



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

**Statement of Accounts**  
for the year ended 31<sup>st</sup> March 2021



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## **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. The COVID-19 pandemic presented particular challenges during 2020/21 including, the management of increased staff sickness, fluctuations in demand for our services and an increase in unexpected expenditure such as the purchase of additional personal protective equipment and the implementation of measures to ensure a COVID secure workplace. Whilst additional funding was received from government to help deal with the increased costs in 2020/21, COVID-19 is likely to impact on the Service for some considerable time and the ongoing financial impact is uncertain at this stage. The Authority will continue to review the impact of COVID-19 and the changes this has presented in demand and realign service delivery through an application of lessons learnt to improve the efficiency and effectiveness of the service.

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 31<sup>st</sup> March 2021.

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 meet the principles of value for money at all times.

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 and Durham County 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

# **NARRATIVE REPORT**

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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 2020/21 and its financial position at 31 March 2021. 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 2020/21
5. Non-Financial Performance 2020/21
6. Operating Environment and Future Plans
7. COVID-19 Pandemic
8. Going Concern
9. Statement of Accounts

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

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

### **4. Financial Performance 2020/21**

#### ***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 2020/21, the Authority's net revenue expenditure, which was met from the above sources, was £29.173m, while spending on capital projects totalled £5.426m.

The Authority's general reserve balance, which represents the sum set aside to meet unforeseen future circumstances, was £1.459m at 31 March 2021. This equates to 5% of the 2021/22 net expenditure budget and is in line with the Authority's policy on reserves to maintain a general reserve of 5% of net expenditure.



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

### **Revenue Income and Expenditure**

The estimated net revenue expenditure for 2020/21, to be met from Government Grants and local taxpayers, was approved at £29.173m.

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

<b>Budget Heading</b>	<b>Original Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	<b>Variance %</b>
<b><u>Expenditure</u></b>				
Employees	24,086	25,065	979	4.06
Premises	2,824	2,680	-144	-5.10
Transport	611	510	-101	-16.53
Supplies & Services	4,369	4,565	196	4.49
Contingencies	280	-	-280	-100.00
Capital Financing	1,231	1,202	-29	-2.36
Provisions & write-offs	-	-34	-34	-100.00
Transfers to Reserves	-	1,858	1,858	100.00
<b>Total Expenditure</b>	<b>33,401</b>	<b>35,846</b>	<b>2,445</b>	<b>7.32</b>
<b><u>Income</u></b>				
Government Grants	-3,627	-5,709	-2,082	-57.40
Other Income	-451	-869	-418	-92.68
Transfers from Earmarked Reserves	-150	-95	55	36.67
<b>Total Income</b>	<b>-4,228</b>	<b>-6,673</b>	<b>-2,445</b>	<b>-57.83</b>
<b>Net Expenditure</b>	<b>29,173</b>	<b>29,173</b>	<b>-</b>	<b>-</b>
Taxation and Non Specific Grants Income	-29,173	-29,173	-	-
<b>Outturn</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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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	0.979	4.06	In response to the COVID-19 pandemic the availability of operational staff was increased through acceleration of the apprenticeship programme, the transfer of a number of on-call staff to wholetime roles and additional occupational cover contracts.
Premises	-0.144	-5.10	Expenditure on a range of premises budget heads was less than anticipated as a result of the impact of COVID-19 and cost saving initiatives.
Transport	-0.101	-16.53	Due to the impact of COVID-19 there was a reduction in staff travel and vehicle running costs.
Supplies & Services	0.196	4.49	Expenditure was incurred on a number of measures to ensure a COVID safe workplace including protective screens, temperature monitoring equipment, additional PPE and additional ICT licences and equipment.
Contingencies	-0.280	-100.00	The contingencies budget includes an allowance for inflation and pay awards which was not required.
Capital Financing	-0.029	-2.36	Loan interest was less than anticipated when the budget was set due to the timing of borrowing.
Provisions & write-offs	-0.034	-100.00	Provisions made in previous years have been released as no longer required.
Transfers to Reserves	1.858	100.00	Unspent contributions and grant received during the year have been transferred to earmarked reserves to fund future activity.
Government Grants	-2.082	-57.40	Additional grant income was received in relation to COVID-19, compensation for lost income, Building Fire Safety and the Emergency Services Network.
Other Income	-0.418	-92.68	The increase in other income was due to work carried out for third parties together with the contribution to the service from Vital Fire Solutions for work carried out by service employees.
Contributions from Reserves	0.055	36.67	Transfers were made from the New Risks and Emergency Services Mobile Communications Programme Reserve to meet the costs of projects undertaken during the year.
<b>Total</b>	-	-	

## **Capital Expenditure**

The Authority approved a capital programme for 2020/21 of £6.223m. The actual capital expenditure for the year was £5.426m; £0.797m less than the original budget. The following table analyses the expenditure:

<b>Project</b>	<b>Original Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
Vehicles, Plant & Equipment	2.073	1.433	-0.640
Land & Buildings	4.150	3.993	-0.157
<b>Total Expenditure</b>	<b>6.223</b>	<b>5.426</b>	<b>-0.797</b>

The variances are set out in the table below:

	<b>Over spend / Under spend (-) £m</b>	<b>Over spend / Under spend (-) %</b>	<b>Explanation for major variances</b>
Vehicles, Plant & Equipment	-0.640	-30.9	The underspend was due to changes to the planned timing of the replacement of some items of vehicles, plant and equipment.
Land & Buildings	-0.157	-3.78	Changes to the estimated build times of capital projects resulted in expenditure originally planned for 2020/21 slipping into the next financial year.
<b>Total</b>	<b>-0.797</b>	<b>-12.8</b>	

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

The Authority's Capital Financing Requirement was £13.249m at 31 March 2021. Further details are set out in Note 8.5 to the accounts.

## **Future Capital Commitments**

The capital programme includes provision for major improvements to Sedgefield fire station, 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 25 February 2020, detailed the 2020/21 borrowing limits for the Authority.

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

- Authorised Limit for External Debt for 2020/21 of £13.461m
- Operational Boundary for External Debt for 2020/21 of £12.237m

## ***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 £33.116m. The Authority also has assets worth £48.504m and cash backed reserves of £7.695m, 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 8.16 to the accounts.

## **5. Non- Financial Performance 2020/21**

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) are employed to measure both operational and corporate performance and targets are set with the aim of achieving continuous improvement. During 2020/21, 59% of the strategic PI's met or exceeded their target level and 74% 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](http://www.ddfire.gov.uk).

## **6. Operating Environment and Future Plans**

Looking ahead, the Authority's revenue expenditure for 2021/22 is estimated at £29.338m, together with a capital programme of £2.189m.

As there is a great deal of uncertainty surrounding the level of government funding (both settlement funding and funding for pensions) from 2021/22 onwards, three medium-term financial plan scenarios have been modelled based on differing levels of funding. The Authority has set a balanced budget for the forthcoming financial year (2021/22) and needs to identify a further savings during the period 2022/23 to 2024/25 ranging from £0.96M (best case scenario) to £2.8M (worst case scenario) depending on the funding position. Work is ongoing through the Emergency Response Review to identify further savings options to assist in balancing the budget in future years.

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

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

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 a number of innovative collaboration projects. This included funding for the building of a new quad station at Barnard Castle which provides a joint facility for the Fire, Police, Ambulance and Mountain Rescue Services.

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

## **7. COVID-19 Pandemic**

Although the financial impact of the pandemic in 2020/21 was mitigated by the receipt of government funding in 2020/21 it could potentially have an impact on the Authority's finances in 2021/22. At this stage the Authority has not been informed of any additional funding for 2021/22. Any future costs incurred in relation to COVID-19 will be managed initially through the use of government funding (if available) and if necessary, the Resilience Reserve.

## **8. Going Concern**

Each year, the Authority makes an assessment of 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 2021/22 and has a plan in place to continue to deliver local services until at least 2022. 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;

## **NARRATIVE REPORT**

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- throughout the process for the Medium-Term Financial Plan, no risks were identified which would indicate that the Authority cannot continue as a Going Concern.

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

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

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

### **9. Statement of Accounts**

The Statement of Accounts for the financial year 2020/21 is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code) 2020/21.

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

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2020. This is with the exception of IFRS 16 Leases, which has been deferred to the 2021/22 Code.

This edition of the Code applies for accounting periods commencing on or after 1 April 2020. It supersedes the edition published on 1<sup>st</sup> April 2019 (the 2019/20 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 2021 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 generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is reflected in the Movement in Reserves Statement.

- **Balance Sheet**

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

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

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

- **Cash Flow Statement**

This summarises the inflows and outflows of cash arising from the transactions with other parties for revenue and capital purposes. It shows how the Authority generates

## NARRATIVE REPORT

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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).*

- **Pension Fund Account**

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

- **Glossary of Terms**

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

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

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

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



# **INDEPENDENT AUDITOR'S REPORT**

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## **Independent auditor's report to County Durham and Darlington Fire and Rescue Authority and Group**

### **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 and Group (Authority and Group) for the year ended 31 March 2021, which comprise the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement, Authority Movement in Reserves Statement, Authority Comprehensive Income and Expenditure Statement, Authority Balance Sheet, Authority Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31<sup>st</sup> March 2021 and of the Authority and 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 2020/21.

#### **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, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority and Group'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 the Treasurer with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The Treasurer is responsible for the 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. 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

# **INDEPENDENT AUDITOR'S REPORT**

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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 Responsibilities for the Statement of Accounts, 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 2020/21, 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 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority and Group will continue in operational existence for the foreseeable future. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

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

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 and Group, 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.

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 were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Finance Committee, the 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 Group which were contrary to applicable laws and regulations, including fraud.

# INDEPENDENT AUDITOR'S 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 April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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 the 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 the use of resources for the year ended 31 March 2021.

We have not completed our work on the Authority's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not reported any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the 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 the 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 the use of resources are operating effectively.

# **INDEPENDENT AUDITOR'S REPORT**

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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 April 2021.

## **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 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 County Durham and Darlington Fire and Rescue 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 County Durham and Darlington Fire and Rescue 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 Group's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Gavin Barker  
Director  
For and on behalf of Mazars LLP

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF  
25 November 2021

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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## **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 2020/21.

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 2021 and its income and expenditure for the year ended 31 March 2021.

**Anthony Hope CPFA** **Date 25/11/2021**  
**Treasurer to County Durham and Darlington Fire and Rescue Authority**

### **Chairman's Certificate**

I can confirm that these accounts were approved by the Authority at a meeting on 25<sup>th</sup> November 2021

**Chairman of the meeting approving the accounts** **Date 25/11/2021**

## **GROUP ACCOUNTS**

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### **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
<b>Balance at 31 March 2019</b>	<b>1,425</b>	<b>5,865</b>	<b>-</b>	<b>7,290</b>	<b>-389,128</b>	<b>-381,838</b>	<b>-68</b>	<b>-381,906</b>
<b><i>Movement in reserves 2019/20</i></b>								
Surplus/Deficit (-) on provision of services	-17,228	-	-	-17,228	-	-17,228	12	-17,216
Other Comprehensive Expenditure and Income	-	-	-	-	34,680	34,680	-	34,680
<b>Total Comprehensive Expenditure and Income</b>	<b>-17,228</b>	<b>-</b>	<b>-</b>	<b>-17,228</b>	<b>34,680</b>	<b>17,452</b>	<b>12</b>	<b>17,464</b>
Adjustments between accounting basis and funding under regulations	15,870	-	-	15,870	-15,870	-	-	-
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>	<b>-1,358</b>	<b>-</b>	<b>-</b>	<b>-1,358</b>	<b>18,810</b>	<b>17,452</b>	<b>12</b>	<b>17,464</b>
Transfers to (-) / from Earmarked Reserves	1,392	-1,392	-	-	-	-	-	-
<b>Increase/Decrease (-) in year</b>	<b>34</b>	<b>-1,392</b>	<b>-</b>	<b>-1,358</b>	<b>18,810</b>	<b>17,452</b>	<b>12</b>	<b>17,464</b>
<b>Balance at 31 March 2020</b>	<b>1,459</b>	<b>4,473</b>	<b>-</b>	<b>5,932</b>	<b>-370,318</b>	<b>-364,386</b>	<b>-56</b>	<b>-364,442</b>
<b><i>Movement in reserves 2020/21</i></b>								
Surplus/Deficit (-) on provision of services	-16,424	-	-	-16,424	-	-16,424	55	-16,369
Other Comprehensive Expenditure and Income	-	-	-	-	-20,232	-20,232	-	-20,232
<b>Total Comprehensive Expenditure and Income</b>	<b>-16,424</b>	<b>-</b>	<b>-</b>	<b>-16,424</b>	<b>-20,232</b>	<b>-36,656</b>	<b>55</b>	<b>-36,601</b>
Adjustments between accounting basis and funding under regulations	18,187	-	-	18,187	-18,187	-	-	-
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>	<b>1,763</b>	<b>-</b>	<b>-</b>	<b>1,763</b>	<b>-38,419</b>	<b>-36,656</b>	<b>55</b>	<b>-36,601</b>
Transfers to (-) / from Earmarked Reserves	-1,763	1,763	-	-	-	-	-	-
<b>Increase/Decrease (-) in year</b>	<b>-</b>	<b>1,763</b>	<b>-</b>	<b>1,763</b>	<b>-38,419</b>	<b>-36,656</b>	<b>55</b>	<b>-36,601</b>
<b>Balance at 31 March 2021</b>	<b>1,459</b>	<b>6,236</b>	<b>-</b>	<b>7,695</b>	<b>-408,737</b>	<b>-401,042</b>	<b>-1</b>	<b>-401,043</b>

## 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.

2019/20 Gross Expenditure £000	2019/20 Income £000	2019/20 Net Expenditure £000	Gross Expenditure, Gross Income and Net Expenditure on continuing operations	2020/21 Gross Expenditure £000	2020/21 Income £000	2020/21 Net Expenditure £000
28,386	-	28,386	Employees	29,826	-	29,826
2,789	-	2,789	Premises	2,680	-	2,680
630	-5	625	Transport	510	-	510
4,535	-	4,535	Supplies & Services	4,603	-	4,603
-	-	-	Provisions	-34	-	-34
2,727	-	2,727	Capital Financing	3,521	-	3,521
-	-4,234	-4,234	Income	-	-5,022	-5,022
<b>39,067</b>	<b>-4,239</b>	<b>34,828</b>	<b>Net Cost of Service</b>	<b>41,106</b>	<b>-5,022</b>	<b>36,084</b>
			<b>Other Operating Income &amp; Expenditure</b>			
4	-	4	Gain (-) / Loss on disposal of non-current assets: Property, Plant & Equipment	-	-5	-5
<b>4</b>	<b>-</b>	<b>4</b>		<b>-</b>	<b>-5</b>	<b>-5</b>
			<b>Financing and Investment Income &amp; Expenditure</b>			
770	-	770	Interest payable on PFI	747	-	747
113	-	113	Contingent Rents – PFI	126	-	126
10,368	-	10,368	Net interest on the defined benefit liability	9,072	-	9,072
-	-59	-59	Investment interest income	-	-4	-4
<b>11,251</b>	<b>-59</b>	<b>11,192</b>		<b>9,945</b>	<b>-4</b>	<b>9,941</b>
			<b>Taxation &amp; Non-specific Grants Income</b>			
		-17,850	Precepts			-17,947
		-7,127	NNDR			-6,556
		-407	Non Ring-fenced Government Grants			-1,668
		-3,424	RSG			-3,480
		<b>-28,808</b>				<b>-29,651</b>
		<b>17,216</b>	<b>Surplus (-) / Deficit on Provision of Services</b>			<b>16,369</b>
		-35,042	Re-measurements of the net defined benefit liability			16,648
		362	Deficit(-)/Surplus on revaluation of Property, Plant & Equipment			3,584
		<b>-34,680</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>20,232</b>
		<b>-17,464</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>36,601</b>



## 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 2020 £000	£000		As at 31 March 2021 £000	£000
172		Intangible Assets	134	
		<b>Property, Plant &amp; Equipment</b>		
34,911		Land & Buildings	33,348	
5,866		Vehicle, Plant, Furniture & Equipment	6,590	
23		Surplus Assets	23	
982		Assets Under Construction	158	
1		Long-term Debtors	-	
	<b>41,955</b>	<b>Total Long-term Assets</b>		<b>40,253</b>
578		Inventories	670	
4,828		Short-term Debtors	5,584	
3,873		Cash & Cash Equivalents	2,029	
	<b>9,279</b>	<b>Total Current Assets</b>		<b>8,283</b>
-		Short-term Borrowing	-23	
-3,785		Short-term Creditors	-5,685	
	<b>-3,785</b>	<b>Total Current Liabilities</b>		<b>-5,708</b>
	<b>47,449</b>	<b>Total Assets less Current Liabilities</b>		<b>42,828</b>
-408		Provisions	-314	
-		Long-term Borrowing	-1,977	
-6,735		Deferred Liability – PFI	-6,498	
-1,037		Other Deferred Liabilities	-924	
-403,711		Pension Liability (IAS19)	-434,158	
	<b>-411,891</b>	<b>Total Long-term Liabilities</b>		<b>-443,871</b>
	<b>-364,442</b>	<b>Net Assets</b>		<b>-401,043</b>
5,876		<b>Usable Reserves</b>	7,694	
-370,318		<b>Unusable Reserves</b>	-408,737	
	<b>-364,442</b>	<b>Total Reserves</b>		<b>-401,043</b>

## GROUP ACCOUNTS

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### 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.

2019/20 £000	OPERATING ACTIVITIES	2020/21 £000
17,216	Net surplus (-) or deficit on the provision of services	16,369
-17,339	Adjustments to net surplus or deficit on the provision of services for non-cash movements	-18,177
33	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	26
<b>-90</b>	<b>Net cash flows from operating activities</b>	<b>-1,782</b>
1,498	Investing Activities	5,400
215	Financing Activities	-1,774
<b>1,623</b>	<b>Net increase (-) or decrease in cash and cash equivalents</b>	<b>1,844</b>
5,496	Cash and cash equivalents at the beginning of the reporting period	3,873
<b>3,873</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,029</b>

## 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 2020/21 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. In order 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 2020/21, County Durham and Darlington Fire and Rescue Authority supplied goods and services with a value of £842 to County Durham and Darlington Fire and Rescue Community Interest Company.

Goods and services with a value of £151,224 were supplied by County Durham and Darlington Fire and Rescue Authority to Vital Fire Solutions Limited during 2020/21. Vital Fire Solutions provided £13,172 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
<b>Balance at 31 March 2020</b>	<b>1,459</b>	<b>4,473</b>	-	-	<b>5,932</b>	<b>-370,318</b>	<b>-364,386</b>
Surplus/Deficit (-) on provision of services	-16,424	-	-	-	-16,424	-	-16,424
Other Comprehensive Expenditure and Income	-	-	-	-	-	-20,232	-20,232
<b>Total Comprehensive Expenditure and Income</b>	<b>-16,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-16,424</b>	<b>-20,232</b>	<b>-36,656</b>
Adjustments between accounting basis and funding under regulations (Note 6.1)	18,187	-	-	-	18,187	-18,187	-
<b>Net Increase/Decrease (-) before Transfers to Earmarked Reserves</b>	<b>1,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,763</b>	<b>-38,419</b>	<b>-36,656</b>
Transfers to (-) / from Earmarked Reserves (Note 8.18)	-1,763	1,763	-	-	-	-	-
<b>Increase/Decrease (-) in year</b>	<b>-</b>	<b>1,763</b>	<b>-</b>	<b>-</b>	<b>1,763</b>	<b>-38,419</b>	<b>-36,656</b>
<b>Balance at 31 March 2021</b>	<b>1,459</b>	<b>6,236</b>	<b>-</b>	<b>-</b>	<b>7,695</b>	<b>-408,737</b>	<b>-401,042</b>

## MOVEMENT IN RESERVES

Comparatives for 2019/20 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
<b>Balance at 31 March 2019</b>	<b>1,425</b>	<b>5,865</b>	-	-	<b>7,290</b>	<b>-389,128</b>	<b>-381,838</b>
Surplus/Deficit (-) on provision of services	-17,228	-	-	-	-17,228	-	-17,228
Other Comprehensive Expenditure and Income	-	-	-	-	-	34,680	34,680
<b>Total Comprehensive Expenditure and Income</b>	<b>-17,228</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-17,228</b>	<b>34,680</b>	<b>17,452</b>
Adjustments between accounting basis and funding under regulations (Note 6.1)	15,870	-	-	-	15,870	-15,870	-
<b>Net Increase/Decrease (-) before Transfers to Earmarked Reserves</b>	<b>-1,358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,358</b>	<b>18,810</b>	<b>17,452</b>
Transfers to (-) / from Earmarked Reserves (Note 8.18)	1,392	-1,392	-	-	-	-	-
<b>Increase/Decrease (-) in year</b>	<b>34</b>	<b>-1,392</b>	<b>-</b>	<b>-</b>	<b>-1,358</b>	<b>18,810</b>	<b>17,452</b>
<b>Balance at 31 March 2020</b>	<b>1,459</b>	<b>4,473</b>	<b>-</b>	<b>-</b>	<b>5,932</b>	<b>-370,318</b>	<b>-364,386</b>

# 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.

2019/20 Gross Expenditure £000	2019/20 Income £000	2019/20 Net Expenditure £000	Gross Expenditure, Gross Income and Net Expenditure on continuing operations	2020/21 Gross Expenditure £000	2020/21 Income £000	2020/21 Net Expenditure £000
28,345	-	28,345	Employees	29,801	-	29,801
2,789	-	2,789	Premises	2,680	-	2,680
630	-5	625	Transport	510	-	510
4,462	-	4,462	Supplies & Services	4,565	-	4,565
-	-	-	Provisions	-34	-	-34
2,726	-	2,726	Capital Financing	3,521	-	3,521
-	-4,108	-4,108	Income	-	-4,904	-4,904
<b>38,952</b>	<b>-4,113</b>	<b>34,839</b>	<b>Net Cost of Service</b>	<b>41,043</b>	<b>-4,904</b>	<b>36,139</b>
			<b>Other Operating Income &amp; Expenditure</b>			
4	-	4	Gain (-) / Loss on disposal of non- current assets: Property, Plant & Equipment (Note 7.2)	-	-5	-5
<b>4</b>	<b>-</b>	<b>4</b>		<b>-</b>	<b>-5</b>	<b>-5</b>
			<b>Financing and Investment Income &amp; Expenditure</b>			
-	-	-	Interest payable on debt	-	-	-
770	-	770	Interest payable on PFI	747	-	747
113	-	113	Contingent Rents – PFI	126	-	126
10,368	-	10,368	Net interest on the defined benefit liability	9,072	-	9,072
-	-58	-58	Investment interest income	-	-4	-4
<b>11,251</b>	<b>-58</b>	<b>11,193</b>		<b>9,945</b>	<b>-4</b>	<b>9,941</b>
			<b>Taxation &amp; Non-specific Grants Income</b>			
		-	Recognised capital grants and contributions			-
		-17,850	Precepts (Note 7.12)			-17,947
		-7,127	NNDR			-6,556
		-407	Non Ring-fenced Government Grants			-1,668
		-3,424	RSG			-3,480
		<b>-28,808</b>				<b>-29,651</b>
		<b>17,228</b>	<b>Surplus (-) / Deficit on Provision of Services</b>			<b>16,424</b>
		-35,042	Re-measurements of the net defined benefit liability (Note 8.20)			16,648
		362	Deficit(-)/Surplus on revaluation of Property, Plant & Equipment			3,584
		<b>-34,680</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>20,232</b>
		<b>-17,452</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>36,656</b>

## 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 2020 £000	£000		As at 31 March 2021 £000	£000
172		Intangible Assets (Note 8.1)	134	
		<b>Property, Plant &amp; Equipment</b>		
34,911		Land & Buildings (Note 8.2)	33,348	
5,866		Vehicle, Plant, Furniture & Equipment (Note 8.2)	6,590	
23		Surplus Assets (Note 8.2)	23	
982		Assets Under Construction (Note 8.3)	158	
15		Long-term Investments (Note 8.12)	15	
1		Long-term Debtors (Note 8.9)	-	
	<b>41,970</b>	<b>Total Long-term Assets</b>		<b>40,268</b>
573		Inventories (Note 8.8)	668	
4,932		Short-term Debtors (Note 8.9)	5,651	
3,767		Cash & Cash Equivalents (Note 8.10)	1,917	
	<b>9,272</b>	<b>Total Current Assets</b>		<b>8,236</b>
-		Short-term Borrowing (Note 8.11)	-23	
-3,737		Short-term Creditors (Note 8.11)	-5,652	
	<b>-3,737</b>	<b>Total Current Liabilities</b>		<b>-5,675</b>
	<b>47,505</b>	<b>Total Assets less Current Liabilities</b>		<b>42,829</b>
-408		Provisions (Note 8.13)	-314	
-		Long-term Borrowing (Note 8.14)	-1,977	
-6,735		Deferred Liability – PFI (Note 8.14)	-6,498	
-1,037		Other Deferred Liabilities (Note 8.14)	-924	
-403,711		Pension Liability (IAS19) (Note 8.16)	-434,158	
	<b>-411,891</b>	<b>Total Long-term Liabilities</b>		<b>-443,871</b>
	<b>-364,386</b>	<b>Net Assets</b>		<b>-401,042</b>
5,932		<b>Usable Reserves</b> (Note 8.17)	7,695	
-370,318		<b>Unusable Reserves</b> (Note 8.17)	-408,737	
	<b>-364,386</b>	<b>Total Reserves</b>		<b>-401,042</b>

## **CASH FLOW STATEMENT**

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### **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.

<b>2019/20 £000</b>	<b>OPERATING ACTIVITIES</b>	<b>2020/21 £000</b>
17,228	Net surplus (-) or deficit on the provision of services	16,424
-17,305	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 9.1)	-18,226
33	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	26
<b>-44</b>	<b>Net cash flows from operating activities</b>	<b>-1,776</b>
1,498	Investing Activities (Note 9.3)	5,400
215	Financing Activities (Note 9.4)	-1,774
<b>1,669</b>	<b>Net increase (-) or decrease in cash and cash equivalents</b>	<b>1,850</b>
5,436	Cash and cash equivalents at the beginning of the reporting period	3,767
<b>3,767</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 8.10)</b>	<b>1,917</b>



# NOTES TO CORE FINANCIAL STATEMENTS

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## 1 ACCOUNTING POLICIES

### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21, 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***

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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 on the basis of 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**

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

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

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

### **1.5 Charges to Revenue for Non-Current Assets**

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

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

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

### **1.6 Employee Benefits**

#### **Benefits Payable during Employment**

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

## **NOTES TO CORE FINANCIAL STATEMENTS**

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

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

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

### **Discretionary Benefits (Local Government Pension Scheme)**

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

## **NOTES TO CORE FINANCIAL STATEMENTS**

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### **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 on the basis of 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***

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### **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 principle 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**

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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**

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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

## ***NOTES TO CORE FINANCIAL STATEMENTS***

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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

## **NOTES TO CORE FINANCIAL STATEMENTS**

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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**

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### **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 £1.459m

Earmarked reserves relating to Pensions, Modernisation, Community Safety, Resilience, Insurance, New Risks, Civil Resilience, Training, IT Projects and Strategic Finance (Funding Pressures) were held as at 31 March 2021 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**

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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 Tax payers.

### **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 2021/22 Code are:

- Amendments to IFRS 3 Business Combinations: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 9, IAS 7, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

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

### **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## NOTES TO CORE FINANCIAL STATEMENTS

### 4.1 Property, Plant and Equipment

#### Uncertainty

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

#### Effect if actual results differ from assumptions

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

It is estimated that the annual depreciation charge for buildings would increase by approximately £0.030m for every year that useful lives had to be reduced.

### 4.2 Pension Liability

#### Uncertainty

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

#### Effect if actual results differ from assumptions

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

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

Change in assumption *	Increase in Liability %	Increase in Liability £m
<b>Rate of return:</b>		
in excess of earnings – reduction of 0.5% per annum	1.5	6
in excess of pensions – reduction of 0.5% per annum	8.0	33
<b>Pensioner mortality</b>		
pensioners living (on average) 1 year longer	3.5	15

\* 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

## **NOTES TO CORE FINANCIAL STATEMENTS**

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.

2019/20 Net Expenditure Chargeable to the General Fund £000	2019/20 Adjustments Between the Funding and Accounting Basis £000	2019/20 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2020/21 Net Expenditure Chargeable to the General Fund £000	2020/21 Adjustments Between the Funding and Accounting Basis £000	2020/21 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
23,879	4,466	28,345	Employees	25,065	4,736	29,801
2,789	-	2,789	Premises	2,680	-	2,680
625	-	625	Transport	510	-	510
4,462	-	4,462	Supplies & Services	4,565	-	4,565
-	-	-	Provisions	-34	-	-34
1,763	963	-2,726	Capital Financing	328	3,193	3,521
-4,108	-	-4,108	Income	-4,904	-	-4,904
<b>29,410</b>	<b>5,429</b>	<b>34,839</b>	<b>Net Cost of Services</b>	<b>28,210</b>	<b>7,929</b>	<b>36,139</b>
-	4	4	Other Operating Income & Expenditure	-	-5	-5
825	10,368	11,193	Financing and Investment	869	9,072	9,941
-28,877	69	-28,808	Income & expenditure Taxation & Non Specific Grants Income	-30,842	1,191	-29,651
<b>1,358</b>	<b>15,870</b>	<b>17,228</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>-1,763</b>	<b>18,187</b>	<b>16,424</b>
<b>-1,425</b>			<b>Opening General Fund Balance</b>	<b>-1,459</b>		
-34			Surplus on General Fund	-		
-1,358			Balance in the year	1,763		
			Transfers to / from (-) earmarked reserves			
<b>-1,459</b>			<b>Closing General Fund Balance</b>	<b>-1,459</b>		

### **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.



## NOTES TO CORE FINANCIAL STATEMENTS

- 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.

2020/21 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	-	4,727	9	4,736
Premises	-	-	-	-
Transport	-	-	-	-
Supplies & Services	-	-	-	-
Provisions	-	-	-	-
Capital Financing Income	3,193 -	- -	- -	3,193 -
<b>Net Cost of Services</b>	<b>3,193</b>	<b>4,727</b>	<b>9</b>	<b>7,929</b>
Other Operating Income & Expenditure	-5	-	-	-5
Financing and Investment Income & Expenditure	-	9,072	-	9,072
Taxation & Non Specific Grants Income	-	-	1,191	1,191
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>3,188</b>	<b>13,799</b>	<b>1,200</b>	<b>18,187</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

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The comparatives for 2019/20 are shown in the table below:

<b>2019/20 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net Change for the Pensions Adjustments £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
Employees	-	4,422	44	4,466
Premises	-	-	-	-
Transport	-	-	-	-
Supplies & Services	-	-	-	-
Provisions	-	-	-	-
Capital Financing Income	963 -	- -	- -	963 -
<b>Net Cost of Services</b>	<b>963</b>	<b>4,422</b>	<b>44</b>	<b>5,429</b>
Other Operating Income & Expenditure	4	-	-	4
Financing and Investment Income & Expenditure	-	10,368	-	10,368
Taxation & Non Specific Grants Income	-	-	69	69
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>967</b>	<b>14,790</b>	<b>113</b>	<b>15,870</b>

## 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.

2020/21	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	-3,471	-	-	3,471
Amortisation of Intangible Assets	-51	-	-	51
Capital Grants and Contributions	-	-	-	-
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	-21	-	-	21
Use of Capital Receipts Reserve to finance new capital	-	26	-	-26
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	26	-26	-	-
Statutory provision for the financing of Capital Investment	275	-	-	-275
Capital expenditure charged against the General Fund	54	-	-	-54
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-18,858	-	-	18,858
Employer's pensions contributions and direct payments to pensioners payable in the year	5,059	-	-	-5,059
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	-1,191	-	-	1,191
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	-9	-	-	9
<b>Total Adjustments</b>	<b>-18,187</b>	<b>-</b>	<b>-</b>	<b>18,187</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

Comparatives for 2019/20 are as follows:

2019/20	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	-2,673	-	-	2,673
Amortisation of Intangible Assets	-53	-	-	53
Capital Grants and Contributions	-	-	-	-
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	-37	-	-	37
Use of Capital Receipts Reserve to finance new capital	-	33	-	-33
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	33	-33	-	-
Statutory provision for the financing of Capital Investment	265	-	-	-265
Capital expenditure charged against the General Fund	1,498	-	-	-1,498
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-19,635	-	-	19,635
Employer's pensions contributions and direct payments to pensioners payable in the year	4,845	-	-	-4,845
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	-69	-	-	69
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	-44	-	-	44
<b>Total Adjustments</b>	<b>-15,870</b>	<b>-</b>	<b>-</b>	<b>15,870</b>

## **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 2020/21.

### **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 2020/21 amounts to £0.005m.

## 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:

	2019/20 £000	2020/21 £000
Allowances	54	54
Expenses	8	1
<b>Total</b>	<b>62</b>	<b>55</b>

### 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.

2020/21	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	147,706	120	-	147,826	42,539	190,365
Deputy Chief Fire Officer	97,990	13,024	-	111,014	28,221	139,235
Assistant Chief Fire Officer	110,779	120	-	110,899	31,905	142,804
Assistant Chief Fire Officer	-	-	-	-	-	-
Temporary Assistant Chief Fire Officer	20,990	20	-	21,010	3,473	24,483
Director of Corporate Resources/ Treasurer	105,381	-	-	105,381	18,863	124,244
	<b>482,846</b>	<b>13,284</b>	<b>-</b>	<b>496,130</b>	<b>125,001</b>	<b>621,131</b>

Following the restructure of the senior leadership team, the appointment of the Deputy Chief Fire Officer in 2020, and the ill-health retirement of an Assistant Chief Fire Officer in the previous financial year, the temporary promotion of an Area Manager to Temporary Assistant Chief Fire Officer ceased. The table above includes the additional costs of this temporary promotion until it ended.

The expense allowance for the Deputy Chief Fire Officer includes expenses in relation to relocation costs.

## **NOTES TO CORE FINANCIAL STATEMENTS**

Comparative figures for 2019/20 are as follows:

<b>2019/20</b>	<b>Salary (including fees &amp; allowances) £</b>	<b>Expense Allowances £</b>	<b>Benefits in Kind (e.g. Car Allowances) £</b>	<b>Total Remuneration excluding pension contributions £</b>	<b>Pension contributions £</b>	<b>Total Remuneration including pension contributions £</b>
Chief Fire Officer – S. Errington	144,809	120	-	144,929	41,705	186,634
Deputy Chief Fire Officer	-	-	-	-	-	-
Assistant Chief Fire Officer	108,607	120	-	108,727	31,279	140,006
Assistant Chief Fire Officer	109,070	100	-	109,170	26,091	135,261
Temporary Assistant Chief Fire Officer	90,520	121	-	90,641	18,007	108,648
Director of Corporate Resources	98,871	-	-	98,871	16,413	115,284
	<b>551,877</b>	<b>461</b>	<b>-</b>	<b>552,338</b>	<b>133,495</b>	<b>685,833</b>

To provide executive cover for the long-term sickness absence of one of the Assistant Chief Fire Officers, an Area Manager was temporarily promoted to the position. The table above includes the additional cost of the temporary promotion which was effective from May 2019. The Assistant Chief Fire Officer retired on the grounds of ill-health in January 2020.

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

<b>Remuneration Band</b>	<b>Number of Employees 2019/20</b>	<b>Number of Employees 2020/21</b>
£50,000-£54,999	22	11
£55,000-£59,999	5	9
£60,000-£64,999	4	3
£65,000-£69,999	1	3
£70,000-£74,999	2	1
£75,000-£79,999	-	1
£80,000 -£84,999	-	1

**Note:** No redundancy payments are included in the 2019/20 or 2020/21 salary bands shown above.

## NOTES TO CORE FINANCIAL STATEMENTS

### 7.5 Exit Packages

The numbers and total cost of exit packages agreed in 2019/20 and 2020/21 are set out in the tables below:

2020/21 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	-	1	1	15
£20,001-£40,000	-	2	2	48
£40,001-£60,000	-	-	-	-
£60,001-£80,000	-	-	-	-
£80,001-£100,000	-	-	-	-
£100,001-£150,000	-	-	-	-
<b>Total</b>	-	<b>3</b>	<b>3</b>	<b>63</b>

2019/20 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	-	1	1	3
£20,001-£40,000	-	1	1	18
£40,001-£60,000	-	-	-	-
£60,001-£80,000	-	-	-	-
£80,001-£100,000	-	-	-	-
£100,001-£150,000	-	-	-	-
<b>Total</b>	-	<b>2</b>	<b>2</b>	<b>21</b>

The exit packages disclosed in the table above for 2020/21 relate to payments in respect of voluntary redundancy made during the year. The 2019/20 exit packages related to a compensation payment and payment in lieu of notice.

### 7.6 Termination Benefits

The 'Employee' Line of the comprehensive income and expenditure statement for 2020/21 includes £63,425 in respect of voluntary redundancy (£21,476 in 2019/20 in respect of a compensation payment and payment in lieu of notice.)

### 7.7 External Audit Fees

The accounts of the Authority are audited by Mazars LLP. In accordance with the Code, authorities are required to disclose payment of fees. The fees payable to Mazars LLP for 2019/20 and 2020/21 are set out below:

	2019/20 £000	2020/21 £000
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	23	28
Additional fees payable to auditors for work required for the audit of Group Accounts	2	2
Fees payable to auditors in respect of other services provided by the appointed auditor	-	-
	<b>25</b>	<b>30</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

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Fees payable to auditors with regard to external audit services include the increased fee amount in relation to 2019/20 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 on the basis of 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:

	<b>31 March 2020 Property £000</b>	<b>31 March 2021 Property £000</b>
Within one year	458	458
Later than one year and not later than five years	2,015	2,082
Later than 5 years	1,219	694
<b>Total</b>	<b>3,692</b>	<b>3,234</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these property leases was £458,216 (2019/20: £458,216).

### **7.10 Amounts Reported for Resource Allocation Decisions**

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

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



## NOTES TO CORE FINANCIAL STATEMENTS

### 7.11 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21:

	2019/20 £000	2020/21 £000
Private Finance Initiative	1,130	1,130
Central Government	2,228	2,711
<b>Credited to Services</b>	<b>3,358</b>	<b>3,841</b>
Revenue Support Grant	3,424	3,480
National Non-Domestic Rates	7,127	6,556
Small Business Rates Relief Grant	407	493
Tax Income Guarantee Scheme Grant	-	126
Covid Grant	-	1,049
Capital Grants	-	-
Capital Contributions	-	-
<b>Credited to Taxation and Non-Specific Grant Income</b>	<b>10,958</b>	<b>11,704</b>
<b>Total Grant Income</b>	<b>14,316</b>	<b>15,545</b>

### 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.

#### 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 2020/21 is shown in Note 7.3.

## **NOTES TO CORE FINANCIAL STATEMENTS**

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

### **Officers**

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

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

### **Other Public Bodies**

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

Formal agreements are in place between the Authority and Durham County Council for the provision of legal services, financial services and technical services. The agreements are signed by both parties and regularly reviewed by the Authority's Director of Corporate Resources and Treasurer. The value of these agreements is £0.197m (2019/20: £0.219m).

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:

	<b>Precepts 2019/20 (Receipts) £000</b>	<b>Precepts 2020/21 (Receipts) £000</b>
Durham County Council	14,574	15,010
Darlington Borough Council	3,402	3,488
	<b>17,976</b>	<b>18,498</b>
Adjustment for share of Collection Fund	-126	-551
	<b>17,850</b>	<b>17,947</b>

At 31 March 2021, the Authority owes Durham County Council £0.453m (2019/20: £0.229m) relating to amounts due from Council Tax Payers and £0.876m in respect of the Collection Fund (2019/20: Durham County Council owed the Authority £0.112m in respect of the Collection Fund). Durham County Council owes the Authority £0.189m (2019/20: £0.262m) in respect of amounts due from Non-Domestic Rates Payers.

In addition, £0.575m (2019/20: £0.486m) is due to the Authority from Durham County Council relating to VAT claimed on the Authority's behalf.

At 31 March 2021, the Authority owes Darlington Borough Council £0.312m (2019/20: £0.287m) in respect of amounts due from Council Tax Payers and £0.279m (2019/20: £0.076m) in respect of the Collection Fund. Darlington Borough Council owes the Authority £0.011m (2019/20: £0.014m) in respect of amounts due from Non Domestic Rates Payers.

## NOTES TO CORE FINANCIAL STATEMENTS

### 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 2021, £825 (2019/20: £3,615) was due to the Fire Authority from the company in respect of management and administration recharges.

A summary of the company's accounts are 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 2021, £132,883 (2019/20: £163,574) was due to the Fire Authority from the company in respect of management and administration recharges. The Authority owes the company £7,452 (2019/20: £180) in respect of work carried out on its behalf.

A summary of the company's accounts are 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 2020/21 and are presented on pages 17 to 22 of this Statement of Accounts.

	2019/20 £000	2020/21 £000
Turnover	7	-
Cost of Sales	-6	-
<b>Gross Profit</b>	<b>1</b>	<b>-</b>
Administrative Expenses	-3	3
<b>Profit/(Loss) for the year before taxation</b>	<b>-2</b>	<b>3</b>
Tax on profit	-	-
<b>Profit/(Loss) for the financial year</b>	<b>-2</b>	<b>3</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

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### **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 2020/21 and are presented on pages 17 to 22 of this Statement of Accounts.

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Turnover	382	280
Cost of Sales	-205	-155
<b>Gross Profit</b>	<b>177</b>	<b>125</b>
Administrative Expenses	-164	-76
Other Income	1	2
<b>Profit/(Loss) for the year before taxation</b>	<b>14</b>	<b>51</b>
Tax on profit	-	-
<b>Profit/(Loss) for the financial year</b>	<b>14</b>	<b>51</b>

## **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:

	<b>£000</b>
<b>Original Cost</b>	<b>575</b>
Amortisations to 31 March 2020	-403
<b>Balance at 1 April 2020</b>	<b>172</b>
Expenditure in year	15
Disposals	-41
Amortisation during year	-51
Amortisation on disposals	39
<b>Balance at 31 March 2021</b>	<b>134</b>

## NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2019/20 are as follows:

	£000
<b>Original Cost</b>	575
Amortisations to 31 March 2019	-350
<b>Balance at 1 April 2019</b>	<b>225</b>
Expenditure in year	-
Disposals	-
Amortisation during year	-53
Amortisation on disposals	-
<b>Balance at 31 March 2020</b>	<b>172</b>

### 8.2 Operational Assets

All valuations of buildings are undertaken by or under the supervision of a fully qualified Chartered Surveyor, who is an employee of a related party, Durham County Council. 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 1 April 2020. These values have been used to determine the 31 March 2021 valuations. The last full valuation as part of the agreed 5 year rolling programme was undertaken in 2018/19.

	Vehicles, Plant & Equipment £000	Land & Buildings £000	Surplus Assets £000	Total £000
<b>Cost or Valuation</b>				
At 1 April 2020	16,001	36,972	24	52,997
Additions	745	432	-	1,177
Derecognition - Disposals / Demolitions	-1,266	-5,520	-	-6,786
Reclassifications	1,135	3,923	-	5,058
Assets reclassified as held for sale	-	-	-	-
Accumulated depreciation and impairment written off to GCA	-	-48	-	-48
Revaluation increases recognised in the Surplus on the Provision of Services	-	138	-	138
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-306	-	-306
Revaluation increases recognised in the Revaluation Reserve	-	467	-	467
Revaluation decreases recognised in the Revaluation Reserve	-	-	-	-
At 31 March 2021	<b>16,615</b>	<b>36,058</b>	<b>24</b>	<b>52,697</b>
<b>Depreciation and Impairments</b>				
At 1 April 2020	-10,135	-2,061	-1	-12,197
Charge for 2020/21	-1,138	-859	-	-1,997
Derecognition - Disposals / Demolitions	1,248	5,519	-	6,767
Depreciation written off to GCA	-	35	-	35
Impairment written off to GCA	-	12	-	12
Impairment losses recognised in the Surplus on the Provision of Services	-	-1,305	-	-1,305
Impairment losses recognised in the Revaluation Reserve	-	-4,051	-	-4,051
At 31 March 2021	<b>-10,025</b>	<b>-2,710</b>	<b>-1</b>	<b>-12,736</b>
<b>Balance Sheet amount at 31 March 2021</b>	<b>6,590</b>	<b>33,348</b>	<b>23</b>	<b>39,961</b>
<b>Balance Sheet amount at 01 April 2020</b>	<b>5,866</b>	<b>34,911</b>	<b>23</b>	<b>40,800</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

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Comparatives for 2019/20 are as follows:

	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Land &amp; Buildings £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>				
At 1 April 2019	16,370	38,385	24	54,779
Additions	443	106	-	549
Derecognition - Disposals / Demolitions	-812	-465	-	-1,277
Reclassifications				
Assets reclassified as held for sale	-	-	-	-
Accumulated depreciation and impairment written off to GCA	-	-875	-	-875
Revaluation increases recognised in the Surplus on the Provision of Services	-	240	-	240
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-477	-	-477
Revaluation increases recognised in the Revaluation Reserve	-	703	-	703
Revaluation decreases recognised in the Revaluation Reserve	-	-645	-	-645
At 31 March 2020	<b>16,001</b>	<b>36,972</b>	<b>24</b>	<b>52,997</b>
<b>Depreciation and Impairments</b>				
At 1 April 2019	-9,742	-1,712	-1	-11,455
Charge for 2019/20	-1,167	-1,156	-	-2,323
Derecognition - Disposals / Demolitions	774	465	-	1,239
Depreciation written off to GCA	-	807	-	807
Impairment written off to GCA	-	68	-	68
Impairment losses recognised in the Surplus on the Provision of Services	-	-92	-	-92
Impairment losses recognised in the Revaluation Reserve	-	-441	-	-441
At 31 March 2020	<b>-10,135</b>	<b>-2,061</b>	<b>-1</b>	<b>-12,197</b>
<b>Balance Sheet amount at 31 March 2020</b>	<b>5,866</b>	<b>34,911</b>	<b>23</b>	<b>40,800</b>
<b>Balance Sheet amount at 01 April 2019</b>	<b>6,628</b>	<b>36,673</b>	<b>23</b>	<b>43,324</b>

## 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	16,615	8,657	24	25,296
Valued at fair value as at:				
31 March 2018	-	68	-	68
31 March 2019	-	-	-	-
31 March 2020	-	20,776	-	20,776
31 March 2021	-	6,557	-	6,557
<b>Total Cost or Valuation</b>	<b>16,615</b>	<b>36,058</b>	<b>24</b>	<b>52,697</b>

### 8.3 Non-Operational Assets

	Assets Under Construction 2019/20 £000	Assets Under Construction 2020/21 £000
<b>Cost or valuation</b>		
At 1 April	-	982
Additions	982	4,234
Disposals	-	-
Reclassifications	-	-5,058
<b>At 31 March</b>	<b>982</b>	<b>158</b>
<b>Depreciation and impairments</b>		
At 1 April	-	-
Charge for year	-	-
Disposals	-	-
Reclassifications	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-
<b>At 31 March</b>	<b>-</b>	<b>-</b>
<b>Balance Sheet amount at 31 March</b>	<b>982</b>	<b>158</b>
<b>Balance Sheet amount at 01 April</b>	<b>-</b>	<b>982</b>

### 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 increased by £5.071m from £8.178m to £13.249m as follows:

	2019/20 £000	2020/21 £000
<b>Opening Capital Financing Requirement</b>	<b>8,444</b>	<b>8,178</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	549	1,177
Non-Operational Assets	982	4,234
Intangible Assets	-	15
<b>Sources of Finance</b>		
Capital Receipts	-33	-26
Government Grants and Contributions	-	-
Minimum Revenue Provision	-51	-49
Minimum Revenue Provision – PFI	-215	-226
Direct Revenue Provision	-1,498	-54
<b>Closing Capital Financing Requirement</b>	<b>8,178</b>	<b>13,249</b>
<b>Explanation of movements in the year</b>		
Reduction in underlying need to borrow (supported by Government financial assistance)	-266	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	5,071
<b>Increase/decrease (-) in Capital Financing Requirement</b>	<b>-266</b>	<b>5,071</b>

### 8.6 Capital Commitments

Major capital commitments as at 31 March 2021 are shown in the table below:

	2019/20 £m	2020/21 £m
Darlington Fire Station Replacement	3.616	-
Sedgefield Fire Station Refurbishment	-	0.727

### 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 2020	Number as at 31 March 2021
Fire Stations	15	15
Standby Accommodation Blocks	2	2
Training Centre	1	1
Vehicles	143	143



## NOTES TO CORE FINANCIAL STATEMENTS

### 8.8 Inventories

	2019/20 £000	2020/21 £000
Balance outstanding at 1 April	538	573
Purchases	1,140	1,166
Recognised as an expenses in the year	-1,105	-1,071
<b>Balance outstanding at 31 March</b>	<b>573</b>	<b>668</b>
Provision for obsolete stock	-	-
<b>Balance outstanding at 31 March after provision</b>	<b>573</b>	<b>668</b>

### 8.9 Debtors

These are sums of money due to the Authority but unpaid as at 31 March 2021. 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 2020 £000	31 March 2021 £000
<b>Amounts falling due within one year:</b>		
<b>Debtors</b>		
Government Departments	52	782
Other Local Authorities	1,225	1,101
Other Debtors	2,078	2,053
<b>Payments in Advance</b>	1,576	1,715
<b>Impairment for Doubtful Debts</b>	-	-
	<b>4,931</b>	<b>5,651</b>
<b>Amounts falling due after one year:</b>	1	-
	<b>4,932</b>	<b>5,651</b>

### 8.10 Cash and Cash Equivalents

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

	31 March 2020 £000	31 March 2021 £000
Cash held by the Authority	10	10
Bank current accounts	356	207
Short term deposits with banks and building societies	3,401	1,700
<b>Total Cash and Cash Equivalents</b>	<b>3,767</b>	<b>1,917</b>

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 £nil as at 31 March 2021 (£1,339 as at 31 March 2020)

## **NOTES TO CORE FINANCIAL STATEMENTS**

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### **8.11 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 2021.

	<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
<b>Creditors</b>		
Government Departments	658	491
Other Local Authorities	859	2,325
Other Creditors	1,335	2,463
<b>Receipts in Advance</b>	885	373
	<b>3,737</b>	<b>5,652</b>
<b>Short-term Borrowing</b>	-	23
	<b>3,737</b>	<b>5,675</b>

During 2020/21, the Authority took out a new loan. Accrued interest relating to short term borrowing as at 31 March 2021 was £227 (£nil as at 31 March 2020)

### **8.12 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 2020/21 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 2020 Long-term £000	31 March 2020 Current £000	31 March 2021 Long-term £000	31 March 2021 Current £000
<b>Financial Liabilities at amortised cost</b>				
PWLB Borrowing	-	-	1,977	23
Bank Overdraft	-	-	-	-
Trade Creditors	-	302	-	779
Other Creditors	-	1,107	-	1,719
Private Finance Initiative	6,735	226	6,498	237
<b>Total Borrowing</b>	<b>6,735</b>	<b>1,635</b>	<b>8,475</b>	<b>2,758</b>
<b>Loans and Receivables at amortised cost</b>				
Short-term Deposits	-	3,401	-	1,700
Bank Deposits	-	366	-	217
Long-term Debtors	1	-	-	-
Trade Debtors	-	530	-	1,360
Other Debtors	-	897	-	807
<b>Total Loans and Receivables at amortised cost</b>	<b>1</b>	<b>5,194</b>	<b>-</b>	<b>4,084</b>
<b>Loans and Receivables at FVPL</b>				
Long-term Investments	15	-	15	-
<b>Total Investments</b>	<b>16</b>	<b>5,194</b>	<b>15</b>	<b>4,084</b>

### Financial Instruments Gains and Losses

The gains and losses recognised in the 2020/21 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2020/21	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	873	-
Interest income	-	-4
Net gain(-)/loss for the year	<b>869</b>	

Comparative figures as at 31 March 2020 are as follows:

2019/20	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	884	-
Interest income	-	-58
Net gain(-)/loss for the year	<b>826</b>	

## **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 as a result of changes in such measures as interest rates.

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

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

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

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

#### **(a) Credit Risk**

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

## NOTES TO CORE FINANCIAL STATEMENTS

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

### (b) Liquidity Risk

The Authority has a comprehensive cash flow management system which ensures cash is available as needed. As the Authority has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The table in note 8.14 analyses the scheduled repayments of long-term borrowings over time.

### (c) Market Risk

The Authority has a number of 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.

## 8.13 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 the course of 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 a number of 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 a number of years.

### Movement in Provisions

	Insurance Provision £000	Non-Domestic Rates Appeals Provision £000	Total Provisions £000
Balance at 1 April 2020	120	288	408
Additional provisions made in 2020/21	-	124	124
Amounts used in 2020/21	-34	-184	-218
Balance at 31 March 2021	<b>86</b>	<b>228</b>	<b>314</b>

## NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2019/20 are as follows:

	Insurance Provision £000	Non-Domestic Rates Appeals Provision £000	Total Provisions £000
Balance at 1 April 2019	120	311	431
Additional provisions made in 2019/20	-	-	-
Amounts used in 2019/20	-	-23	-23
Balance at 31 March 2020	<b>120</b>	<b>288</b>	<b>408</b>

### 8.14 Deferred Liabilities

The carrying amount of deferred liabilities is shown below:

	31 March 2020 £000	31 March 2021 £000
Debt	-	1,977
Private Finance Initiative (PFI)	6,735	6,498
Other lease arrangements	568	479
Deferred income – training centre	469	445
	<b>7,772</b>	<b>9,399</b>

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

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

#### Deferred Liability – Debt

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

	31 March 2020 £000	31 March 2021 £000
Long-term Borrowings		
Repayable within 1-2 years	-	24
Repayable within 2-5 years	-	74
Repayable within 5-10 years	-	133
Repayable within 10 years	-	1,746
	-	<b>1,977</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 8.15 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 2021

The Fire Stations were initially valued on the basis of the capital expenditure provided for by the contractor in pricing the contract. Subsequently the stations were revalued on the basis of 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 2020/21 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	-908	-240	-1,148
Revaluations in 2020/21	-	-	-
<b>Gross Book Value after impairment</b>	<b>3,730</b>	<b>3,893</b>	<b>7,623</b>
Accumulated Depreciation	-266	-269	-535
2020/21 Depreciation	-93	-97	-190
<b>Net Book Value at 31 March 2021</b>	<b>3,371</b>	<b>3,527</b>	<b>6,898</b>

Comparatives for 2019/20 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	-932	-262	-1,194
Revaluations in 2019/20	24	22	46
<b>Gross Book Value after impairment</b>	<b>3,730</b>	<b>3,893</b>	<b>7,623</b>
Accumulated Depreciation	-228	-230	-458
2019/20 Depreciation	-38	-39	-77
<b>Net Book Value at 31 March 2020</b>	<b>3,464</b>	<b>3,624</b>	<b>7,088</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### The value of liabilities at 31 March 2021

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 2020/21 are summarised below:

	2019/20 £000	2020/21 £000
Liability outstanding at 1 April	7,176	6,961
Less: Value of liability written down	-215	-226
<b>Liability outstanding at 31 March</b>	<b>6,961</b>	<b>6,735</b>

Estimates of future payments due:

Period	Repayment Liability £000	Interest £000	Service Charges £000	Lifecycle Replacement £000
2021/22	237	723	304	96
2022/23 to 2025/26	1,189	2,613	1,217	421
2026/27 to 2030/31	2,289	2,403	1,521	587
2031/32 to 2035/36	3,020	888	1,241	462
<b>Total</b>	<b>6,735</b>	<b>6,627</b>	<b>4,283</b>	<b>1,566</b>

The estimates do not include any allowance for inflation.

### 8.16 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 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 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**

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

### **Transactions Relating to Post-employment Benefits**

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

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

### **Firefighters' Pension Schemes**

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

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

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

## NOTES TO CORE FINANCIAL STATEMENTS

### LGPS

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

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

2020/21	Local Government Pension Scheme £000	Fire Fighter's Pension Scheme £000	Total £000
<b>Comprehensive Income and Expenditure Statement</b>			
Cost of Services:			
Current service cost	1,136	8,650	9,786
Past service costs	-	-	-
Financing and Investment Income and Expenditure:			
Net interest expense	302	8,770	9,072
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	1,438	17,420	18,858
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)	-4,955	-	-4,955
Actuarial gains / losses (-) arising on changes in demographic assumptions	-	-	-
Actuarial gains / losses (-) arising on changes in financial assumptions	8,755	39,440	48,195
Other	-350	-26,242	-26,592
Total Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	3,450	13,198	16,648
<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,888</b>	<b>30,618</b>	<b>35,506</b>
<b>Movement in Reserves Statement</b>			
Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post-employment benefits in accordance with IAS19	<b>-1,438</b>	<b>-17,420</b>	<b>-18,858</b>
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	698	3,848	4,546
Retirement benefits payable to pensioners	3	510	513

## NOTES TO CORE FINANCIAL STATEMENTS

The comparative figures for 2019/20 are:

2019/20	Local Government Pension Scheme £000	Fire Fighter's Pension Scheme £000	Total £000
<b>Comprehensive Income and Expenditure Statement</b>			
Cost of Services:			
Current service cost	1,057	8,440	9,497
Past service costs	-	-230	-230
Financing and Investment Income and Expenditure:			
Net interest expense	248	10,120	10,368
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	<b>1,305</b>	<b>18,330</b>	<b>19,635</b>
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)	2,679	-	2,679
Actuarial gains / losses (-) arising on changes in demographic assumptions	-1,153	-12,690	-13,843
Actuarial gains / losses (-) arising on changes in financial assumptions	-405	-15,200	-15,605
Other	1,442	-9,715	-8,273
Total Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	2,563	-37,605	-35,042
<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,868</b>	<b>-19,275</b>	<b>-15,407</b>
<b>Movement in Reserves Statement</b>			
Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post-employment benefits in accordance with IAS19	-1,305	-18,330	-19,635
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	656	3,715	4,371
Retirement benefits payable to pensioners	4	470	474

The cumulative amount of actuarial losses to 31 March 2021 is £98.13m (2019/20 £81.48m), made up as follows:

- Local Government Pension Scheme £9.32m (2019/20 £5.88m)
- Firefighter's Pension Scheme £88.81m (2019/20 £75.60m)

## 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 2021 is based on the Consumer Price Index (CPI) expectation of inflation. This is a consequence of the Government's announcement that CPI is to be used for the indexation of public service pensions from April 2011.

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

The principal assumptions used by the actuary for the periods 2019/20 and 2020/21 are shown in the tables below:

2020/21	Local Government Funded Pension Scheme	Local Government Unfunded Pension Scheme	Firefighter's Pension Scheme
<b>Mortality assumptions:</b>			
Longevity at 65 for current pensioners:			
• Men	22.3	22.3	21.4
• Women	24.3	24.3	21.4
Longevity at 65 for future pensioners:			
• Men	23.3	n/a	23.1
• Women	25.8	n/a	23.1
Rate of Inflation:			
• CPI	2.7	2.7	2.4
Rate of increase in salaries	3.7	n/a	4.15
Rate of increase to pensions in payment	2.7	2.7	2.4
Rate of increase to deferred pensions	2.7	n/a	2.4
Rate for discounting scheme liabilities	2.1	2.1	2.0
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

2019/20	Local Government Funded Pension Scheme	Local Government Unfunded Pension Scheme	Firefighter's Pension Scheme
<b>Mortality assumptions:</b>			
Longevity at 65 for current pensioners:			
• Men	22.2	22.2	21.3
• Women	24.2	24.2	21.3
Longevity at 65 for future pensioners:			
• Men	23.2	n/a	23.0
• Women	25.7	n/a	23.0
Rate of Inflation:			
• CPI	1.9	1.9	2.00
Rate of increase in salaries	2.9	n/a	4.00
Rate of increase to pensions in payment	1.9	1.9	2.00
Rate of increase to deferred pensions	1.9	n/a	2.00
Rate for discounting scheme liabilities	2.3	2.3	2.25
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 20 years for Firefighter Pension Scheme and 21.8 years for the Local Government Pension Scheme.

### (i) Firefighter's Pension Scheme

#### Past Service Liabilities

The past service liabilities for 2020/21 are:

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

The comparative figures for 2019/20 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Estimated liabilities in scheme					
Active members (past service)	124.75	1.71	19.27	26.91	172.64
Deferred pensions	6.43	-	1.01	-	7.44
Pensions in Payment (injury awards)	-	9.84	-	-	9.84
Pensions in Payment (excluding injury)	199.04	-	1.06	-	200.10
Retained Settlement	-	-	0.24	-	0.24
<b>Total</b>	<b>330.22</b>	<b>11.55</b>	<b>21.58</b>	<b>26.91</b>	<b>390.26</b>
Net pensions deficit	330.22	11.55	21.58	26.91	390.26

The comparative figures for 2018/19 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
Estimated liabilities in scheme					
Active members (past service)	145.72	1.72	22.85	19.34	189.63
Deferred pensions	7.19	-	1.08	-	8.27
Pensions in Payment (injury awards)	-	10.56	-	-	10.56
Pensions in Payment (excluding injury)	203.92	-	1.00	-	204.92
Retained Settlement	-	-	0.34	-	0.34
<b>Total</b>	<b>356.83</b>	<b>12.28</b>	<b>25.27</b>	<b>19.34</b>	<b>413.72</b>
Net pensions deficit	356.83	12.28	25.27	19.34	413.72

## NOTES TO CORE FINANCIAL STATEMENTS

### Analysis of Movement in Gross Scheme Liabilities

2020/21	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
<b>Net deficit at the start of current year</b>	<b>330.22</b>	<b>11.55</b>	<b>21.58</b>	<b>26.91</b>	<b>390.26</b>
<b>Movement in the year:</b>					
Current service cost (net of employee contributions)	0.31	0.20	0.05	8.09	8.65
Cost covered by employee contributions	0.08	-	0.04	1.51	1.63
Past service cost	-	-	-	-	-
Pension Transfers	-	-	-	0.05	0.05
Interest on pension liabilities	7.31	0.26	0.49	0.71	8.77
Total benefits paid	-11.52	-0.77	-0.06	-0.11	-12.46
Curtailement and settlements	-	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-	-	-	-	-
Actuarial gain (-)/loss – financial assumptions	29.83	0.54	3.72	5.35	39.44
Actuarial gain (-)/loss – other	-11.27	-2.51	0.28	-6.32	-19.82
<b>Net deficit at the end of year</b>	<b>344.96</b>	<b>9.27</b>	<b>26.10</b>	<b>36.19</b>	<b>416.52</b>

The comparative figures for 2019/20 are:

2019/20	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
<b>Net deficit at the start of current year</b>	<b>356.83</b>	<b>12.28</b>	<b>25.27</b>	<b>19.34</b>	<b>413.72</b>
<b>Movement in the year:</b>					
Current service cost (net of employee contributions)	0.70	0.16	0.06	7.52	8.44
Cost covered by employee contributions	0.15	-	0.05	1.35	1.55
Past service cost	1.50	-	-1.73	-	-0.23
Pension Transfers	-	-	-	0.11	0.11
Interest on pension liabilities	8.62	0.30	0.62	0.58	10.12
Total benefits paid	-12.01	-0.85	-0.11	-0.39	-13.36
Curtailement and settlements	-	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-10.54	-0.42	-0.83	-0.90	-12.69
Actuarial gain (-)/loss – financial assumptions	-12.24	-0.24	-1.64	-1.08	-15.20
Actuarial gain (-)/loss – other	-2.79	0.32	-0.11	0.38	-2.20
<b>Net deficit at the end of year</b>	<b>330.22</b>	<b>11.55</b>	<b>21.58</b>	<b>26.91</b>	<b>390.26</b>

## 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
<b>Opening fair value of asset</b>	-	-	-	-	-
<b>Movement in the year:</b>					
Interest income	-	-	-	-	-
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	-	-
Other	-11.24	-	0.02	4.75	-6.47
Contributions by employer	-0.20	-0.77	-0.04	-3.40	-4.41
Contributions by participants	-0.08	-	-0.04	-1.46	-1.58
Net benefits paid out	11.52	0.77	0.06	0.11	12.46
<b>Closing fair value of assets</b>	-	-	-	-	-

The comparative figures for 2019/20 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
<b>Opening fair value of asset</b>	-	-	-	-	-
<b>Movement in the year:</b>					
Interest income	-	-	-	-	-
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	-	-
Other	-11.48	-	-0.01	3.87	-7.62
Contributions by employer	-0.38	-0.85	-0.05	-3.02	-4.30
Contributions by participants	-0.15	-	-0.05	-1.24	-1.44
Net benefits paid out	12.01	0.85	0.11	0.39	13.36
<b>Closing fair value of assets</b>	-	-	-	-	-

## 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
<b>Net deficit at the start of current year</b>	<b>330.22</b>	<b>11.55</b>	<b>21.58</b>	<b>26.91</b>	<b>390.26</b>
<b>Movement in the year:</b>					
Current service cost (net of employee contributions)	0.31	0.20	0.05	8.09	8.65
Contributions by employer	-0.20	-0.77	-0.04	-3.40	-4.41
Contributions by participants	-	-	-	0.05	0.05
Past service cost	-	-	-	-	-
Pension transfers	-	-	-	0.05	0.05
Interest on net defined benefit liability	7.31	0.26	0.49	0.71	8.77
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	29.83	0.54	3.72	5.35	39.44
Actuarial gain (-)/loss – change in demographic assumptions	-	-	-	-	-
Actuarial gain (-)/ loss - other	-22.51	-2.51	0.30	-1.57	-26.29
Net benefits paid	-	-	-	-	-
<b>Net deficit at the end of year</b>	<b>344.96</b>	<b>9.27</b>	<b>26.10</b>	<b>36.19</b>	<b>416.52</b>

The comparative figures for 2019/20 are:

	1992 Scheme £m	Injury Awards £m	2006 Scheme £m	2015 Scheme £m	Total £m
<b>Net deficit at the start of current year</b>	<b>356.83</b>	<b>12.28</b>	<b>25.27</b>	<b>19.34</b>	<b>413.72</b>
<b>Movement in the year:</b>					
Current service cost (net of employee contributions)	0.70	0.16	0.06	7.52	8.44
Contributions by employer	-0.38	-0.85	-0.05	-3.02	-4.30
Contributions by participants	-	-	-	0.11	0.11
Past service cost	1.50	-	-1.73	-	-0.23
Pension transfers	-	-	-	0.11	0.11
Interest on net defined benefit liability	8.62	0.30	0.62	0.58	10.12
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	-12.24	-0.24	-1.64	-1.08	-15.20
Actuarial gain (-)/loss – change in demographic assumptions	-10.54	-0.42	-0.83	-0.90	-12.69
Actuarial gain (-)/ loss - other	-14.27	0.32	-0.12	4.25	-9.82
Net benefits paid	-	-	-	-	-
<b>Net deficit at the end of year</b>	<b>330.22</b>	<b>11.55</b>	<b>21.58</b>	<b>26.91</b>	<b>390.26</b>



## NOTES TO CORE FINANCIAL STATEMENTS

### (ii) Durham County Council Pension Fund

#### Analysis of Movement in Gross Scheme Liabilities

2020/21	Funded £m	Unfunded £m	Total £m
<b>Opening Present Value of Liabilities</b>	<b>34.95</b>	<b>0.03</b>	<b>34.98</b>
Current service cost (net of employee contributions)	1.14	-	1.14
Interest cost	0.80	-	0.80
Contributions from scheme participants	0.24	-	0.24
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	-	-	-
• Actuarial gains/ losses arising from changes in financial assumptions	8.75	-	8.75
• Other	-0.34	-0.01	-0.35
Past service costs	-	-	-
Benefits paid	-0.57	-	-0.57
<b>Closing present value of liabilities</b>	<b>44.97</b>	<b>0.02</b>	<b>44.99</b>

The comparative figures for 2019/20 are:

2019/20	Funded £m	Unfunded £m	Total £m
<b>Opening Present Value of Liabilities</b>	<b>33.52</b>	<b>0.03</b>	<b>33.55</b>
Current service cost (net of employee contributions)	1.06	-	1.06
Interest cost	0.83	-	0.83
Contributions from scheme participants	0.22	-	0.22
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	-1.15	-	-1.15
• Actuarial gains/ losses arising from changes in financial assumptions	-0.41	-	-0.41
• Other	1.44	-	1.44
Past service costs	-	-	-
Benefits paid	-0.56	-	-0.56
<b>Closing present value of liabilities</b>	<b>34.95</b>	<b>0.03</b>	<b>34.98</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

### **Analysis of Movement in Scheme Assets**

Reconciliation of fair value of the scheme assets:

<b>2020/21</b>	<b>Funded £m</b>	<b>Unfunded £m</b>	<b>Total £m</b>
<b>Opening fair value</b>	<b>21.53</b>	-	<b>21.53</b>
Interest income	0.50	-	0.50
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	4.95	-	4.95
• Other	-	-	-
Contributions from employer	0.70	-	0.70
Contributions by employees into the scheme	0.24	-	0.24
Benefits paid	-0.57	-	-0.57
<b>Closing fair value</b>	<b>27.35</b>	-	<b>27.35</b>

The comparative figures for 2019/20 are:

<b>2019/20</b>	<b>Funded £m</b>	<b>Unfunded £m</b>	<b>Total £m</b>
<b>Opening fair value</b>	<b>23.31</b>	-	<b>23.31</b>
Interest income	0.59	-	0.59
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	-2.68	-	-2.68
• Other	-	-	-
Contributions from employer	0.65	-	0.65
Contributions by employees into the scheme	0.22	-	0.22
Benefits paid	-0.56	-	-0.56
<b>Closing fair value</b>	<b>21.53</b>	-	<b>21.53</b>

## NOTES TO CORE FINANCIAL STATEMENTS

The actual return on scheme assets in the year was a gain of £5.46m (2019/20: £2.09m loss)

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

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

### Fair Value of Scheme Assets

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

	2020/21 Quoted £m	2020/21 Unquoted £m	2020/21 Total £m	2019/20 Quoted £m	2019/20 Unquoted £m	2019/20 Total £m
Equity Investments	14.88	0.19	<b>15.07</b>	10.10	0.04	<b>10.14</b>
Property	0.33	1.39	<b>1.72</b>	0.25	1.49	<b>1.74</b>
Government Bonds	4.35	-	<b>4.35</b>	6.14	-	<b>6.14</b>
Corporate Bonds	4.92	-	<b>4.92</b>	2.65	-	<b>2.65</b>
Cash	1.29	-	<b>1.29</b>	0.86	-	<b>0.86</b>
<b>Total</b>	<b>25.77</b>	<b>1.58</b>	<b>27.35</b>	<b>20.00</b>	<b>1.53</b>	<b>21.53</b>

### Analysis of Movement in Net Obligations

2020/21	Funded £m	Unfunded £m	Total £m
<b>Net deficit at the beginning of year</b>	<b>13.42</b>	<b>0.03</b>	<b>13.45</b>
Current service cost	1.14	-	1.14
Contributions towards funded liabilities	-0.70	-	-0.70
Past service cost	-	-	-
Interest on net defined benefit liability	0.30	-	0.30
Return on plan assets in excess of/ below that recognised in net interest	-4.95	-	-4.95
Actuarial gains/ losses due to changes in financial assumptions	8.75	-	8.75
Actuarial gains/ losses due to changes in demographic assumptions	-	-	-
Actuarial gains/ losses due to other changes	-0.34	-0.01	-0.35
<b>Net deficit at the end of year</b>	<b>17.62</b>	<b>0.02</b>	<b>17.64</b>

## NOTES TO CORE FINANCIAL STATEMENTS

The comparative figures for 2019/20 are:

2019/20	Funded £m	Unfunded £m	Total £m
<b>Net deficit at the beginning of year</b>	<b>10.21</b>	<b>0.03</b>	<b>10.24</b>
Current service cost	1.06	-	1.06
Contributions towards funded liabilities	-0.65	-	-0.65
Past service cost	-	-	-
Interest on net defined benefit liability	0.24	-	0.24
Return on plan assets in excess of/ below that recognised in net interest	2.68	-	2.68
Actuarial gains/ losses due to changes in financial assumptions	-0.41	-	-0.41
Actuarial gains/ losses due to changes in demographic assumptions	-1.15	-	-1.15
Actuarial gains/ losses due to other changes	1.44	-	1.44
<b>Net deficit at the end of year</b>	<b>13.42</b>	<b>0.03</b>	<b>13.45</b>

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

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	30.13	31.64	33.55	34.98	44.99
Firefighter's Pension Scheme	376.79	381.73	413.72	390.26	416.52
<b>Total Present Value of Liabilities</b>	<b>406.92</b>	<b>413.37</b>	<b>447.27</b>	<b>425.24</b>	<b>461.51</b>
<b>Fair value of assets</b>					
Local Government Pension Scheme	20.73	21.43	23.31	21.53	27.35
Firefighter's Pension Scheme	-	-	-	-	-
<b>Total Fair Value of Assets</b>	<b>20.73</b>	<b>21.43</b>	<b>23.31</b>	<b>21.53</b>	<b>27.35</b>
<b>Surplus/ deficit (-) in the scheme:</b>					
Local Government Pension Scheme	-9.40	-10.21	-10.24	-13.45	-17.64
Firefighter's Pension Scheme	-376.79	-381.73	-413.72	-390.26	-416.52
<b>Total Deficit</b>	<b>-386.19</b>	<b>-391.94</b>	<b>-423.96</b>	<b>-403.71</b>	<b>-434.16</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

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The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £434.16m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £401.042m. 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 2022 are £0.714m. Expected contributions to the Firefighter's Pension Scheme in the year to 31 March 2022 are £3.592m.

### **8.17 Reserves**

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

## **NOTES TO CORE FINANCIAL STATEMENTS**

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

Reserve	Balance 1 April 2020 £000	Net Movement in Year £000	Balance 31 March 2021 £000	Purpose of Reserve	Further details of Movement
<b>Usable Reserves</b>					
General Fund	1,459	-	1,459	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	4,473	1,763	6,236	Detailed below	Note 8.19 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
<b>Total Usable Reserves</b>	<b>5,932</b>	<b>1,763</b>	<b>7,695</b>		
<b>Unusable Reserves</b>					
Revaluation Reserve	9,562	-3,800	5,762	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 8.20 (i) to the accounts
Capital Adjustment Account	23,853	-2,972	20,881	Capital resources set aside to meet capital expenditure	Note 8.20 (ii) to the accounts
Collection Fund Adjustment Account	35	-1,191	-1,156	Share of Collection Fund Balance outstanding	Note 8.20 (iii) to the accounts
Pensions Reserve (IAS19)	-403,711	-30,447	-434,158	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 8.20 (iv) to the accounts
Short-term Accumulating Absences	-57	-9	-66	Balancing account to allow inclusion of employees liability in the Balance Sheet	Note 8.20 (v) to the accounts
<b>Total Unusable Reserves</b>	<b>-370,318</b>	<b>-38,419</b>	<b>-408,737</b>		
<b>Total Reserves</b>	<b>-364,386</b>	<b>-36,656</b>	<b>-401,042</b>		

## NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2019/20 are as follows:

Reserve	Balance 1 April 2019 £000	Net Movement in Year £000	Balance 31 March 2020 £000	Purpose of Reserve	Further details of Movement
<b>Usable Reserves</b>					
General Fund	1,425	34	1,459	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	5,865	-1,392	4,473	Detailed below	Note 8.19 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
<b>Total Usable Reserves</b>	<b>7,290</b>	<b>-1,358</b>	<b>5,932</b>		
<b>Unusable Reserves</b>					
Revaluation Reserve	10,368	-806	9,562	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 8.20 (i) to the accounts
Capital Adjustment Account	24,376	-523	23,853	Capital resources set aside to meet capital expenditure	Note 8.20 (ii) to the accounts
Collection Fund Adjustment Account	104	-69	35	Share of Collection Fund Balance outstanding	Note 8.20 (iii) to the accounts
Pensions Reserve (IAS19)	-423,963	20,252	-403,711	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 8.20 (iv) to the accounts
Short-term Accumulating Absences	-13	-44	-57	Balancing account to allow inclusion of employees liability in the Balance Sheet	Note 8.20 (v) to the accounts
<b>Total Unusable Reserves</b>	<b>-389,128</b>	<b>18,810</b>	<b>-370,318</b>		
<b>Total Reserves</b>	<b>-381,838</b>	<b>17,452</b>	<b>-364,386</b>		

## NOTES TO CORE FINANCIAL STATEMENTS

### 8.18 Movement in Earmarked Reserves

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

	1 April 2020 £000	Increase / decrease (-) in year £000	31 March 2021 £000
Pensions	500	-	500
Community Safety	110	48	158
Insurance	250	35	285
Civil Resilience (New Dimensions)	-	20	20
Replacement Mobilisation System	-	-	-
Resilience	625	669	1,294
Modernisation	2,130	507	2,637
ESMCP	812	-81	731
New Risks	46	-14	32
Training	-	85	85
Strategic Finance –Funding Pressures	-	426	426
IT Projects	-	68	68
<b>Total</b>	<b>4,473</b>	<b>1,763</b>	<b>6,236</b>

Comparatives for 2019/20 are as follows:

	1 April 2019 £000	Increase / decrease (-) in year £000	31 March 2020 £000
Pensions	500	-	500
Community Safety	142	-32	110
Insurance	250	-	250
Civil Resilience (New Dimensions)	-	-	-
Replacement Mobilisation System	100	-100	-
Resilience	500	125	625
Modernisation	3,407	-1,277	2,130
ESMCP	931	-119	812
New Risks	35	11	46
Training	-	-	-
Strategic Finance – Funding Pressures	-	-	-
IT Projects	-	-	-
<b>Total</b>	<b>5,865</b>	<b>-1,392</b>	<b>4,473</b>

### 8.19 Earmarked Reserves

Earmarked reserves at 31 March 2021 were as follows:

#### **Pensions Reserve**

To meet any unforeseen pension costs which may arise as a result of changes to pension schemes.

#### **Modernisation Reserve**

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

#### **Community Safety Reserve**

To enable specific community safety improvements to be undertaken.



## NOTES TO CORE FINANCIAL STATEMENTS

### Insurance

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

### Civil Resilience (New Dimensions)

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

### Replacement Mobilisation System Reserve

The balance of unspent grant, earmarked to fund the replacement mobilisation system.

### Resilience Reserve

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

### Emergency Services Mobile Communications Programme (ESMCP)

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

### New Risks

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

### Training

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

### Strategic Finance – Funding Pressures

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

### IT Projects

To fund future Information Technology Projects.

## 8.20 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.

	2019/20 £000	2020/21 £000
Opening Balance at 1 April	10,368	9,562
Revaluation gains/losses	-362	-3,584
Excess of current cost depreciation	-444	-216
Balance written off on disposal of asset	-	-
Closing Balance at 31 March	9,562	5,762

## ***NOTES TO CORE FINANCIAL STATEMENTS***

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### **(ii) Capital Adjustment Account**

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

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

## NOTES TO CORE FINANCIAL STATEMENTS

	2019/20 £000	£000	2020/21 £000	£000
<b>Opening Balance at 1 April</b>		<b>24,376</b>		<b>23,853</b>
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	-2,673		-3,471	
Amortisation of intangible assets	-53		-51	
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	-37		-21	
		-2,763		-3,543
Adjusting amounts written out of the Revaluation Reserve		444		216
Net written out amount of the cost of non-current assets consumed in the year		-2,319		-3,327
Capital financing applied in the year				
Use of Capital Receipts Reserve to finance new capital expenditure	33		26	
Application of grants to capital financing from the Capital Grants Unapplied Account	-		-	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	-		-	
Statutory provision for the financing for capital investment charged against the General Fund	265		275	
Capital expenditure charged against the General Fund	1,498		54	
		1,796		355
<b>Closing Balance at 31 March</b>		<b>23,853</b>		<b>20,881</b>

## 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 tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2019/20 £000	2020/21 £000
<b>Opening Balance at 1 April</b>	<b>104</b>	<b>35</b>
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	-69	-1,191
<b>Closing Balance at 31 March</b>	<b>35</b>	<b>-1,156</b>

### (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.

	2019/20 £000	2020/21 £000
<b>Opening Balance at 1 April</b>	<b>-423,963</b>	<b>-403,711</b>
Remeasurements of the net defined benefit liability/ asset (-)	35,042	-16,648
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	-19,635	-18,858
Employers pension contributions and direct payments to pensioners payable in the year	4,845	5,059
<b>Closing Balance at 31 March</b>	<b>-403,711</b>	<b>-434,158</b>

## 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.

	2019/20 £000	2020/21 £000
<b>Opening Balance at 1 April</b>	<b>-13</b>	<b>-57</b>
Settlement or cancellation of accrual made at the year end of the preceding year	13	57
Amounts accrued at the end of the current year	-57	-66
<b>Closing Balance at 31 March</b>	<b>-57</b>	<b>-66</b>

### 8.21 General Reserve

The net accumulated unapplied General Fund Revenue balance is £1.459m as at 31 March 2021 which equates to 5% of the 2021/22 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.

### 8.22 Contingent Assets and Contingent Liabilities

- **Contingent Liability - Subsidiary Companies**

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

- **Contingent Assets**

There are no contingent assets for 2020/21.

### 8.23 Authorisation of Accounts for Issue/Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Treasurer, Anthony Hope, on 25<sup>th</sup> November 2021. This is the date up to which events after the Balance Sheet date have been considered. No such events have been identified for 2020/21.

## **NOTES TO CORE FINANCIAL STATEMENTS**

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### **9 CASH FLOW STATEMENT**

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

<b>2019/20 £000</b>		<b>2020/21 £000</b>
2,673	Depreciation, impairment and downward revaluations	3,471
53	Amortisation	51
-	Increase/Decrease(-) Interest Creditors	-
373	Increase/Decrease(-) in Creditors	1,905
-464	Increase(-)/Decrease in Debtors	-719
-	Increase(-)/Decrease in Impairment of Debtors	-
-35	Increase(-)/Decrease in Inventories	-95
-99	Increase/Decrease(-) in Deferred Liabilities	-113
14,790	Movement in Pension Liability	13,799
-23	Contributions to/from (-) Provisions	-94
37	Carrying amount of non-current assets held for sale, sold or derecognised	21
<b>17,305</b>		<b>18,226</b>

#### **9.2 Operating Activities**

The cash flows for operating activities include the following items:

<b>2019/20 £000</b>		<b>2020/21 £000</b>
23,879	Employee Costs	25,065
-17,850	Council Tax Receipts	-17,947
-3,424	Revenue Support Grant	-3,480
-7,127	Redistributed NNDR	-6,556
-58	Interest receivable	-4
-	Interest payable in respect of borrowing	-
770	Interest payable in respect of PFI	747

#### **9.3 Investing Activities**

<b>2019/20 £000</b>		<b>2020/21 £000</b>
1,531	Purchase of property, plant and equipment, investment property and intangible assets	5,426
-33	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-26
-	Other receipts from investing activities	-
<b>1,498</b>		<b>5,400</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 9.4 Financing Activities

2019/20 £000		2020/21 £000
-	Cash receipts from short and long-term borrowing	-2,000
215	Cash payments for the reductions of outstanding liabilities relating to on-balance sheet PFI contract	226
-	Repayment of short and long term borrowing	-
215		-1,774

### 9.5 Reconciliation of Liabilities Arising From Financing Activities

	Balance at 1 April 2020 £000	Financing cash flows £000	Balance at 31 March 2021 £000
Long-term borrowings	-	2,000	2,000
On Balance Sheet PFI Liabilities	6,961	-226	6,735
	<b>6,961</b>	<b>1,774</b>	<b>8,735</b>

### 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:

	2019/20 £000	2020/21 £000	Increase/ Decrease in year £000
Cash	366	217	-149
Cash Equivalents	3,401	1,700	-1,701
	<b>3,767</b>	<b>1,917</b>	<b>-1,850</b>

## **PENSION FUND ACCOUNT**

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### **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 8.16 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**

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Contributions receivable</b>		
Fire Authority contributions in relation to pensionable pay		
Normal	-3,448	-3,640
Early retirement	-	-
Firefighter's contributions	-1,547	-1,630
<b>Transfers in from other schemes</b>	-154	-59
<b>Ill health capital contributions</b>	-169	-178
<b>Benefits payable</b>		
Pensions	9,674	9,834
Commutation and lump sum retirement benefits	3,063	1,870
Lump sum death benefits	-	-
Refund of contributions	-	-
<b>Transfers out to other schemes</b>	-	-
<b>Net amount payable for the year</b>	7,419	6,197
Top-up grant payable by the Government	-7,419	-6,197
<b>Year end balance</b>	-	-



## **PENSION FUND ACCOUNT**

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### **Net Assets Statement**

	<b>At 31 March 2020 £000</b>	<b>At 31 March 2021 £000</b>
<b>Net current assets and liabilities</b>		
Amount due to (-) / from the Authority's General Fund	-1,068	-648
Amount due to (-) / from Central Government	1,068	648
<b>Total</b>	-	-

#### **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 2020/21 (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 are set at a rate of 37.3% of pensionable pay for the 1992 Firefighter's Pension Scheme and Retained Modified Scheme, 27.4% for the 2006 Firefighter's Pension Scheme and 28.8% for the 2015 Firefighter's Pension Scheme. The employee's contributions are set on a sliding scale of 11.0% to 17.0%, 8.5% to 12.5% and 11% to 14.5% respectively.

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**

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### **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.

### **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**

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### **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 as a result of a change in the condition and consumption of the asset or as a result 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)

- 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**

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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.

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

### **UK GAAP – Generally Accepted Accounting Standards**

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

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

### **Unusable Reserves**

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

### **Usable Reserves**

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