelling indicates a likely significant disparity between the police and fire services regarding the increased National Insurance Contributions (NICs) compensation levels. The increase in cost for this Authority is in excess of £400,000 and the modelling of the distribution of the compensation grant suggests that there will be a significant shortfall in funding. The government must provide a justification for this disparity, and if the government cannot justify this disparity, NICs compensation for FRA's should be adjusted to align with that of the police.

Question 9: Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic?

One of the most significant demands on the public sector is an ageing population; for FRA's this is highlighted by the stark differences in fire-related deaths for different ages. Despite

the populations of people in England aged 24 or under and those aged 55 or over being similar, over 55s are more than seven times more likely to be die because of a fire (see ONS MYEs and FIRE0503 Home Office data). The previous government's 2021 Health and Social Care White Paper indicated the intent for more people in care to be able to live in their own homes and live as independently as possible. The intent behind this aim to ease pressure on the health and social care system is admirable, however, it will in turn generate greater risk from fire for people living at home in premises which may not be designed or adapted to suit their needs. Consequently, FRSs will need to undertake more home fire safety checks, and the number of dwellings occupied by people who are less likely to be able to put out a fire will increase, thus resulting in an increased risk to the occupants as well as firefighters. Whilst firefighters are being upskilled to undertake low level fire safety checks, firefighter numbers have declined 25% in the last 12 years and incident numbers are climbing after a period of decline. As operational pressures grow, this will reduce FRSs' ability to maintain the focus on prevention and protection activities, unless they are suitably funded.

Question 10: Do you agree with the government's proposal to not extend the IFRS 9 statutory override beyond its current end date of 31 March 2025?

No Comment

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