



Local Government Act 1972

A Meeting of the Combined Fire Authority for County Durham and Darlington will be held in the Morton Room, Fire and Rescue Headquarters on Wednesday 16 February 2022 at 10.00 am to consider the following business:-

Part A

1. Chief Fire Officer Commendations
2. Declarations of interest, if any
If Members are aware of a private or personal conflict of interest in relation to any items on the Agenda, this should be disclosed at this stage or when the conflict of interest arises during consideration of an item in accordance with the Code of Conduct for Members
3. Minutes of the meeting held on 12 November 2021 (Pages 5 - 8)
4. Current Correspondence - Report of Assistant Chief Fire Officer (Pages 9 - 32)
5. Changes in Membership
6. Notes of the Human Resources Committee 18 November 2021 - Report of Chair (Pages 33 - 34)
7. Notes of the Audit and Finance Committee 25 November 2021 - Report of Chair (Pages 35 - 38)
8. Notes of the Audit and Finance Committee 27 January 2022 - Report of Chair (Pages 39 - 42)
9. Notes of the Performance Committee 9 December 2021 - Report of Chair (Pages 43 - 44)
10. Budget 2022/23 Report under Section 25 of Local Government Act 2003 - Report of Deputy Chief Executive and Treasurer (Pages 45 - 48)
11. 2022/23 Revenue Budget and Council Tax, Capital Programme and Medium-Term Financial Plan - Report of Treasurer and Chief Fire Officer (Pages 49 - 100)
12. External Auditor Appointment - Report of Deputy Chief Executive (Pages 101 - 110)
13. Appointment of Independent Person to the Audit and Finance Committee - Report of Deputy Chief Executive (Pages 111 - 112)

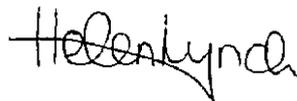
14. Building Safety Bill Update - Report of Area Manager, Community Risk Management (Pages 113 - 116)
15. Fire Standards - Report of Assistant Chief Fire Officer (Pages 117 - 120)
16. Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services Update - Report of Assistant Chief Fire Officer (Pages 121 - 124)
17. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgent to warrant consideration
18. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

19. Fire Fighter Pension Scheme - Immediate Detriment Update - Report of Deputy Chief Executive and Treasurer (Pages 125 - 160)
20. Estates Update - Report of Head Corporate Resources (Pages 161 - 162)
21. Option for the Revision of the Service Leadership Team Structure - Report of Chief Fire Officer (Pages 163 - 170)

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



H LYNCH

Clerk to the Combined Fire Authority
for County Durham and Darlington

County Hall
Durham
DH1 5UL

TO: The Members of the Combined Fire Authority for County Durham and Darlington

Durham County Councillors:

Councillors J Atkinson, A Batey, R Bell, J Blakey, J Cairns, T Duffy, C Hampson, N Jones, B Kellett, L Kennedy, R Manchester, C Marshall, L Mavin, I McLean, M McGaun, J Quinn, S Quinn, G Richardson, K Rooney, J Shuttleworth, S Zair

Darlington Borough Councillors:

Councillors H Crumbie, B Jones, G Lee and A J Scott.

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At a **meeting** of the **Combined Fire Authority for County Durham and Darlington** held at **Fire and Rescue HQ, Durham** on **Friday 12 November 2021** at 10.00 am.

Present:

Durham County Councillors:

Councillors J Atkinson, A Batey, R Bell, J Cairns, T Duffy, C Hampson, N Jones, R Manchester, M McGaun, J Quinn, J Shuttleworth, S Zair, C Marshall, K Rooney, B Kellett

Darlington Borough Councillors:

B Jones, G Lee and A Scott

Apologies for absence were received from Councillors L Kennedy, G Richardson, L Mavin, S Quinn

Independent Persons:

Apologies from N Johnson

A1 Chief Fire Officers Commendation

AM Steve Wharton introduced the Chief Fire Officer's Commendation for WM Giles Mercy, FF's Dan Farnell, Nick Meek and Angela Dixon of Darlington Green Watch. WM Mercy's strong, confident, quick decision making effectively managed a well-developed fire in a large four bedroom detached house. The professionalism of the crew of 4 utilising effective use of Positive Pressure Ventilation (PPV), Breathing Apparatus (BA) procedures and casualty care brought a very challenging incident to a safe conclusion for all involved and saved the life of a 92-year-old gentleman.

The Chair welcomed Members to the meeting.

The Chair expressed condolences to Cllr Avery's family and friends on behalf of the Authority following the sad news of his passing on 30 October 2021.

A minute silence was held to remember him and reflect on his contribution to the Authority.

The Chair noted a number of notices and votes of thanks including contributions to the Strategic Planning Day, congratulations to the recipients of their 20 and 30 years Long Service Awards and a thank you to all staff involved in the busy bonfire period.

A2 Declarations of Interest

There were no declarations of interest.

A3 Minutes of previous meeting

The Minutes of the meeting held on 17 September 2021 were confirmed as a correct record and signed by the Chair (for copy see file of minutes).

A4 Current Correspondence

The Authority received an update from the Assistant Chief Fire Officer in relation to current correspondence received from government and other bodies relevant to the Authority and the status of each (for copy see file of minutes).

A5 Notes of the Audit and Finance Committee

The Authority received an update from the Chair of the Audit and Finance Committee which provided members with an update on the discussions and recommendations of the Audit and Finance Committee held on 30 September 2021 (for copy see file of minutes).

Cllr Bell noted the delay to signing off the 20/21 accounts is due to lack of auditor resource. It is anticipated that sign off will be achieved in the next 2-3 weeks and accounts will be presented at the next Committee meeting.

A6 Notes of the Human Resources Committee

The Authority received an update from the Assistant Chief Fire Officer which provided members with an update on the discussions and recommendations of the Human Resources Committee held 16 September 2021 (for copy see file of minutes).

A7 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services Update

The Authority received a report from the Area Manager Assets and Assurance which provided members with an update on the current position of the Action Plan and details of the next HMIFRS Inspection.

Cllr Bell queried if training would be available for Members ahead of Inspection activity starting in May 2022. It was noted that only the Chair of the Authority will be requested for interview.

It was noted that the completion of actions will be sign off at the next inspection.

Resolved:

- i. The report was noted
- ii. To receive further reports as appropriate

A8 Community Risk Management Plan 2022-2025

The Authority received a report from the Deputy Chief Fire Officer updating Members with details of the 2022-2025 Community Risk Management Plan (CRMP) and the proposals contained within the plan and the public consultation on it.

Cllr Batey recommended that the addition of graphics illustrating historical and current data regarding response times may support our argument for the proposed changes.

It was noted that narrative will be added to the consultation providing an evidence base for the proposed change in response times.

Resolved:

- i. The report was noted.
- ii. The questions to be put forward to the public in the Consultation Document approved.

A9 Any Other Business

Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration.

A10 Exclusion of the public

That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 and 4 of Part 1 of Schedule 12A to the said Act.

Part B

B11 Strategic Planning Day

The Authority received a report from the Chief Fire Officer summarising the areas explored and agreed at the Combined Fire Authority (CFA) strategic planning day on Friday 29 October 2021.

It was noted that discussions with local Members of Parliament (MPs) have begun regarding the financial position of the Authority. Key messages for the attention of local MPs will be coordinated and circulated to the Authority for comment. A Strategy will be presented to the Chair and Vice Chair for agreement.

Action:

Key messages for the attention of local MPs to be coordinated and circulated to the Authority for comment.

Resolved:

- i. The report was noted.

B12 Consultation on Giving Police and Crime Commissioners' Greater Powers of Competence

The Authority received a report from the Chief Fire Officer outlining the consultation from the Government entitled 'Giving Police and Crime Commissioners'(PCCs) Greater Powers of Competence' and the response made from the Authority.

It was noted that the CFA would debate a request for the PCC to sit on the Authority. Durham County Council are working closely with the PCC and an update will be provided to the CFA.

Resolved:

- i. The report and consultation was noted
- ii. The response submitted not the consultation on behalf of the Authority was noted

The Uniformed Officers apart from the Chief Fire Officer left the meeting.

B13 Fire Fighters Pension Scheme – Immediate Detriment Framework

The Authority received a report updating Members on the position in relation to immediate detriment cases under the McCloud/Sargeant ruling to seek approval to adopt the 'Framework' for managing immediate detriment cases.

The Chief Fire Officer announced a change in approach since the paper was written and proposed a revised recommendation to the report.

It was noted that the Framework may be released by the National Fire Chiefs Council early next week which will outline the parameters to calculate liability.

A Special meeting of the CFA to be called if settlements costs, when calculated, reach a level which requires agreement.

The Chief Fire Officer left the meeting prior to the discussion and consideration of the recommendations.

Resolved:

- i. That the Authority approved in principle with the adoption of the framework, however, final adoption would be delegated to the Chief Fire Officer, in consultation with the Treasurer, Chair and Vice Chair, once details of the settlement costs were known.
- ii. A Special Meeting of the CFA would be called to further consider adoption of the framework if the settlement costs exceeded £100,000.

B14 Any Other Business

Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration.

CLOSE OF MEETING



Current Correspondence: December 2021 – February 2022

No	Release Date	Subject	Summary	Action CFA Report	Action CFA Response	Action Info
1	23/11/2021	Fire and Rescue Service (FRS) Workforce Diversity	Letter from Lord Greenhalgh presenting workforce diversity data for gender and ethnicity and the drive for FRS to better reflect the communities we serve. Appendix 1			√
2	1/12/2021	Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)	Notification of the publication plans for the first tranche of inspection reports and Sir Thomas Winsor's State of Fire and Rescue report 2021. Appendix 2			√
3	14/12/2021	HMICFRS	Letter outlining HMICFRS On-site Inspection Activity From 13 December 2021 Appendix 3			√

4	20/12/2021	Home Office	Letter announcing the publication of the Provisional Local Government Finance Settlement 2022/23 and outlining proposals relevant to Fire and Rescue Authorities. Appendix 4			√
5	21/12/2021	HMICFRS	Letter providing an update on the progress of HMICFRS second round of FRS inspections. Appendix 5			√
6	27/1/2022	Home Office	Letter confirming annual grant payment to FRSs who continue to provide the specialist Marauding Terrorist Attack (MTA) capability. Appendix 6 and 7			√



Home Office

Lord Greenhalgh
Minister of State for Building Safety and
Fire

2 Marsham Street
London SW1P 4DF
www.gov.uk/home-office

To: All Chief Fire Officers
By Email Only

23 November 2021

Dear All,

FRS Workforce Diversity

Our fire and rescue workforce must attract a greater diversity of talented people and reflect better the communities that we serve. We need to see more female firefighters and more firefighters from ethnic minorities.

I was particularly struck by the slow rate of change on the proportion of female firefighters. As at 31 March 2021, 7.5% of firefighters were women compared with 7.0% in the previous year and 5.0% five years ago. Progress has been even more glacial when considering ethnicity with 4.7% of firefighters of known ethnicity being from an ethnic minority group on 31 March 2021, compared with 4.4% in the previous year and 3.8% five years ago.

In its State of Fire report HMICFRS state that 'diversity must be addressed.' It should not be a tick-box exercise; putting diversity and inclusion at the front and centre of your workforce plans will enable your services to reach currently un-tapped talent. Ensuring fire and rescue services reflect the public that we serve will improve cultural competence and enable learning from the ideas and experiences of a much broader set of people. HMICFRS will continue to inspect on areas of importance including on diversity and culture; I look forward to seeing progress.

These annual statistics provide really important insight for service leaders and for the public. While we recognise that IT systems are often not perfect, the relatively high proportion of the workforce where gender, ethnicity and other protected characteristics are 'not known' or 'not stated' limits the ability to truly understand the workforce. I also ask for your assistance in improving the quality and completeness of crucial workforce diversity data.

As leaders of your services, I know you recognise the importance and benefits of reflecting the public you serve within your workforce and the need for accurate data to monitor this. I urge you to review the selection of data on workforce diversity for your fire and rescue service included in the attached short pack and think about how you can each use this information to increase the speed of progress to creating a more diverse service.

This pack is not about the introduction of performance measures or comparing services but instead to highlight a small area of the large amount of data that are collected and published on [gov.uk](https://www.gov.uk). However, it is vital that I see the sector is taking this challenge seriously and doubling up on efforts. I will be monitoring next year's figures closely and expect a significant uplift.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'Lord Greenhalgh', written in a cursive style.

Lord Greenhalgh
Minister of State for Building Safety and Fire
Department for Levelling Up, Housing & Communities and Home Office

From: Jack Blackwell <Jack.Blackwell@hmicfrs.gov.uk>
Sent: 01 December 2021 18:03
Cc: HMICFRS Inspections Admin <HMICFRSInspectionsAdmin@hmicfrs.gov.uk>
Subject: FRS inspections update – T1 publication

CAUTION: This email originated from outside of CDDFRS. Do not click links or open attachments unless you recognise the sender and know the content is safe.

Email on behalf of Laura Gibb, Portfolio Director for Fire and Rescue Inspections

Good afternoon,

I hope you're all keeping well, and thank you as ever for your continued support for the inspection programme.

I'm emailing today to update you on our publication plans for the first tranche of inspection reports and Sir Thomas Winsor's State of Fire and Rescue report 2020. The service reports will be published 00.01 **Wednesday 15 December 2021**, services will be provided an embargoed copy of their final report 24-48 hours prior to publication. As State of Fire has to be laid in Parliament it cannot go out under embargo. We expect it to be laid at 10am on 15 December 2021 and circulated immediately after.

Out of respect following the sad passing of former CFO Kieron Amos of Warwickshire fire and rescue service, we will be publishing their report separately in January 2022. We will notify the service of the publication date of their report in due course.

I also want to let you know that I will be leaving the team at the end of this year to take up a new role as Secretary to the Angiolini inquiry (police conduct and vetting following the murder of Sarah Everard). We'll be in touch with details of my successor as soon as possible. Thank you all for your help and support over the years, I have loved working with you all.

If you require any further information please don't hesitate to contact either me (lauraalice.gibb@hmicfrs.gov.uk) or HMI Roy Wilsher (Roy.Wilsher@hmicfrs.gov.uk).

Best Wishes,

Laura

Jack Blackwell
T/Inspection Account Manager (IOT)
Fire and Rescue Services

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Sir Thomas Winsor ws
Her Majesty's Chief Inspector of Constabulary
Her Majesty's Chief Inspector of Fire and
Rescue Services

Chief Constables
Chief Fire Officers
Police and Crime Commissioners
Police, Fire and Crime Commissioners
Chief Executives
Chairs of Fire & Rescue Authorities
Lead Fire and Rescue Authority Members
Locally elected Mayors

14 December 2021

Dear Colleagues,

HMICFRS ON-SITE INSPECTION ACTIVITY FROM 13 DECEMBER 2021

On 8 March 2021, I wrote to you to advise you of our plans to gradually reintroduce on-site inspection activity, where necessary, from 12 April 2021. As you will be aware, ever since we have been carrying out our inspections through a blend of virtual and in-person activity. We have continued to evaluate the effectiveness of this approach, and we have a clear view of which of our activities can be carried out remotely, and which must be carried out in-person.

2. On Wednesday 8 December 2021, the Prime Minister announced a move to Plan B in England which included guidance to return to 'working from home where you can' from 13 December 2021.
3. We have reviewed our plans for inspection activity in light of this announcement. We will continue to carry out in-person activity where it cannot effectively be done remotely, and where there are activities that can be carried out remotely, we will take this approach. However, we do not expect this announcement to require a material change in the timing or nature of our planned activities over coming weeks.
4. The latest announcement brings together the guidance in relation to home working across England, Wales and Northern Ireland, and the same approach will be taken across all forces, services and other inspected bodies.
5. We are also aware of the different circumstances in which different areas may find themselves, in terms of local infection rates, demands on services, or your approach to the Plan B guidance in terms of your workforce. We will continue to liaise closely with your force or service before on-site inspection takes place, to ensure these factors are considered in our plans.
6. All planned on-site activity will continue to be risk assessed, and where in-person activity continues, we will work with each of you to ensure that these arrangements take account of your existing health and safety and testing requirements.

**Home Office**

Sarah Gawley
(Interim) Director of Fire, Events and Central Management,
Public Safety Group
2 Marsham Street
London SW1P 4DF
www.gov.uk/home-office

20 December 2021

Dear Chief Fire Officer

PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23

Last week the Department for Levelling Up, Housing and Communities (DLUHC) published the Provisional Local Government Finance Settlement for 2022/23. I am writing to outline the proposals that are relevant for fire and rescue authorities (FRAs).

The package outlined by DLUHC will provide a firm foundation for funding throughout 2022/23 and ensure fire and rescue authorities have the resources they need to continue to deliver for the public. The Government is proposing a new one-off Services Grant of £822m that will be distributed through the existing Settlement Funding Assessment formula. This will include funding for the additional cost of national insurance contributions. The Government is also proposing to uplift the Revenue Support Grant in line with inflation and maintain the Rural Services Delivery Grant.

The Provisional Settlement also includes the proposed council tax referendum principles for 2022/23. The Government is proposing a 2% core referendum threshold and is consulting on proposals to allow the 8 FRAs with the lowest precept levels to increase council tax by £5 for one year only in 2022/3. This is to assist those FRAs in addressing immediate pressures and to maintain a sustainable income baseline for future years.

These proposals will mean an overall increase in Core Spending Power of 4.7% for standalone FRAs next year. Please note the proposed £5 precept flexibility is not included in this figure or DLUHC's published Core Spending Power figures. Following consideration of responses to the Settlement consultation, if the proposal is taken forward the flexibility will be included in the allocations for which DLUHC will seek the approval of the House of Commons at the Final Settlement.

The Department expects to be able to confirm Home Office grants to FRAs early next year around the time of the Final Local Government Finance Settlement.

Additionally, as set out in Lord Greenhalgh's letter of 14 December, the Home Office will be reimbursing direct costs to FRAs as a result of supporting the vaccine booster programme. Home Office officials are working with NFCC to agree a simple process for claiming those costs as I am keen to ensure financial considerations do not hamper or delay the FRS response to this national emergency.

The Department is very pleased with these proposals and we believe they represent a positive outcome for the sector. DLUHC's consultation on the Provisional Settlement is now open and I would encourage you to respond by the deadline of 13 January.

A handwritten signature in black ink, appearing to read 'Sarah Gawley', with a large, stylized flourish at the end.

Sarah Gawley

Interim Director of Fire, Events and Central Management
Public Safety Group, Home Office



6th Floor, Globe House,
89 Eccleston Square, London SW1V 1PN
Direct Line: 020 3513 0523
Fax: 020 3513 0650
Email: roy.wilsher@hmicfrs.gov.uk

Roy Wilsher OBE QFSM

Her Majesty's Inspector of Constabulary
Her Majesty's Inspector of Fire and Rescue Services

By Email:

Chief fire officers
Chairs of fire authorities
Police, fire and crime commissioners
Police and crime commissioners
Lead fire authority members
Locally elected mayors
Other FRS interested parties

22 December 2021

Dear colleague,

FIRE AND RESCUE SERVICE INSPECTIONS UPDATE

I write to update you on progress of our second round of fire and rescue (FRS) inspections. This includes information on our monitoring process, our use of surveys and the document request for tranche three services.

Monitoring

2. In June this year former HMI Zoë Billingham wrote to you to explain our monitoring policy and process for fire and rescue services. Monitoring is an important part of our work to help promote improvements and is primarily focused on those services that have been issued cause of concern(s). It is therefore essential we have a process that reviews the progress services have made against recommendations given.
3. We have updated the monitoring policy to make the process clearer. The full process is outlined at **Annex A**.

Document and self-assessment request

4. Our document and self-assessment request for tranche three services will be issued in the week commencing **10 January 2022** with a four-week turnaround period. We will be in touch with those services in the new year with details on how to submit these documents.

COVID-19

5. We are constantly reviewing the impact of COVID-19 and any resulting government restrictions. We recognise the effect the pandemic will continue to have on services and will work with you to ensure inspection is carried out in the least disruptive way possible. If you have any specific queries, please raise these with your service liaison lead in the first instance.

Strategy documents

6. We have received some queries from services asking for clarity on what we look for when inspecting services' strategy to prevention, protection and response.

7. To clarify, when inspecting, we are looking for the 'golden thread' that helps those responsible for translating the commitments in the IRMP or CRMP into the service being provided to the public. This can be a departmental plan or a section within a wider document, but most importantly, it is something that sets out for staff what needs to be achieved and what approach to take in order to do so. We then look for evidence of how that activity is carried out, led, resourced and evaluated.

Surveys

8. Most tranche 2 services should have received information on our staff survey. This is for all staff currently working for English fire and rescue services, and we rely on your help to promote this survey. I would be very grateful for anything you can do to encourage your staff to complete it and ensure we have a good representation of their views. In particular we would like to see a higher proportion of on-call staff completing this survey, so anything you can do to improve the completion rate among this staff group would be appreciated.

9. Our independent reporting line also continues to remain open. The purpose of this line is to provide all fire and rescue service staff with a mechanism to inform us of any issues or areas of good practice which they feel should be taken into consideration as part of a service's inspection. Please note that this is not a whistleblowing service, nor a route for complaints. It is simply a way in which we can gather additional evidence outside of fieldwork which, can be accessed through the HMICFRS website via this link: [Independent reporting line - HMICFRS \(justiceinspectorates.gov.uk\)](https://justiceinspectorates.gov.uk/independent-reporting-line).

Short term secondees

10. As with round one of our inspections, we are continuing to draw on the expertise of the sector by deploying short term secondees on the inspection of your services. This means releasing staff to work for us on a remote basis for approximately 4-6 weeks, arranged for a time convenient for both sides. I would encourage you to identify those in your services who you think demonstrates the best of your organisation, and who would benefit from such an opportunity as part of your work to develop talented staff.

11. Finally, as most of you will know, Laura Gibb is leaving us at the end of the year to take up a new role as Secretary to the Angiolini inquiry (police conduct and vetting following the murder of Sarah Everard). I want to thank Laura for everything she has done in the last four years of leading the FRS portfolio. I wish her every success for the future.

12. I'm delighted to let you know that Alex Hill will be our new FRS portfolio director. Some of you may remember Alex as he took over from Laura Gibb while she went on maternity leave in 2019. Alex is due to start on 4 January 2022 and can be contacted via Alex.Hill@hmicfrs.gov.uk.

13. If you need any further information, please don't hesitate to contact either me or Alex Hill.

14. I wish you a happy Christmas in these very difficult circumstances. Thank you for your continued support of our inspection programme.

Yours sincerely,



Roy Wilsher OBE QFSM
HM Inspector of Constabulary
HM Inspector of Fire and Rescue Services

Annex A: FIRE AND RESCUE SERVICE MONITORING ARRANGEMENTS

Monitoring is an important part of our work to help promote improvements. This involves engaging with services to ensure they are taking the necessary remedial action where we have identified problems. The process will apply to every FRS in England. Our monitoring activity will primarily be focused on services who have a cause(s) of concern.

2. Monitoring is long established in our police inspection work (known as Scan and Engage). Our new FRS approach isn't a direct lift and shift. It's more proportionate, and takes into account the different support arrangements already in place for FRSs, such as from the National Fire Chiefs Council (NFCC) and Local Government Association. We have created a process of escalation if we consider a service is not making sufficient progress against their cause(s) of concern.

3. This document provides detail of our new process. We propose an incremental implementation over the coming months, and I will convene a chiefs and chairs event, probably in July, where we can discuss this in greater detail. We will also run a separate event for service liaison officers.

4. The approach proposed is similar to the way in which we monitor police forces (Scan and Engage) but takes account of the different support arrangements already in place for fire and rescue services by the National Fire Chiefs Council (NFCC) such as the NFCC improvement boards. It also includes a process of escalation if we consider a fire and rescue service is not making sufficient progress against their cause(s) of concern.

Causes of concern

5. If, during an inspection, we identify a serious, critical or systemic shortcoming in a fire and rescue service's practice, policy or performance, it is considered a cause of concern. A cause of concern is always accompanied by one or more recommendations. We recommend that the FRS (and sometimes other bodies) make changes to alleviate or eradicate it.

6. If a service has been identified as having a cause of concern, then the graded judgment that they can achieve for that question will be no higher than 'requires improvement'.

7. A service will be made formally aware of their cause(s) of concern at the earliest opportunity. If there is low risk to public safety, this will follow HMI moderation and approval, through the pre-publication check process. This will allow the service to take immediate action to address the cause(s) of concern, prior to receiving their inspection report. The service will be required to produce an action plan to outline how they will address the cause of concern. In discussions with the regional HMI, we will then agree a tailored approach with the regional HMI, which may include a revisit.

8. Where we identify a CoC which indicates a potential risk to the public (for example failures to carry out risk-based inspection programme) we will notify the service by letter when the relevant HMI has approved the cause of concern. We will send the letter notifying the service of the CoC as soon as possible after the post fieldwork evidence review, and no more than 6 weeks after the inspection fieldwork has concluded.

9. We will notify services of these causes of concern (where there is a potential risk to public safety) within this timeframe regardless of the pillar (we expect most of these will be in the effectiveness pillar). This means the public will be notified of this risk when the full inspection report is published, but we will make it clear that we notified the service of this sooner.

10. All causes of concern are confirmed by the regional HMI at the FRS moderation meetings. Decisions are reached following extensive discussions about a service’s performance, and in comparison, with other services. This is to make sure a consistent approach is applied to graded judgments and causes of concern across the sector. The Senior Responsible Officer (SRO) will also maintain a thorough overview of all causes of concern.

11. Due to the serious nature of these shortcomings identified in causes of concern, we want to regularly review what progress has been made to remedy the cause of concern.

Tracking and monitoring progress against a cause of concern

12. As stated above, a service with a cause of concern will be required to produce an action plan to outline how they will address it. At any point, the service can seek support with the action plan and cause of concern from the sector.:-

13. The Service Liaison Officer (SLO) will be responsible for providing a quarterly update to the SLL on progress against recommendations.

The table below outlines what is required by when:

Task	Timeline
Production of an action plan by the service, provided to HMICFRS	Within 28 working days of the date of the letter or 28 days after publication of the report.
If the cause of concern relates to a potential risk to public safety, a revisit will be arranged with the service	The timeline for the revisit will be determined on an individual basis.
If the cause of concern does not relate to a potential risk to public safety, we will advise the HMI whether a revisit is necessary. Chiefs of staff will monitor progress with the SLL.	Chiefs of staff to discuss next steps with the regional HMI following evidence of improvements made by the service. This can include a follow up activity.
The SLL will update the monitoring portal with progress against the causes of concern (i.e. open or closed)	This is an ongoing process until the cause of concern is agreed by the CoS/HMI as closed

14. It is the on-going responsibility of the SLL to monitor a service’s progress against their action plan. This should be done on a regular basis and at the very least there should be engagement with the service about their cause(s) of concern every 3 - 6 months.

15. Chiefs of staff will be expected to provide oversight to this process. They should closely monitor their services together with the SLL to make sure that sufficient progress is being made

against the cause(s) of concern. This should include providing regular updates to the respective HMI.

16. Progress can be determined through a variety of different methods. This will require close liaison between the SLL and the service's SLO to obtain evidence of the improvements made. For example, this could be evidence of revised policies, procedures or new processes being put in place. If enough evidence is provided which demonstrates that the necessary improvements have been made, there may not be a need for a revisit. The level of assessment and triangulation of evidence required to satisfy recommendations, is not of any lower standard than that required for inspections.

17. Where a potential risk to public safety has been identified, we will then assess the service's plan and take a risk-based and proportionate approach to revisits. For example, a cause of concern which relates to cultural changes required will take longer to rectify than a more immediate problem (such as risk information not being provided to operational crews). This will be decided by HMIs, with advice from BIP monitoring and FRS colleagues.

18. We will publish our consideration of the proposed action plans that relate to the potential risks to public safety cause of concerns alongside the service report. We will revisit the service if the cause of concern represents a potential risk to the public. We may revisit more than once depending on the issue being considered.

19. Where there is no potential risk to the public, we will consider whether a revisit is necessary when we have reviewed the service plan and considered progress made through monitoring activity. If insufficient action is being taken on the CoC, we will revisit the service.

20. All follow up activity (including revisits) must be overseen by the respective chief of staff and approved by the respective HMI. This may include the need for, and resourcing, a small inspection team to support the SLL.

21. Following every revisit, the relevant HMI will write to the service detailing our findings and recommendations. This letter will be published. It should include information on next steps.

Deciding if a service should be more closely monitored

22. There are a number of ways that an HMI could decide to increase monitoring and formally engage with a service more closely. Primarily, this would be when a service is failing, or is likely to fail, to respond adequately and promptly in respect of a cause of concern. Possible triggers could include, but not be limited to:

- Evidence that the service is not progressing at a reasonable pace in managing, mitigating or eradicating the cause of concern (reasonable pace would need to be considered against the specific issue)
- The effect that insufficient progress is having on public safety
- Information from our independent reporting line

- The likelihood that a service may need to be recommended for further intervention to the Home Secretary in line with their intervention powers in the Fire and Rescue Services Act 2004

There may also be a need to move a service direct to this stage should the findings from an inspection be considered so serious by the HMI (e.g. multiple causes of concern and inadequate grades) that closer monitoring is considered necessary.

23. Should more closer monitoring be considered by the HMI to be necessary; the following options could then be considered:

- Encouraging enhanced support for the service in tackling problems, for instance through the NFCC or through peer support from LGA/other services.
- Convening a 'by exception' meeting – the Fire Performance Oversight Group (akin to our Police Performance Oversight Group) - chaired by the HMI responsible for fire and rescue service inspections to discuss the ongoing performance issues. Consideration may be given to inviting the chief fire officer, chair of the fire and rescue authority (or equivalent) and representatives from the NFCC (e.g. chair or appropriate committee lead). Attendance will be agreed on a case-by-case basis. Discussion will focus on what steps the service is taking to remedy the issue and what barriers they are facing.
- Discussions with the Home Office if concerns are of a more serious nature and may require greater intervention.

Completion of causes of concern

24. Once the SLL is satisfied that there is substantial evidence that a recommendation has been completed by the service, they will update the monitoring portal with progress including how they have validated the improvements made by the service. The SLL will discuss this with their respective chief of staff. It is the responsibility of the chief of staff to be satisfied with the evidence, and to make a recommendation to the HMI that the cause of concern is now complete.

25. Once all recommendations associated with a cause of concern have been signed off as complete by the HMI, the regional HMI will send a letter to the chief fire officer and chair of the fire and rescue authority informing them that the cause of concern is now officially closed. Each letter will be tailored to the service and will confirm our findings and reasons for closure of the cause(s) of concern. The monitoring portal will be updated accordingly.

26. We intend to introduce quarterly public reporting of progress against recommendations (i.e. whether the recommendation is open or closed). We will write with further details on this in due course.

27. If an open cause of concern or recommendation is identified again in future inspections, then the original cause of concern/ recommendation will remain open and the monitoring portal will be updated with the evidence from the most recent inspection.

Areas for improvement

28. If, during an inspection, we find an aspect of practice, policy or performance which falls short of the necessary level of quality, but which is not a serious or critical shortcoming, this may be reported as an area for improvement. Areas for improvement will not usually be accompanied by a recommendation.

29. A service can be graded no higher than “good” for a question where an area for improvement has been found.

30. All areas for improvement will be recorded on the Monitoring Portal. It is the responsibility of the SLL to update the progress of areas for improvement. We will formally review what progress a service has made against an AFI during their scheduled inspection (as per the FRS inspection programme). Once the SLL has changed the status of the AFI to complete, the chief of staff will be responsible for closing the AFI on the Monitoring Portal.

External bodies

31. We may make recommendations to external bodies, for example, when completing an inspection tranche or cycle, or in a national report including State of Fire & Rescue. These recommendations may, or may not, have a connected cause of concern.

32. These recommendations will be added to the Monitoring Portal. It is the responsibility of the deputy portfolio director, working to the portfolio director, to update the progress of these recommendations on the Monitoring Portal. When they are satisfied that the recommendations are complete, the deputy portfolio director will update the HMIs and the SRO and request for the matter to be closed.

Additional information

Powers of Intervention (Taken from Fire and Rescue National Framework for England)

Home Office

33. It is a requirement under section 23 of the Fire and Rescue Services Act 2004 (the 2004 Act) that an intervention protocol be prepared, and for the Secretary of State to have regard to it in the exercise of their power of intervention.

34. The Secretary of State’s order-making powers under section 22 of the 2004 Act are to ensure that fire and rescue authorities act in accordance with the Fire and Rescue National Framework for England (the Framework). Intervention is by order, subject to the negative Parliamentary procedure, and can only be made if the Secretary of State considers it would promote public safety; and the economy, efficiency or effectiveness of the relevant fire and rescue authority, or the services it provides.

35. To date there has been no formal intervention in the operations of a fire and rescue authority by the Secretary of State under these powers. Use of this power is seen as a last resort. The expectation is that the political and professional leadership of the fire and rescue authority will put in place processes to ensure that sector-led support is provided to any fire and rescue authority that needs it.

36. This intervention protocol (“the protocol”) broadly sets out the arrangements between the Secretary of State, the Local Government Association (LGA), the Association of Police and Crime Commissioners (APCC), Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), the National Fire Chiefs Council (NFCC) and fire and rescue authorities should formal intervention be considered necessary.

37. In this protocol the term 'intervention' is used to refer to action by the Secretary of State in exercise of their powers under section 22 of the 2004 Act. Although the Secretary of State also has other powers of intervention (for example, under section 15 of the Local Government Act 1999) this protocol does not apply to an intervention under those powers.

38. Our ongoing monitoring arrangements for fire and rescue services will play a vital role in determining whether any further formal intervention should be considered. This will include the number of revisits made to a service, information and improvements outlined on the Monitoring Portal and our escalation process which can determine whether any Home Office intervention may be necessary.

Role of other interested parties in supporting FRAs at risk

39. We will have a leading role in identifying any fire and rescue service that is failing, or is likely to fail, in providing efficiency, effectiveness and looking after their people. The NFCC and the LGA and/or APCC will play an important liaison role in engaging the wider sector in supporting those authorities at risk, and work collaboratively with others, identifying at an early stage, serious risks to performance or the requirement to act in accordance with the Framework. The NFCC and/or Local Government Association and/or the Association of Police and Crime Commissioners will work with these bodies to prevent the escalation of those risks to avoid any risk to public safety or any negative impact on the reputation of the sector.

40. If there are specific concerns in respect of performance, or if there is evidence that indicates a fire and rescue authority is failing or is at risk of failing to act in accordance with the Framework, either through inspection by HMICFRS or through sector-led processes, the NFCC and/or the Local Government Association, and/or the Police, Fire and Crime Panel, and/or the Association of Police and Crime Commissioners will work with the authority to help them address the issues and seek improvement.

Circumstances leading to statutory intervention

41. It is for the Home Secretary to determine whether any further intervention is needed. We can suggest that an intervention may be appropriate, but before we do, all possible options should’ve been explored, and support provided to the fire and rescue service to make the necessary improvements. The Home Secretary would not seek any intervention unless there was clear evidence that an authority was failing to act in accordance with the National Framework and that the failure was sufficiently serious as to require Government intervention.

42. If, following a sustained and determined attempt to resolve problems through sector-led improvement an issue cannot be resolved, or if a fire and rescue authority is unwilling or unable to engage with sector-led improvement measures, the Secretary of State can, under section 28 of the Fire and Rescue Services Act 2004, commission HMICFRS to lead an investigation. Under this provision, the Secretary of State also has the power to require HMICFRS to undertake any further

inspection of fire and rescue authorities in England as required for the purpose of furthering their efficiency and effectiveness. The Secretary of State may also seek advice and information from other persons/bodies (for example, the NFCC) in respect of specific identified issues.

43. The Secretary of State has a range of powers including to request information about a fire and rescue authority's functions and conferring on a fire and rescue authority functions relating to emergencies. Inspection powers – powers to obtain information and access premises – are also held by HMICFRS' inspectors.

What happens upon statutory intervention

44. In the event that statutory intervention is considered necessary, the Secretary of State will consult the authority concerned and any other body or authority which is considered necessary, such as HMICFRS, the NFCC and the Local Government Association, before exercising powers of intervention under section 22 of the 2004 Act.

45. The form or extent of any formal intervention will be a matter for determination on a case by case basis, taking into account the views of the fire and rescue authority, HMICFRS, the NFCC, the Local Government Association, the Association of Police and Crime Commissioners, the Police Fire and Crime Panel and any other consultees, depending on the nature and the severity of the failure under consideration. Following such deliberations, the Secretary of State will agree a course of action, and how the required improvement will be delivered.

Fire and Rescue National Framework for England:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705060/National_Framework_-_final_for_web.pdf

Fire and Rescue Services Act 2004:

<http://www.legislation.gov.uk/ukpga/2004/21/contents>



Mike Knox
Fire Resilience and Major Events
(FRaMe)

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07870 554119

27 January 2022

By Email to:

Chief Fire Officers, and Chief Executives
 as listed in attached Grant Determination
 London Fire Commissioner

Dear Chief Fire Officers, Chief Executives and London Fire Commissioner

Specialist Marauding Terrorist Attack (MTA) capability – ‘Responding to New Risks’ Grant - Section 31 Grant Determination FY2021/2022

In January each year we make an annual grant payment to those Fire and Rescue Services (FRSs) which continue to provide the national specialist MTA capability. You will recall the Home Office provides this grant funding annually for ballistic personal protective equipment and specialist training in casualty management.

I am writing to you to confirm the ‘Responding to New Risks’ grant payment for your Fire and Rescue Service for the financial year 2021/2022. This will contribute to the maintenance of the specialist Marauding Terrorist Attack (MTA) capability. Please find attached a copy of the grant determination. The payment will be made at the end of January 2022.

I would like to thank you for your continued positive and collaborative support in continuing to provide the specialist MTA capability.

As you may be aware, the Minister, at the last NFCC Conference, announced that the national MTA capability will be moved under the umbrella of National Resilience and the National Resilience Assurance Team (NRAT). We are currently working through the mechanics of this with Nick Searle, Chair of National Resilience Board/NRAT. Our intention is that this move will be complete by April this year. We will update you in due course.

I am copying this letter to the Chair of your Fire and Rescue Authority and Finance Officers.

Yours sincerely,

M.Knox

Mike Knox

Interim Head of Fire Resilience and Major Events

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**Responding to New Risks - Revenue Grant Determination (FY2021/22):
Grant no: 081_Responding to New Risks 2021/2022**

Lord Stephen Greenhalgh, Minister of State for Building Safety, Fire and Communities at the Home Office (“the Minister”) in exercise of the powers conferred by section 31 of the Local Government Act 2003, makes the following determination:

Citation

1) This determination may be cited as the Responding to New Risks Revenue Grant Determination (2021/22)

Definitions

2) In this determination “the Act” means the Local Government Act 2003.

Purpose of the grant

3) The purpose of the grant is to provide support to fire and rescue authorities in England towards expenditure lawfully incurred or to be incurred by them.

Determination

4) The Minister determines that the authorities to which grant is to be paid and the amount of grant to be paid are the authorities and the amounts set out in **Annex A**.

Conditions

5) Grant paid to the Greater London Authority under this grant determination must be transferred by the Mayor to the London Fire Commissioner.

Treasury consent

6) Before making this determination, the Minister obtained the consent of the Treasury.

Signed on behalf of the authority of the Minister.

M.Knox

Mike Knox

A senior civil servant within the Home Office

27 January 2022

Annex A

Responding to New Risks – Revenue Grant Determination (2021/22)

Grant no: 081_Responding to New Risks 21/22

Fire and Rescue Authority to which the grant is to be paid	Amount
Avon Fire Authority	£54,654.50
Bedfordshire and Luton Combined Fire Authority	£54,654.50
County Durham & Darlington Fire and Rescue Authority	£28,935.50
Devon and Somerset Fire and Rescue Authority	£9,645.17
East Sussex Fire Authority	£9,645.17
Essex, Police, Fire and Crime Commissioner, Fire and Rescue Authority	£54,654.50
Gloucestershire County Council	£28,935.50
Greater London Authority	£222,590.00
Greater Manchester Combine Authority	£54,654.50
Hampshire and Isle of Wight Fire and Rescue Authority	£83,590.00
Hertfordshire County Council	£54,654.50
Humberside Fire Authority	£9,645.17
Kent and Medway Towns Fire Authority	£83,590.00
Lincolnshire County Council	£9,645.17
Merseyside Fire and Rescue Authority	£83,590.50
Norfolk County Council	£9,645.17
Nottinghamshire and City of Nottingham Fire Authority	£54,654.50
Royal Berkshire Fire Authority	£9,645.17
South Yorkshire Fire and Rescue Authority	£28,935.50
Stoke on Trent and Staffordshire Fire & Rescue Authority	£28,935.50
Tyne and Wear Fire and Rescue Authority	£54,654.50
West Midlands Fire and Rescue Authority	£54,654.50
West Sussex County Council	£54,654.50
West Yorkshire Fire and Rescue Authority	£54,654.50
Total	£1,193,518.52

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Combined Fire Authority

16 February 2022

Notes of the Human Resources Committee: 18 November 2021

Report of the Chair of the Human Resources Committee

Members Present: Cllr L Mavin in the Chair
Cllr A Batey, J Quinn and H Crumbie

Apologies: Cllr C Marshall and J Carins

Purpose of the report

1. The purpose of this report is to provide members with an update on the discussions and recommendations of the Human Resources (HR) Committee held on 18 November 2021.

Sickness Absence Performance Quarter Two 2021/22

2. The Committee was updated on the sickness absence performance for the period 1 April 2021 to 30 September 2021. Members scrutinised in detail the sickness absence for quarter two.

The Committee **noted** and **commented** on the report.

Equality, Diversity and Inclusion Strategy

3. The Committee were updated on the approach to improving the diversity of the organisation through gaining a greater understanding of the communities that County Durham and Darlington Fire and Rescue Service serves and developing positive action strategies to increase diversity in roles across the organisation.

The Committee **noted** and **commented** on the report.

Health and Safety Performance Quarter Two 2021/22

4. The Committee considered and scrutinised the services health and safety performance for quarter two.

The Committee **noted** and **commented** on the report.

County Durham and Darlington
Fire and Rescue Authority



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16 February 2022

**Notes of the Audit and Finance Committee Meeting held on
25 November 2021**

Report of the Chair of the Audit and Finance Committee

Members Present: Cllr R Bell in the Chair
Cllrs B Kellet, N Jones, H Crumbie

Purpose of the report

1. The purpose of this report is to provide members with an update on the discussions and recommendations of the Audit and Finance Committee held on 25 November 2021.

Audit Completion Report

2. Members were presented with the audit completion report.

The committee **noted** the report.

Statement of Accounts for the year ended 31 March 2021

3. Members received the statement of accounts for the financial year ended 31 March 2021.

The committee **approved** the statement of accounts.

Revenue and Capital Out-turn for the year ended 31 March 2021

4. Members were presented with the details of the revenue and financial out-turn position.

The committee **noted** the out-turn position for the financial year ended 31 March 2021.

Internal Audit Progress Report for Quarter ended 30 September 2021

5. The committee was updated on the work undertaken by Internal Audit since 31 March 2021. Progress against planned work, amendments to the annual audit plan and the audit recommendations were considered.

The committee **noted** the report.

Forecast Out-turn 2021/22 – Estimate based on expenditure and income to 30 September 2021 (quarter two)

6. Members were presented with a forecast of out-turn 2020/21 using estimates based on expenditure and income to 30 September 2021.

The committee **noted** the report.

Short Term Investments 2021/22 Quarter Two

7. Members received an update on the performance of the Authority's short-term investments for the period ended 30 September 2021.

The committee **noted** the report.

Corporate Governance Action Plan

8. Members were presented with an updated to the Corporate Governance Action Plan.

The committee **noted** and **commented** on the report.

2022/23 Budget and Medium-Term Financial Plan

9. Members were presented with information regarding the preparation of the 2022/23 budget and medium-term financial plan which highlighted the uncertainties facing the service.

The committee **noted** the report and **agreed** the recommendations.

PART B

Outstanding Audit Recommendations

11. Members noted the outstanding actions.

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County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Combined Fire Authority

16 February 2022

**Notes of the Audit and Finance Committee Meeting held on
27 January 2022**

Report of the Chair of the Audit and Finance Committee

Members Present: Cllr R Bell in the Chair
Cllrs B Kellet, A Batey

Purpose of the report

1. The purpose of this report is to provide members with an update on the discussions and recommendations of the Audit and Finance Committee held on 27 January 2022.

External Audit Annual Report

2. Members were presented with the external audit annual report.

The committee **noted** the report.

Internal Audit Progress Report

3. The committee was updated on the work undertaken by Internal Audit since 31 December 2021. Progress against planned work, amendments to the annual audit plan and the audit recommendations were considered.

The committee **noted** the report.

Corporate Risk Register Position at 31 December 2021

4. Members were presented with the corporate risk register as at 31 December 2021. Risks were discussed in turn

The committee **considered** and **noted** the report.

Forecast Out-turn 2021/22 – Estimate based on expenditure and income to 31 December 2021 (quarter three)

5. Members were presented with a forecast of out-turn for 2021/22 and noted that based on expenditure and income to 31 December 2021 an underspend of £0.033m (0.11%) is forecast at 31 March 2022.

The committee **noted** the report.

Short Term Investments 2021/22 Quarter three

6. Members received an update on the performance of the Authority's short-term investments for the period ended 31 December 2021.

The committee **noted** the report.

Revenue and Capital Budgets 2022/23 and Medium-Term Financial Plan

7. Members were presented with details of the provisional local government finance settlement for 2022/23. Members were asked to consider the revenue and capital budgets and medium-term financial plan (MTFP) and to agree a firm recommendation to the meeting of the Fire Authority on 16 February 2022.

The committee discussed the possible impacts of a council tax increase particularly the effect on residents in the current economic climate.

- (i) The committee **considered** the information in the report.
- (ii) The committee **considered** the level of council tax for the 2022/23 financial year.
- (iii) The committee **noted** the risks that had been identified as part of the budget setting process
- (iv) The committee **agreed** that a firm recommendation be made to the Combined Fire Authority meeting on 16 February 2022 that council tax for 2022/23 be increased by 1.99%.

PART B

Outstanding Audit Recommendations

8. Members noted the outstanding actions.

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County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Combined Fire Authority

16 February 2022

Notes of the Performance Committee: 9 December 2021

Report of the Chair of Performance Committee

Members Present: Cllr G Lee in the Chair
Cllr S Quinn and Cllr R Manchester

Apologies: Cllr C Marshall and K Rooney

Purpose of the report

1. The purpose of this report is to provide members with an update on the discussions and recommendations of the Performance Committee held on 9 December 2021.

Presentation - Sickness

2. The Committee was presented with data on sickness absence across the Service, with a specific focus on absence due to Covid and the mitigations established to reduce the impact on service delivery.

The Committee **noted** and **commented** on the presentation.

Performance Report Quarter 2 2021/2022

3. The Committee were updated on the operational and corporate performance indicators for quarter two of 2021/22 which shows 50% of the strategic PIs met or exceeded their target level, while 48% of the strategic PIs either maintained or improved when compared to performance last year. Indicators were discussed in turn noting where performance was strong or where additional work is being undertaken to secure improvement.

The Committee **noted** and **commented** the report.

Letters of Appreciation

4. The Committee considered the various letters of appreciation that had been submitted to the Service. In total 14 letters had been received for the quarter two period.

The Committee **noted** and **commented** on the report.

PART B

Formal Complaints

5. No formal complaints had been received by the Service in the reporting period. No complaints had been forwarded to the Local Government Ombudsman.

The Committee **noted** the report.



Combined Fire Authority

16 February 2022

Budget 2022/23

Report Under Section 25 of Local Government Act 2003

Report of Deputy Chief Executive and Treasurer

Purpose of Report

1. The purpose of this report is to provide members with information on the robustness of the estimates and the adequacy of reserves, so that Members have authoritative advice available when they make their budget decisions.

Background

2. Fire and rescue authorities (FRA's) decide each year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on the Service.
3. The decision on the level of the council tax is taken before the year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by:
 - a) making prudent allowance in the estimates for each of the services, and
 - b) ensuring that there are adequate reserves to draw on if the Service estimates turn out to be insufficient.
4. Section 25 of the Local Government Act 2003 requires that an Authority's Chief Financial Officer reports to the Authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that members will have authoritative advice available to them when they make their decisions.

Section 25 also requires Members to have regard to the report in making their decisions.

Robustness of Estimates

5. The budget process has involved Members and staff in a thorough examination of the budget now recommended to the Authority.
6. During the budget process risks have also been identified. It is anticipated that these risks can be managed using contingencies and if necessary, reserves.
7. The budget has been the subject of extensive consultation and challenge. Community representatives and the representatives of the National Non-Domestic Rate Payers have had the opportunity to comment on the budget and the proposals.
8. In my view, the robustness of the estimates has been ensured by the budget process, which has enabled all practical steps to be taken to identify and make provision for the Authority's commitments in 2022/23.
9. It should be noted that plans for 2023/24, 2024/25 and 2025/26 are based on a range of assumptions and estimates for these years are therefore less robust at this stage.

Adequacy of Reserves

10. The CIPFA Local Authority Accounting Panel (LAAP) has issued a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 55) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's 2003 Statement on the Role of the Finance Director in Local Government. It would be best practice to follow this guidance.
11. The guidance however, states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of the budget. Each local authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.
12. The Fire and Rescue National Framework for England document makes specific reference to reserves and requires (FRA's) to provide information to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the FRA's medium-term financial plan (MTFP). In addition, authorities are required to provide justification for holding a general reserve larger than 5% of budget.
13. A general reserve of 5% of budget is considered adequate taking account of the risks associated with the MTFP and the Authority's track record of delivering efficiency savings and sound budget management.
14. The reserves policy is that the Authority will:
 - Set aside sufficient sums in earmarked reserves as it considers prudent to do so. The Treasurer will be authorised to establish such reserves as required and to review them for adequacy and purpose on a regular basis.
 - Aim to maintain a general reserve of 5% of net expenditure, currently £1.46m.
15. In coming to a view on the adequacy of reserves, account needs to be taken of the risks facing the Authority. The Annual Governance Statement, within the Authority's Statement of Accounts, gives assurance in relation to the organisation's arrangements for the

management of risk and ensuring proper arrangements are in place for governing its affairs and looking after the resources at its disposal.

16. The risk management process has identified several key risks which could impact on the Authority's resources. These risks which are outlined in the Authority's MTFP are likely to impact in the short to medium term.
17. The setting of the level of reserves is an important decision, not only in the budget for 2022/23 but also in the formulation of the MTFP.
18. In my view, if the Authority were to accept the Finance Committee's recommendations regarding the 2022/23 revenue budget, the level of council tax and capital expenditure, then the level of risks identified in the budget process, alongside the Authority's financial management arrangements, suggest that the level of reserves is adequate.

Recommendation

19. Members are **recommended** to:
 - a) **note** the Treasurer's assessment of the robustness of estimates and adequacy of reserves: and
 - b) **have regard** to this report when approving the budget and the level of council tax for 2022/23.

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Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



Combined Fire Authority

16 February 2022

2022/23 Revenue Budget and Council Tax, Capital Programme and Medium-Term Financial Plan

Report of Treasurer and Chief Fire Officer

PURPOSE AND STRUCTURE OF THE REPORT

- 1 The purpose of the report is to enable the Authority to:
 - approve a revised revenue budget for 2021/22
 - approve a revenue budget for 2022/23
 - approve the Medium-Term Financial Plan (MTFP)
 - approve the capital budgets for 2022/23 to 2025/26
 - determine the Fire Authority Council Tax Requirement
 - approve the associated resolutions

- 2 The report is divided into 11 sections:
 - Section A - Background (page 2)
 - Section B - Consultation (page 3)
 - Section C - Local Government Finance Settlement (page 4)
 - Section D – Reserves Strategy (page 6)
 - Section E – Medium-Term Financial Plan (MTFP) (page 11)
 - Section F – Revenue Budget (page 19)
 - Section G - Capital Strategy (page 20)
 - Section H- Fire Authority Council Tax Requirement (page 25)
 - Section I - Prudential Code (page 28)
 - Section J - Treasury Management (page 33)
 - Section K - Summary of Recommendations (page 47)

SECTION A

BACKGROUND

- 1 A meeting of the Audit and Finance Committee was held on 27 January 2022 to consider the revenue and capital budgets, together with the MTFP. This report incorporates the recommendations of the Committee regarding the overall budget amount and the level of council tax for 2022/23.

SECTION B

CONSULTATION

- 1 The Authority has undertaken on-going consultation with a wide range of stakeholders on the Community Risk Management Plan (CRMP) and the budget. The consultation process involved a wide range of stakeholders including:
 - Our staff
 - Representative Bodies
 - The public
 - Our partner agencies
 - Local councillors
 - Parish councils
 - Residents' associations
 - Area Action Partnerships
 - Community groups
 - Representatives of the Non-Domestic Ratepayers.

- 2 Various methods of communication have been used in the consultation process and these included:
 - An on-line survey
 - Durham County Council and Darlington Borough Council staff
 - Messages about the survey and links to it from Twitter and Facebook via the Service accounts as well as the partner organisations (listed above)
 - Direct emailing to stakeholders (incl. Voluntary Sector, Businesses, Faith Groups)
 - Online events with the public (eg Facebook live)
 - Presentations to various strategic groups of Darlington Borough Council and Durham County Council including Overview and Scrutiny Committees
 - Presentations at Resident Association meetings
 - Presentations at Parish and Town Council meetings
 - Presentations to Area Action Partnership meetings
 - Briefings to all CDDFRS staff. Information also included in several staff bulletins and Communications Forums

- 3 Consultation on the budget and proposals for achieving efficiency savings have taken place with staff and the representative bodies on a regular basis. Meetings have been productive and focused on considering savings options that minimise any increase in risks in local communities.

- 4 It is **recommended** that members take into account the views of those consulted as they consider the budget and MTFP proposals.

SECTION C

LOCAL GOVERNMENT FINANCE SETTLEMENT

Settlement Funding Assessment

- 1 The government has once again issued a one-year funding settlement for 2022/23, compounding the uncertainty surrounding future funding. At the time of writing this report the final settlement figures for 2022/23 had not been released therefore this report is based on the provisional settlement figures. The final settlement is expected to be released on 09 February 2022 however the figures are not expected to change. An update on the final settlement position will be provided to members at the meeting.
- 2 Alongside the settlement the government announced a one-off Services Grant that will be distributed through the existing Settlement Funding Assessment in 2022/23. The future distribution of this grant will be decided following consultation with local authorities.
- 3 The Settlement Funding Assessment has been calculated by formula and is the Government's assessment of the financial resources to be provided from a combination of revenue support grant, local business rates income and top-up grant. Table 1 below sets out the settlement figures for 2022/23 and the current year (2021/22).

Table 1: Settlement Funding Assessment

Description	2021/22 £m	2022/23 £m
Government Funding	9.190	9.297
Local Non-Domestic Rates	1.432	1.391
Settlement Funding Assessment	10.622	10.688
Services Grant	0	491
Total	10.622	11.179
Change in Funding	-0.052	+0.557
% Change in Funding	-0.5%	+5.2%

- 4 The Authority's funding will increase by £0.557M (5.2%) in 2022/23. The position beyond 2022/23 remains very uncertain and in view of this uncertainty the Authority will need to continue to prepare for further reductions in funding going forward. We are unlikely to have longer term certainty around funding until the end of 2022.

Local Council Tax Referendum

- 5 The Government has also announced details of the local council tax referendum limits for 2022/23.
- 6 Any fire authority that wishes to increase council tax in 2022/23 by 2% or more, as compared to the 2021/22 council tax level will be required to hold a referendum.

Recommendation

- 7 It is **recommended** that the Authority notes the 2022/23 settlement funding assessment and the uncertainty around the funding position from 2023/24 onwards.

SECTION D

RESERVES STRATEGY

Background

- 1 The Fire and Rescue National Framework for England sets out the priorities and objectives for fire and rescue authorities (FRA's) and makes specific reference to reserves. The document requires FRA's to provide information to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the FRA's MTFP.
- 2 The information which FRA's are required to publish includes:
 - How the level of the general reserve has been set
 - Justification for holding a general reserve larger than 5% of budget
 - Details of the activities or items to be funded from each earmarked reserve and how they support the FRA's strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund several projects or programmes (for example a change or transformation reserve), details of each programme or project to be funded should be set out.
- 3 The information on each reserve should make clear how much of the funding falls into the following three categories:
 - a. Funding for planned expenditure on projects and programmes over the period of the current MTFP.
 - b. Funding for specific projects and programmes beyond the current planning period.
 - c. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

Reserves Policy

- 4 The Authority's reserves are held as:
 - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. This forms part of general reserves.

- A contingency to cushion the impact of unexpected events or emergencies. This also forms part of general reserves.
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

5 The current reserves policy is that the Authority will:

- Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
- Aim to maintain a general reserve of 5% of the net expenditure, currently £1.46m.

Estimated Reserves Position

6 The estimated reserves position for the period 2021/22 to 2025/26 is set out in Table 2 below:

Table 2: Estimated Reserves Position 2021/22 – 2025/26

Reserve	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
General Reserve	1.459	1.459	1.459	1.459	1.459
Earmarked Reserves	5.682	4.841	4.047	4.047	4.047
TOTAL RESERVES	7.141	6.300	5.506	5.506	5.506

General Reserve

7 The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. However, given the high level of influence that third parties such as the Local Government Employers and government departments have on income and expenditure there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for. As a single purpose authority, the Authority has no opportunity to use cross service subsidies to meet unanticipated expenditure. Therefore, proportionally, it's general reserve may be slightly higher than a multi-purpose authority.

8 The Authority has a policy to maintain the general reserve at 5% of the net expenditure which is a commonly used benchmark across the fire sector. A risk assessment of the adequacy of the Authority's general reserve is carried out at

the year-end and any necessary adjustments are made as part of the final accounts process. A general reserve of 5% of net expenditure is adequate taking account of the risks associated with the MTFP, the level of earmarked reserves and the Authority's track record of delivering efficiency savings and sound budget management.

Earmarked Reserves

- 9 The Authority holds the following earmarked reserves to meet known or predicted liabilities:

Pensions Reserve (General Contingency)

The purpose of the pensions reserve is to meet any unforeseen pension costs which may arise due to changes to pension schemes, or any increase in the level of ill-health retirements over and above the level included in the revenue budget. Each higher tier ill-health retirement can cost in the region of £125K therefore the pensions reserve equates to the equivalent of an additional 4 higher tier ill-health retirements over the four-year MTFP period.

Insurance Reserve (General Contingency)

The excess levels on the Authority's insurance policies are significant and the purpose of this reserve is to meet any unexpected increase in the level of claims excesses that may arise over and above the sums included in the revenue budget. Provision has not been made in the revenue budget to cover the payment of policy excesses which are £50K on the vehicle insurance policy and £100K on the public and employer's liability policies.

Resilience Reserve (General Contingency)

The National Framework requires the Authority to maintain national resilience capabilities in a high state of operational readiness. The funds in this reserve have been set aside to meet any unforeseen costs which may arise to meet this obligation and any costs associated with a business continuity event such as a prolonged period of industrial action or the need to support a significant operational incident over a prolonged period, either within our area or elsewhere.

Civil Resilience Reserve (Funding for Projects)

The funds in this reserve reflect the balance of unspent grant, earmarked for Civil Resilience expenditure.

Modernisation Reserve (Funding for projects)

The funds in this reserve are earmarked to fund expenditure on future improvements to the Authority's estate.

Emergency Services Mobile Communications Programme (Grant funding for a planned project)

The reserve comprises of the balance of unspent grant, earmarked to fund the replacement national mobile communications systems. Whilst the funds in this reserve are not legally or contractually committed at this stage, they will be fully utilised over the MTFP period to finance the replacement systems.

Community Safety Reserve (Funding for Projects)

This reserve is made up of the balance of unspent grant to enable specific community safety improvements to be undertaken. This balance is expected to be fully utilised during 2022/23.

New Risks Reserve (Grant Funding for a planned project)

This reserve holds the balance of unspent grant, earmarked to fund the response to emerging new risks. This balance is expected to be fully utilised during 2022/23.

Training Reserve (Funding for Projects)

This reserve holds the balance of unspent income, earmarked to fund future training programmes. This balance is expected to be fully utilised during 2022/23.

Strategic Finance Reserve (General Contingency)

This reserve holds funds to ensure the continuity of service provision, in the event of future funding pressures. This balance is expected to be substantially utilised during 2022/23.

IT Projects Reserve (Funding for Projects)

This reserve holds the balance of unspent income, earmarked to fund future IT projects. This balance is expected to be fully utilised during 2022/23.

- 10 The estimated movement on each of the earmarked reserves during the period 2021/21 to 2024/25 is set out in Table 3 below:

Table 3: Earmarked Reserves 2021/22 to 2025/26

Earmarked Reserve	Estimated Balance at 01/04/22 £m	Transfers to Reserves £m	Use of Reserves £m	Estimated Balance 31/03/26 £m
Pensions	0.500	0	0	0.500
Insurance	0.285	0	0	0.285
Resilience	1.125	0	-0.500	0.625
Civil Resilience	0.020	0	-0.020	0
Modernisation	2.637	0	0	2.637
ESMCP	0.731	0	-0.731	0
Community Safety	0.158	0	-0.158	0
New Risks	0.032	0	-0.032	0
Training	0	0	0	0
Strategic Finance	0.126	0	-0.126	0
IT Projects	0.068	0	-0.068	0
TOTAL	5.682	0	-1.635	4.047

Recommendations

11 It is **recommended** that the Authority:

(a) Agrees to the policy for reserves, that the Authority will:

- Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
- Aim to maintain a general reserve of 5% of the net expenditure, currently £1.46m.

SECTION E – MEDIUM-TERM FINANCIAL PLAN

This section provides a summary of the MTFP for 2022/23 to 2025/26.

Basis of the Preparation of the Medium-Term Financial Plan

- 1 The MTFP has been revised to take account of the settlement information and to incorporate 2022/23 and future year's expenditure and income estimates.

Resources

Settlement Funding

- 2 Details of the Local Government Finance Settlement are outlined in Section C. The Government has once again only provided a one-year settlement and funding has increased by £0.557m (5.2%) in 2022/23. The funding position beyond 2022/23 is currently unknown and we are unlikely to have longer term certainty regarding the level of funding until late 2022.

Council Tax

- 3 The MTFP has been calculated based on the assumption that council tax will increase by 1.99% in 2022/23 and by 1.99% in each of the financial years included in the MTFP thereafter. Members will need to review these assumptions noting that each 1% change in council tax results in a variation of approximately £191,000.

Council Tax and Business Rates Collection Fund

- 4 The impact of COVID-19 on council tax and business rates receipts in 2021/22 has again been significant. The Authority has been notified by Durham County Council and Darlington Borough Council of forecast deficits on the council tax collection and business rates collection funds for 2021/22. The Authority's estimated share of the 2021/22 collection fund deficits is £0.519m.
- 5 The estimated deficits on the collection funds in 2021/22 of £0.519m will need to be included in the budget requirement for 2022/23.

Budget Pressures

- 6 Several budget pressures have been identified which have been incorporated into the MTFP:

Pay Awards

- 7 In line with the government's policy on public sector pay, no allowance was made in the 2021/22 budget for pay awards. However, firefighters were awarded a 1.5% pay award from 01 July 2021 and corporate staff have been offered a 1.75%

pay award effective from 01 April 2021. The estimated cost of the 2021/22 pay awards in 2022/23 is £370,000. From 2022/23 onwards the MTFP includes a pay award of 2% per annum for all staff groups. Each additional 1% increase in pay for the whole workforce costs in the region of £250,000. Any unfunded pay increase above the level included in the MTFP would therefore have a significant impact on the forecast deficit.

Inflation

- 8 The Authority has been notified of a significant increase in the cost of gas and electricity totalling £110,000 in 2022/23. For budget purposes all non-pay budgets have been frozen at 21/22 levels except for gas and electricity. Budget holders will be expected to contain spend within existing budgets by reducing demand where necessary. An allowance to cover exceptional inflationary pressures has been made within the contingencies budget which can be allocated to budget holders on an exceptional basis should the need arise.

Health and Social Care Levy

- 9 On 7 September 2021, the Government announced the creation of a new Health and Social Care levy which commences from 6 April 2022. For the 2022/23 tax year the levy will be implemented by a 1.25% increase in the rate of national insurance contributions (NICs) paid by both employers and employees. From April 2023, this will be replaced with a new tax - the "Health and Social Care Levy". For 2022/23 the Authority has received government funding to offset the rise in NIC's via the one-off Services Grant however at this stage it is not clear how this funding will be paid in future years. The Services Grant forms part of the 5.2% increase in the Settlement Funding Assessment outlined on page 4.

Firefighters Pension Scheme (FPS)

- 10 Following the last valuation of the Firefighters' Pension Scheme there was an average increase of 12.6% in the employer's contribution rate which resulted in an increase of £1.560m in the overall cost. The Government have made grant funding available towards the additional cost in 2021/22 and we have been informed that this funding will continue in 2022/23. We expect this funding to be mainstreamed into the settlement funding assessment at some point in the future.

COVID-19

- 11 The Authority received government grant in 2020/21 to deal with the impact of COVID-19 however no government funding was made available in 2021/22. Should the Authority continue to incur expenditure related to COVID-19 during 2022/23 it may be necessary to use reserves as no provision has been made in the MTFP for this additional cost.

Efficiency Savings

- 12 The 2022/23 revenue budget has been constructed using a zero-based approach and all budget heads have been reviewed with an emphasis on the identification of efficiency savings. Where savings have been identified based on historic and predicted future spend the relevant amount has been removed from the 2022/23 budget.

Staff Vacancies

- 13 To allow for the future implementation of savings options and minimise the need for compulsory redundancies, a recruitment freeze has been in place since December 2021. The 2022/23 pay budget has been reduced to incorporate operational and corporate staff vacancies which will help to smooth the transition prior to the implementation of any changes.

Medium Term Financial Plan

- 14 The MTFP incorporates 2022/23 and future year's expenditure and income estimates. The estimates for 2023/24 onwards are less robust as they are based on assumptions therefore there is a significant risk that the actual position could turn out to be different.
- 15 The MTFP is based on assumptions which are set out in table 4 below. At this stage the assumptions are considered to be reasonable based upon the information that is available.

Table 4: MTFP Assumptions

	2022/23	2023/24	2024/25	2025/26
Income Assumptions				
Council Tax Base	+1.75%	+1.00%	+1.00%	+1.00%
Council Tax Level	+1.99%	+1.99%	+1.99%	+1.99%
Settlement Funding Assessment	+5.2%	+2.00%	+2.00%	+2.00%
Expenditure Assumptions				
Pay Awards	+2.00%	+2.00%	+2.00%	+2.00%
Inflation	-	+2.00%	+2.00%	+2.00%

- 16 The Authority has been notified of collection fund deficits (the reduction in council tax and business rates collected over that which was budgeted to collect) in

relation to 2021/22 which have been included in the 2022/23 budget. No surplus or deficit has been incorporated into the MTFP models for future years.

- 17 The MTFP in Table 5 below is based on the assumptions outlined in Table 4 and include a 5.2% increase in government funding in 2022/23 as notified in the Provisional Settlement.

Table 5: Medium Term Financial Plan

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Net Expenditure	30.702	32.350	33.280	34.252
Contribution from Reserves	0.500	0	0	0
Revised Net Expenditure	30.202	32.350	33.280	34.252
Total Government Funding	9.297	9.482	9.673	9.866
Local Non-Domestic Rates	1.391	1.391	1.391	1.391
Council Tax	19.542	20.131	20.736	21.361
Services Grant	0.491	0.501	0.511	0.521
Deficit on Collection Fund	(0.519)	(0.123)	0	0
Total Funding	30.202	31.382	32.311	33.139
Surplus/(Deficit)	0	(0.968)	(0.969)	(1.113)

- 18 To arrive at a balanced budget position in 2022/23, it will be necessary to draw £0.500m from reserves. The use of reserves to balance the budget is not sustainable on an on-going basis. If there is no increase in the level of government funding or the council tax referendum limit going forward, alternative methods of service delivery will need to be considered and agreed to balance the budget from 2023/24 onwards.

Impact of Changes to Assumptions on the MTFP

- 19 Several assumptions have been made in relation to settlement funding, council tax, pay, prices and pension costs across the MTFP period. Table 6 below sets out the potential impact of changes to the main assumptions on the MTFP position:

Table 6: Impact of Changes to Expenditure and Income Assumptions

Impact of Changes to Expenditure Assumptions	Annual Impact £m
1% change in level of pay award	£0.248
1% change in level of Inflation	£0.076
1% change in level of council tax	£0.191
1% change in level of settlement funding	£0.112

Alternative MTFP Scenarios

20 There is a great deal of uncertainty surrounding the level of inflation, pay awards and funding going forward. Whilst it is impossible to predict what might happen in the future, four alternative scenarios have been modelled for illustrative purposes:

- **Model 1 Increased Pay Awards and Inflation**

The MTFP includes increases in pay awards and inflation of 2% in each year. This model sets out the impact of pay awards and inflation of more than 2% over the MTFP period. An increase of 3.5% in 2022/23, 3.0% in 2023/24, 2.5% in 2024/25 and 2% in 2025/26 has been assumed in this model.

Table 7 Alternative Scenario Model 1

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
MTFP Deficit	0	(0.968)	(0.969)	(1.113)
Model 1 Deficit	(0.639)	(1.967)	(2.163)	(2.331)
Increase in Deficit	(0.639)	(0.999)	(1.194)	(1.218)

- **Model 2 Increase in Council Tax Base of 1.75% in all years.**

The MTFP includes increases in the council tax base of 1.75% in 2022/23 and 1% 2023/24, 2024/25 and 2025/25. An increase in the council tax base of 1.75% in each year has been assumed in this model.

Table 8 Alternative Scenario Model 2

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
MTFP Deficit	0	(0.968)	(0.969)	(1.113)
Model 2 Deficit	0	(0.818)	(0.659)	(0.633)
Reduction in Deficit	0	0.150	0.310	0.480

- **Model 3 A one-off £5 increase in council tax in 2023/24**
The MTFP includes council tax increases of 1.99% in each year. A one-off increase of £5 in 2023/24 in line with the flexibility granted to the 8 lowest precepting services has been assumed in this model.

Table 9 Alternative Scenario Model 3

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
MTFP Deficit	0	(0.968)	(0.969)	(1.113)
Model 3 Deficit	0	(0.461)	(0.446)	(0.575)
Reduction in Deficit	0	0.507	0.523	0.538

- **Model 4 Services Grant received in 2022/23 only**

Alongside the settlement the government announced a Services Grant that will be distributed through the existing Settlement Funding Assessment in 2022/23. The future distribution of this grant will be decided following consultation with local authorities therefore the MTFP has been compiled on the assumption that this funding will continue beyond 2022/23. This model sets out the impact of no further funding from this source beyond 2022/23.

Table 10 Alternative Scenario Model 4

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
MTFP Deficit	0	(0.968)	(0.969)	(1.113)
Model 4 Deficit	0	(1.469)	(1.479)	(1.634)
Increase in Deficit	0	(0.501)	(0.510)	(0.521)

- 21 The alternative scenario models set out above illustrate how sensitive the overall MTFP deficit position is to small changes in the underlying assumptions.

Balancing the Budget over the Medium-Term

- 22 At the Fire Authority strategic planning day on 29 October 2021, members received an update on the options that have been modelled to shape the Service's Emergency Response provision in future years together with alternative options for service delivery. A summary of the options is set out in Table 11 below:

Table 11: Summary of Options

	Option	Saving £m	Response Standards Impact
1	Ride with a crew of 4 on all appliances	0.720	Least
2	SRU Unit Crewed	0.196	Least
3	Remove 1 x station TRV	0.196	Least
4	Phase 2 of the Service Restructure	0.078	None
5	Review of SLT and Middle Managers	0.328	None
6	Service Headquarters	0.200	None
7	2 x stations to day crewing	0.794	Greater
8	2 x stations 2 nd pump to day crewing	0.698	Greater
9	2 x stations 1 pump and 1 TRV	1.439	Greater
10	2 x stations to RDS only	1.293	Greatest
11	2 x stations removal of 2 nd pump	1.803	Greatest

- 23 At this stage none of the above options have been incorporated into the budget for 2022/23 or the MTFP.
- 24 If there is no increase in the level of government funding or the council tax referendum limit going forward, members will need to consider the implementation of some of the options above to balance the MTFP from 2023/24 onwards.

Risks

- 25 The Authority has embedded risk management as part of its overall control framework and reviews financial risks on a regular basis. Risks have also been

fully reviewed as part of the overall budget setting process for 2022/23 and over the medium-term.

26 There are several risks associated with the MTFP that need to be considered as part of the budget setting process:

a) Local Business Rates Retention

The Local Business Rates Retention Scheme introduces risks in relation to the Authority being exposed to fluctuations in business rates income in County Durham and Darlington. The Authority is also exposed to collection rate risk and if collection rates fall, then there will be a direct impact on the Authority's available financial resources.

b) Local Council Tax Benefit Schemes

The local council tax benefit schemes in Durham County Council and Darlington Borough Council expose the Authority to a further council tax collection rate risk.

c) COVID-19

No further government funding has been announced to meet costs associated with COVID-19. Should the Authority continue to incur expenditure on COVID-19 it may be necessary to use reserves as no provision has been made in the MTFP for this additional cost.

d) Expenditure and Income Assumptions

Several assumptions have been made in relation to settlement funding, pay, prices and pension costs across the MTFP period. Whilst the assumptions are considered to be reasonable at this stage, there is a risk that the actual position could turn out to be different.

e) Firefighter Pensions

The employer costs of pensions are extremely difficult to forecast with any certainty. The outcome of the valuation exercise for the Firefighters Pension Scheme resulted in an increase of 12.6% in the average employer's contribution rate. The government have stated that grant funding will continue to be made available towards the additional cost however there is a risk that the Authority does not receive sufficient funding from 2023/24 onwards if this funding is mainstreamed into the settlement.

27 The above risks will be closely monitored, and the Authority will be notified of any significant movement in the financial assumptions and projections that have been made within the MTFP.

Value for Money

28 The Authority's approach to identifying efficiency savings is based on the principle of providing value for money to local taxpayers. The savings that have

been identified as part of the budget setting process are focused on reducing cost whilst at the same time minimising the impact on the level of risk in local communities.

Recommendations

29 It is **recommended** that the Authority:

- (a) Agrees the Medium-Term Financial Plan.
- (b) Notes the Treasurer's comments on the robustness of the estimates, the adequacy of reserves and the risks in the budget, as set out in the separate report under Section 25 of the Local Government Act 2003.

SECTION F

REVENUE BUDGET

Introduction

- 1 This section sets out the revised revenue budget for 2021/22 and the revenue budget for 2022/23.

Revised Revenue Budget 2021/22

- 2 During the year, the revenue budget is monitored and reports outlining spending against budget are regularly considered by the Finance Committee. Estimates are revised as pressures and opportunities for savings are identified and virement is exercised in accordance with the financial regulations of the Authority. Details of the revised 2021/22 revenue budget are set out in Appendix A.
- 3 Based upon expenditure and income to 31st December 2021, net expenditure for 2021/22 is forecast to be within the approved budget.
- 4 To secure the financial position of the Authority going forward, it is recommended that the Treasurer is authorised to make any proper accounting transactions that would be in the interests of the Authority in relation to the accounts for 2021/22.

Revenue Budget 2022/23

- 5 The revenue budget for 2022/23 includes provision for pay awards, inflation, capital financing and any known variations. Due to the current financial climate, attention has been focussed on the achievement of further efficiencies during the preparation of the budget. To arrive at a balanced budget for 2022/23 it will be necessary to make a one-off contribution from reserves of £0.500M.
- 6 The net revenue budget for 2022/23 totals £30,202,276. Details of the revenue budget are set out in Appendix A.

Recommendations

- 7 The following resolutions are **recommended** to the Authority:
 - (a) That the revised revenue budget for 2021/22 as set out in Appendix A be approved.
 - (b) That the Treasurer be authorised to make any proper accounting transactions that would be in the interests of the Authority in relation to the accounts for 2021/22.
 - (c) That the revenue budget for 2022/23 as set out in Appendix A be approved.

SECTION G

CAPITAL STRATEGY 2021/22 TO 2025/26

Background

- 1 The CIPFA Prudential Code for Capital Finance in Local Authorities, sets out key objectives to ensure capital programme decisions are affordable, prudent, and sustainable. Under the Prudential Code, the Authority is required to produce a Capital Strategy, which must be considered and approved annually by Members. A revised Prudential Code was published in December 2021 and any changes under the revised Code will be formally adopted in 2023/24.

Purpose and Principles

- 2 The principles of the Capital Strategy are:
 - To ensure capital resources are aligned with the corporate priorities of the Authority.
 - To maintain the Authority's assets and infrastructure.
 - To maintain an affordable rolling capital programme.
 - To only undertake Prudential Borrowing where there are sufficient monies to meet the full borrowing and running costs of capital expenditure.
- 3 These principles have been followed when developing the capital programme, within the framework of the MTFP.
- 4 It is essential that the Authority ensures that its assets are in good condition and that it delivers a good service through the best use of its assets. Where assets are identified as surplus to requirements, they will be disposed of appropriately and where possible, will generate a capital receipt. Such capital receipts contribute towards the costs of future asset investment and development.

Monitoring

- 5 The Authority will undertake frequent monitoring of the agreed capital programme, including the funding of this programme. All expenditure incurred in delivering the capital programme must be compliant with the defined finance and procurement policies and procedures.

Funding

- 6 There are several available options for the financing of capital expenditure. Typically, this will be financed through a combination of revenue contributions or use of reserves, capital grants, capital receipts and borrowing, as defined below:
- Revenue Contributions – the revenue budget can include an amount allocated to support the funding of the capital programme.
 - Use of Reserves – revenue resources held in the Authority’s modernisation reserve are set aside to fund capital expenditure.
 - Capital Grants – external grant funding may be available for some projects. Such funding must be applied for and utilised for the specific project. The Government have not announced any available capital grant funding for 2022/23.
 - Capital Receipts – cash receipts generated from the disposal of assets deemed to be surplus to requirements will be used to support new capital investment or to offset any future debt.
 - Borrowing – prudential borrowing can be used to fund capital expenditure. This is on condition that any borrowing is affordable, prudent and sustainable over the medium term. As part of the annual budget setting process, a range of calculations, known as prudential indicators, are completed to demonstrate this and ensure that when developing the MTFP, the cost of interest charges and the repayment of principal is taken into account.

Capital Receipts Strategy

- 7 Prior to the start of each financial year, under the statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), Local Authorities are required to publish a strategy on the planned use of capital receipts. Generally, capital receipts must only be utilised to support the purchase of capital expenditure. However, in March 2016, statutory guidance issued by the Government allowed a variation to this.
- 8 The Statutory Guidance on the Flexible Use of Capital Receipts allowed capital receipts to fund revenue expenditure costs which would generate ongoing savings, relating to sharing back-office services, service reform, collaboration and driving digital delivery. This permission was initially applied from 1 April 2016 to 31 March 2019, but it was subsequently confirmed in the Local Government Finance Settlement, issued in February 2018, that this would be extended by a further 3 years to April 2022. Any transformation revenue costs which will be

incurred by 31 March 2022 and funded from capital receipts received between 1 April 2016 and 31 March 2022 must be detailed in the strategy.

- 9 The utilisation of capital receipts to fund expenditure that would usually be funded from revenue resources prevents these receipts from being available for investment in capital. To date, the Authority has not made use of the option to fund any revenue reform costs from capital receipts and the MTFP does not include any such funding. Any changes to this plan in the future would be considered on an individual project basis and any expected savings or service transformation proposals would be reported to the Authority for their consideration. The Authority is not expected to receive a significant level of capital receipts in 2022/23, but any received will be used to fund capital expenditure, reducing the need to borrow.

Significant Capital Projects

- 10 The main capital projects included in the Authority's Capital Programme are outlined below:
- **Premises** - A range of further improvements have been identified and developed from our Equality, Diversity and Inclusion working group, who seek to ensure our premises are fit for an increasingly diverse workforce; and our Contaminants working group, identifying improvements to storage, handling and cleaning of Personal Protective Equipment which has been exposed to carbonaceous environments. To comply with current legislation major modernisation works are required at Wheatley Hill fire station and provision has been made in 2022/23 for completion of the works at an estimated cost of £0.700M. This will also eliminate outstanding backlog maintenance totalling £0.353M. The premises budget also includes an allowance for minor works to ensure that the condition of the Authority's property portfolio is maintained, and any improvements or enhancements are undertaken whenever it is necessary and appropriate.
 - **Vehicle Replacement** – a comprehensive plan is in place to replace the operational fleet of fire appliances and specialist vehicles, pool cars and response vehicles when they reach the end of economic life. This is reviewed on an ongoing basis to identify any changes in the number and types of vehicles required to facilitate operational capacity.
 - **Equipment Replacement** – Equipment and IT assets are replaced in line with a detailed plan, which is subject to regular review.

- 11 All capital projects are subject to an assessment of risk and outcomes, as well as identifying any savings and efficiencies that can be achieved. The Authority seeks to collaborate with other partner agencies wherever possible, in order to maximise efficiencies and improvements to service.

Capital Expenditure

- 12 The Prudential Code requires that all decisions made by the Authority in relation to capital expenditure, investments and borrowing are prudent and sustainable. Therefore, the Authority must consider arrangements for debt repayment, risk and the impact on overall fiscal sustainability. The Authority should make reasonable estimates of the anticipated capital expenditure throughout the period covered by the MTFP.
- 13 The estimates of capital expenditure, along with the proposed sources of finance are outlined in Table 12 below:

Table 12: Capital Budgets 2021/22 – 2025/26

	2021/22 Revised £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Premises	900	1,000	250	250	250
IT	240	150	150	150	150
Equipment	653	479	214	1,037	647
Vehicles	596	1,487	956	1,023	1,683
TOTAL	2,389	3,116	1,570	2,460	2,730
Funded by:					
Capital contributions	0	0	0	0	0
External borrowing	2,389	3,116	1,570	2,460	2,730
TOTAL FUNDING	2,389	3,116	1,570	2,460	2,730

- 14 A significant amount of work has been undertaken to ensure that the capital budgets proposed for the medium term are reflective of the Authority's priorities and are affordable in terms of associated revenue expenditure. The revenue costs associated with the capital programme have been incorporated into the MTFP.

Capital Financing Requirement

- 15 Under the Prudential Code, it is necessary for the Authority to calculate its Capital Financing Requirement (CFR), which relates to all unfunded capital expenditure,

not yet permanently financed through the revenue account. The Authority's Capital Financing Requirement is set out in Table 13 below:

Table 13: Capital Financing Requirement 2021/22 – 2022/23

	2021/22 £000	2022/23 £000
Opening CFR	13,249	15,687
Capital Expenditure	2,829	3,116
Sources of Finance:		
Revenue Contributions	0	0
Transfers from Reserves	0	0
Minimum Revenue Provision (MRP)	-391	-470
Closing CFR	15,687	18,333

External Debt

- 16 All borrowing is undertaken from the Public Works Loan Board (PWLB). The outstanding external borrowing from PWLB as at 31st March 2021 was £2.000m. The estimated borrowing requirement based upon the capital programme contained within the MTFP is set out in Table 14 below:

Table 14: Estimated Borrowing Requirement 2022/23 – 2025/26

2022/23	2023/24	2024/25n	2025/26
£000	£000	£000	£000
9,291	1,571	2,460	2,731

Knowledge and Skills

- 17 Capital and Treasury Management are managed by professionally qualified accountants, who also have significant experience within local government. External professional advice is procured where required and members receive appropriate training on a variety of financial subjects, provided by officers and external providers.

Recommendations

- 18 It is **recommended** that the Authority approves the revised capital budget for 2021/22 and the capital budgets for 2022/23 to 2025/26.

SECTION H

FIRE AUTHORITY COUNCIL TAX REQUIREMENT

Council Tax

- 1 Taking into account the information outlined in Sections F and G, the budget has been constructed to include the assumption that council tax will be increased by 1.99%.
- 2 This will increase basic council tax from the 2021/22 level of £107.55 to £109.69 in 2022/23.
- 3 Members are **requested** to determine the level of Council Tax for 2022/23.

Calculation of the Council Tax Requirement

- 4 The calculation of the council tax requirement takes the Authority's net expenditure and deducts contributions from Government in respect of revenue support grant and top up grant, together with the business rates income receivable from Durham County Council and Darlington Borough Council. Allowance must also be made for the Authority's share of any surplus or deficit on Durham County Council and Darlington Borough Council Collection Funds.
- 5 Assuming net revenue expenditure of £30,202,276 the calculation is shown in Table 15 below:

Table 15: Calculation of the 2022/23 Council Tax Requirement

	£	£
Net Revenue Expenditure		30,202,276
Less:		
Revenue Support Grant	3,606,038	
Top Up Grant	5,691,126	
Business Rates Income	1,390,796	
Services Grant	491,039	
Collection Fund Surplus / Deficit	-519,126	
		10,659,873
Council Tax Requirement		19,542,403

Council Tax Base

- 6 The 'council tax bases' of Durham County Council and Darlington Borough Council are used to calculate the proportion of the Fire Authority's total precept to be levied on each local authority. The tax base is the estimated full year equivalent number of chargeable 'Band D' dwellings with two or more liable adults in respect of which tax will be received. The 'council tax bases' for 2022/23 as notified to the Fire Authority are set out in Table 16 below:

Table 16: Council Tax Base and Precept 2022/23

Authority	Council Tax Base	Precept £
Durham County Council	143,695.80	15,761,992.30
Darlington Borough Council	34,464.50	3,780,411.01
Total	178,160.30	19,542,403.31

Calculation of Fire Authority's Basic Council Tax

- 7 The basic council tax for the Authority is calculated by dividing the council tax requirement by the aggregate of the tax bases as shown below:

$$\frac{\text{Council Tax Requirement}}{\text{Aggregate Council Tax Base}} = \text{Basic Council Tax (At Band D)}$$

$$\frac{19,542,403.31}{178,160.30} = \text{£}109.69$$

- 8 A Basic Council Tax of £109.69 represents a 1.99% increase from the 2021/22 level.

Precept Instalments

- 9 Following discussions with the Treasurers of the collecting authorities, the following dates for the payment of the precept in ten equal instalments have been agreed:

- (a) Durham County Council:

04 April 2022	02 September 2022
03 May 2022	03 October 2022
06 June 2022	02 November 2022
04 July 2022	02 December 2022
02 August 2022	04 January 2023

(b) Darlington Borough Council:

19 April 2022	13 October 2022
24 May 2022	17 November 2022
29 June 2022	22 December 2022
03 August 2022	31 January 2023
08 September 2022	07 March 2023

10 It is proposed that Durham County Council and Darlington Borough Council also use these payment dates for income from business rates.

Recommendations

11 Based on the net expenditure of £30,202,276 and a Band D Council Tax of £109.69 it is **recommended** that the Authority adopts the following resolutions:

That for the year ended 31 March 2023:

- i. the 'council tax base' for the whole of the Authority's area be 178,160.30.
- ii. there be no Authority expenses relating to a part only of the Authority's area.
- iii. the 'basic amount of council tax' be £19,542,403.31 and the amount of the council tax for each category of dwelling be as set out in Table 17 below:

Table 17: 2022/23 Council Tax by Valuation Band

Valuation Band	Proportion of 'Basic Amount'	Council Tax
		£
A	6/9	73.12
B	7/9	85.31
C	8/9	97.50
D	'basic amount'	109.69
E	11/9	134.06
F	13/9	158.44
G	15/9	182.82
H	18/9	219.38

- iv. the Net Expenditure be £30,202,276 and that, after taking into account revenue support grant of £3,606,038 business rates income of £1,390,796, top up grant of £5,691,126, services grant of £491,039 and a deficit on the collection fund of £519,126, precepts totalling £19,542,403.31 be issued to Durham County Council and Darlington Borough Council.

SECTION I

PRUDENTIAL CODE

Background

- 1 The framework of the prudential capital finance system, which came into effect from 1 April 2004, is contained in the Local Government Act 2003. Under the Act, Government borrowing controls based on “credit approvals” were abolished with effect from 1 April 2004. The Authority is now free to borrow and take out leases without Government consent, provided these commitments can be afforded. The Prudential Code is designed to guide the Authority’s decision on what it can afford. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specifies the Prudential Code for Capital Finance in Local Authorities, issued by CIPFA, as the code of practice to which local authorities must have regard when setting and reviewing their affordable borrowing limit.
- 2 The key objectives of the Prudential Code are to ensure that within a clear framework the capital investment plans of the Authority are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability, and sustainability.
- 3 To demonstrate that the above objectives have been fulfilled, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Code does not include limits; these are for the Authority to set.
- 4 Previously, credit approvals from Central Government set the limit of a local authority’s long-term borrowing and attracted Revenue Support Grant (RSG) towards the financing costs of loans (interest and repayment of principal). Under the new system, unless, exceptionally, a national limit is imposed, the Authority is free to make its own borrowing decisions according to what it can afford. Central Government support for borrowing through RSG continues to be given based on a named amount of capital expenditure which borrowing will support. The Authority will take the totality of Central Government support into account in setting its prudential limits.
- 5 A revised Treasury Management Code and Prudential Code were published by CIPFA in December 2021. Any changes required under these codes will be formally adopted within the 2023/24 Treasury Management Strategy.

Prudential Indicators

- 6 The estimates of capital expenditure to be incurred for the current and future years are contained in Section G of this report and summarised in Table 18 below:

Table 18: Prudential Indicators – Capital Expenditure

2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
5,426	2,829	3,117	1,571	2,460

- 7 Estimates of the end of year Capital Financing Requirement for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2021 are set out in Table 19 below:

Table 19: Prudential Indicators – Capital Financing Requirement

2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
13,249	15,687	18,334	19,360	21,231

- 8 The Capital Financing Requirement measures the Authority’s underlying need to borrow for a capital purpose. In accordance with best professional practice, the Fire Authority does not associate borrowing with particular items or types of expenditure. The Authority has an Integrated Treasury Management Strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Authority’s Treasury Management Strategy and annual plan for 2022/23 is shown in Section J. The Fire Authority has, at any point in time, several cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Treasury Management Strategy. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Authority and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the Authority’s underlying need to borrow for a capital purpose.
- 9 CIPFA’s Prudential Code for Capital Finance includes the following as a key indicator of prudence:

“In order to ensure that over the medium-term net borrowing will only be for a capital purpose the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.”

- 10 There are no difficulties envisaged for the current or future years in meeting this requirement. This view considers current commitments, existing plans, and the proposals contained in this budget report.
- 11 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2020/21 are set out in Table 20 below:

Table 20: Prudential Indicators – Ratio of Financing Costs to Net Revenue Stream

2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
%	%	%	%	%
1.0	1.7	2.1	2.4	2.5

Minimum Revenue Provision (MRP) Statement

- 12 The Authority is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision – MRP). CLG Regulations have been issued which require the full Authority to approve an MRP Statement in advance of each year. A variety of options have been provided to replace the existing Regulations, so long as there is a prudent provision. The Authority is recommended to approve the following MRP Statement:
- i. For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure, the MRP policy will be:
 - **Existing practice** - MRP will follow the existing practice outlined in former CLG Regulations (Option 2).
 - ii. From 1 April 2008 for all unsupported borrowing the MRP policy will be:
 - **Asset Life Method (Annuity)** - MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (Option 3).

External Debt

- 13 In respect of external debt, the Authority has set Authorised Limits for its total external debt, gross of investments, for the current (2021/22) and the next three financial years. These limits separately identify borrowing from other long-term liabilities such as finance leases. The authorised limits are set out in Table 21 below:

Table 21: Prudential Indicators – Authorised Limit for External Debt

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Borrowing	2.200	10.220	11.948	14.450
Long-term liabilities	7.408	7.147	6.858	6.548
Total	9.608	17.367	18.806	20.998

- 14 The Authorised Limits are consistent with the Authority’s current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely, prudent but not worst-case scenario, with the addition of sufficient headroom over and above this to allow for operational management. An assessment of risk has been considered, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements.
- 15 The Operational Boundary for external debt is based on the same estimates as the Authorised Limit but directly reflects the Treasurer’s estimate of the most likely, prudent but not worst-case scenario, without the additional headroom included within the Authorised Limit. The Operational Boundary represents a key management tool for in year monitoring by the Treasurer. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified. The operational boundary limits are set out in Table 22 below:

Table 22: Prudential Indicators – Operational Boundary for External Debt

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Borrowing	2.000	9.291	10.862	13.136
Long-term liabilities	6.735	6.497	6.234	5.953
Total	8.735	15.788	17.096	19.089

- 16 The Authority’s actual external debt on 31 March 2021 was £8.498m, comprising of £2.000m PWLB borrowing and £6.498m long-term liabilities in respect of Private Finance Initiative (PFI) schemes. It should be noted that actual external

borrowing differs from the Authorised Limit and Operational Boundary, since actual external debt reflects the position at one point in time.

Council Tax

- 17 The Prudential Indicators have been calculated using a 1.99% Council Tax increase in 2022/23 and assuming a 1.99% increase in subsequent years.
- 18 The capital programme outlined in Appendix C is funded by a mix of capital grants, contributions from revenue and borrowing under the Prudential Code.
- 19 The estimate of the incremental impact of this prudential borrowing for Band D Council Tax is set out in Table 23 below:

Table 23: Prudential Indicators – Incremental Impact of Borrowing

2022/23	2023/24	2024/25
%	%	%
1.32	1.34	1.56

Recommendations

- 19 It is **recommended** that the Authority:
 - (a) Notes the prudential indicators.
 - (b) Approves the MRP Statement.
 - (c) Approves the following limits for external debt in 2022/23:
 - i. Authorised Limit of £17.367m
 - ii. Operational Boundary of £15.788m

SECTION J

TREASURY MANAGEMENT 2022/23

- 1 The CIPFA Code of Practice for Treasury Management in the Public Services makes the following key recommendations:
 - (i) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities
 - (ii) Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities
 - (iii) They should acknowledge that the pursuit of best value in treasury management and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

- 2 The Authority has formally adopted the key recommendations of the CIPFA Code of Practice for Treasury Management in the Public Services and has created and maintains, as the cornerstone for effective treasury management:
 - a treasury management policy statement stating the policies and objectives of its treasury management activities. This is attached as Annex J1.
 - suitable treasury management practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. These are attached as Annex J2.

- 3 Reports will be presented to members of the Authority on its Treasury Management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in the TMPs. The annual strategy for 2022/23 is shown in Annex J3. In implementing this strategy, the Authority will give priority to security and liquidity rather than yield. However, the Authority will aim to achieve the highest rate of interest consistent with proper levels of security and liquidity. Members' attention is drawn to the key objectives of the Investment Strategy, which is firstly safeguarding the repayment of principal and interest of its investments on time and secondly ensuring adequate liquidity. The investment return is the third

objective. The Authority delegates responsibility for the execution and administration of treasury management decisions to the Treasurer, who will act in accordance with the Policy Statement, Treasury Management Practices and CIPFA’s Standard of Professional Practice on Treasury Management.

Treasury Management Indicators

- 4 The Authority has set an upper limit on its *fixed* interest rate exposures for 2022/23, 2023/24 and 2024/25 of 100% of its net outstanding principal sum.
- 5 The Authority has further set an upper limit on its *variable* interest rate exposures for 2022/23, 2023/24 and 2024/25 of 30% of its net outstanding principal sums.
- 6 The Authority’s upper and lower limits for the maturity structure of its borrowings are set out in Table 24 below. The table shows the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate:

Table 24: Maturity Structure of Borrowings

	Upper Limit %	Lower Limit %
Under 12 months	20	0
12 months and within 24 months	20	0
24 months and within 5 years	30	0
5 years and within 10 years	50	0
10 years and above	100	0

- 7 The Authority does not intend to invest sums for periods longer than 364 days. This is seen as prudent interest rate risk management.

Recommendations

- 8 It is **recommended** that the Authority:
 - a) Continues to adopt the key recommendations of the CIPFA code.
 - b) Notes the Annual Treasury Management Strategy as set out in Annex J3.
 - c) Sets an upper limit on the Authority’s fixed interest rate exposures for 2022/23, 2023/24 and 2024/25 of 100% of its net outstanding principal sum.
 - d) Sets an upper limit on the Authority’s variable interest rate exposures for 2022/23, 2023/24 and 2024/25 of 30% of its net outstanding principal sums.

Annex J1: Treasury Management Policy Statement

1 The Authority defines its treasury management activities as:

“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2 The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3 The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and Service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Annex J2: Treasury Management Practices

1 **TMP1 - TREASURY RISK MANAGEMENT**

1.1 The Treasurer shall:

- Design, implement and monitor all arrangements for the identification, management and control of the treasury management risks shown below
- Report at least annually on the adequacy/ suitability thereof, and
- Report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements and management information arrangements**.

1.2 *Liquidity*

The Authority will ensure it has adequate, but not excessive, cash resources, borrowing arrangements, overdraft or standby facilities, to enable the Authority at all times to have the level of funds available which are necessary for the achievement of its service objectives.

1.3 *Interest Rates*

The Authority will manage its exposure to fluctuations in interest rates with a view to containment of its net interest costs, or securing its interest revenues, in accordance with the amounts provided in the Revenue Estimates in accordance with **TMP6 Reporting requirement and management information arrangements**.

1.4 *Credit and Counterparties*

The Authority regards a prime objective of its treasury management activities to be the security of the principal sums invested. A formal counterparty list will be maintained, and the named organisations and limits will reflect a prudent attitude towards organisations with which funds may be deposited, and will limit the Authority's investment activities to the instruments, methods and techniques referred to in **TMP4 Approved Instruments, methods and techniques**.

1.5 *Rescheduling & Refinancing of Debt*

The Authority will ensure that all borrowing, private financing and partnership arrangements will be negotiated, structured and documented, and the maturity profile of debt will be managed with a view to obtaining terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

Relationships with counterparties in these transactions will be managed in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

1.6 *Legal and Regulatory*

The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. The Authority will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under **TMP1.4 Credit and Counterparties**, the Authority will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged.

The Authority will seek to minimise the impact of future legislative or regulatory changes on its treasury management activities so far as it is reasonably able to do so.

1.7 *Fraud, Error and Corruption, and Contingency Management*

The Authority will seek to ensure that it has identified the circumstances which may expose the Authority to the risk of loss through fraud, corruption, or other eventualities in its treasury management dealings. Accordingly, it will design and implement suitable systems and procedures, and will maintain effective contingency management arrangements to counter such risks.

1.8 *Market Risk*

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums invested.

2 TMP2 - BEST VALUE AND PERFORMANCE MEASUREMENT

- 2.1 The Authority will actively work to promote best value in its treasury management activities. The treasury management function will be the subject of regular reviews to identify scope for improvement.

3 TMP3 - DECISION-MAKING AND ANALYSIS

- 3.1 The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions to demonstrate that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account.

4 TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

- 4.1 The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy that is shown in Annex J3.

5 TMP5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

- 5.1 The Authority's treasury management activities will be properly structured in a clear and open fashion and a rigorous discipline of segregation of duties will be enforced to ensure effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance.
- 5.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly regarding the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 5.3 If and when the Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the Treasurer will ensure that the reasons are properly reported in accordance with **TMP6 Reporting requirements and management information arrangements**, and the implications properly considered and evaluated.
- 5.4 The Treasurer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.
- 5.5 The Treasurer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
- 5.6 The Treasurer will fulfil all delegated responsibilities in respect of treasury management in accordance with Authority's Treasury Management Policy Statement, Treasury Management Practices and the CIPFA Standard of Professional Practice on Treasury Management.

6 TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

- 6.1 Regular reports will be prepared for consideration by the Authority on:
- the implementation of its treasury management policies

- the effects of decisions taken, and the transactions executed in pursuit of those policies
- the implications of changes resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function

6.2 As a minimum, Authority will receive:

- an Annual Report on the strategy and plan to be pursued in the forthcoming year
- an Annual Report on the performance of the treasury management function in the previous year and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and Treasury Management Practices

7 TMP7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 The Authority will account for its treasury management activities in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements.

7.2 The Authority will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

8 TMP8 - CASH AND CASH FLOW MANAGEMENT

8.1 All Authority monies shall be aggregated for treasury management purposes and will be under the control of the Treasurer. Cash flow projections will be prepared on a regular and timely basis, and the Treasurer will ensure that these are adequate for the purposes of monitoring compliance with **TMP1.2 Liquidity**.

9 TMP 9 - MONEY LAUNDERING

9.1 Procedures will be enforced for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this area are properly trained.

10 TMP 10 - STAFF TRAINING AND QUALIFICATIONS

10.1 The Authority will seek to appoint individuals to the treasury management function who are both capable and experienced and will provide training for staff

to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Treasurer will recommend and implement the necessary arrangements.

11 TMP 11 - USE OF EXTERNAL SERVICE PROVIDERS

11.1 When external service providers are employed by the Authority, the Treasurer will ensure that this is done for reasons which have been submitted to a full evaluation of the costs and benefits. The terms of their appointment and the methods by which service providers' value will be assessed will be properly agreed and documented and subjected to regular review.

11.2 Where feasible and necessary, a spread of service providers will be used to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, Authority Standing Orders and Financial Regulations plus legislative requirements will always be observed. The monitoring of such arrangement's rests with the Treasurer.

12 TMP 12 - CORPORATE GOVERNANCE

12.1 The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity, and accountability.

12.2 The Authority has adopted and implemented the key recommendations of the Code of Practice on Treasury Management in the Public Services. This, together with other arrangements that the Treasurer will put in place, is considered vital to the achievement of proper corporate governance in treasury management, and the Treasurer will monitor and, if necessary, report upon the effectiveness of these arrangements.

Annex J3: Treasury Management Strategy 2022/23

The CIPFA Code of Practice for Treasury Management in the Public Services recommends that the Authority draw up an annual Treasury Management Strategy before the start of each financial year, which it may vary at any time.

In implementing this strategy, the Authority will give priority to security and liquidity, rather than yield. However, the Authority will aim to achieve the highest rate of interest consistent with the proper levels of security and liquidity. To achieve this, the strategy deals with the use of specified investments, non-specified investments and the liquidity of investments.

The strategy also covers the Authority's approach to borrowing and the use of external managers.

1. Borrowing Strategy 2022/23 – 2024/25

The uncertainty over future interest rates increases the risks associated with treasury activity. As a result, the Authority will take a cautious approach to its treasury strategy.

Long-term fixed interest rates are at risk of being higher over the medium term, and short-term rates are expected to rise, although more modestly. The Treasurer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

With the likelihood of long-term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter-term debt, although the Treasurer and treasury consultants will monitor prevailing rates for any opportunities during the year.

Continuing to postpone borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.

2. Investment Strategy 2022/23 – 2024/25

2.1 Key Objectives

The primary objectives of the Authority's investment strategy are firstly safeguarding the repayment of the principal and interest of its investments on time and secondly ensuring adequate liquidity. The investment return is the third objective. With the current economic background, the current investment climate has one over-riding risk consideration, that of counterparty security risk. As a result of these underlying

concerns, officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

2.2 Risk Benchmarking

A development in the revised Codes and the CLG consultation paper is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature.

These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Authority's maximum-security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.08% historic risk of default when compared to the whole portfolio.

Liquidity – In respect of this area, the Authority seeks to maintain:

- Liquid short-term deposits of at least £0.5m available with a week's notice
- Weighted Average Life benchmark is expected to be 0.25 years (3 months), with a maximum of 0.5 years (6 months)

Yield - Local measure of yield benchmarks is:

- Investments - Internal returns above the 7-day London Interbank Bid Rate (LIBID)

2.3 Investment Counterparty Selection Criteria

The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Authority will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.

The Treasurer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to the Authority for approval as necessary. These criteria are separate to those which choose Specified and Non-Specified investments, as they provide an overall pool of counterparties considered high quality that the Authority may use, rather than defining what its investments are.

The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Authority's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Authority's criteria, the other does not, the institution will fall outside of the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Authority criteria will be suspended from use, with all others being reviewed in light of market conditions.

2.4 Specified Investments

Specified Investments are defined as those satisfying the following conditions:

- a) Denominated in sterling
- b) To be repaid or redeemed within 12 months of the date on which the investment was made
- c) Do not involve the acquisition of share capital or loan capital in any body corporate
- d) Are made with the UK Government, local authorities, parish councils, community councils, housing associations or with a body or in an investment scheme which has been awarded a high credit rating by a credit agency.

The criteria for providing a pool of high-quality investment counterparties are:

Banks 1 - Good Credit Quality

The Authority will only use banks which:

- (a) Are UK banks; and/or
- (b) Are non-UK and domiciled in a country which has a minimum Sovereign long- term rating of AAA;

- (c) And have, as a minimum, the following Fitch, Moody's and Standard & Poors credit ratings (where rated):
 - i. Short Term – F1
 - ii. Long Term – A
 - iii. Individual / Financial Strength – C- (Fitch / Moody's only)
 - iv. Support – 3 (Fitch only)

Banks 2 - Guaranteed Banks with suitable Sovereign Support

In addition, the Authority will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:

- (a) wholesale deposits in the bank are covered by a government guarantee
- (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
- (c) the Authority's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

Banks 3 - Eligible Institutions

The Authority is an eligible institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long-term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion and have access to HM Treasury liquidity if needed.

Banks 4 - The Authority's own banker for transactional purposes if the bank falls below the above criteria although in this case balances will be minimised in both monetary size and time.

Building Societies

The Authority will use all Societies which meet the ratings for banks outlined above.

Money Market Funds – AAA

UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF))

Other Local Authorities, Parish Councils, Community Councils, Housing Associations

2.5 Non - Specified Investments

Non-Specified investments are those not meeting the definition in the Specified Investments section above. It is proposed that during 2022/23, the Authority will not invest in Non-Specified Investments, including those to be repaid or redeemed more than 12 months from the date on which the investment was made.

2.6 Use of additional information other than credit ratings

Additional requirements under the Code of Practice now require the Authority to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example credit default swaps, negative rating watches/ outlooks) will be applied to compare the relative security of differing investment counterparties.

2.7 Time and Monetary Limits applying to Investments

The time and monetary limits for institutions on the Authority's Counterparty List are set out in Table 25 below:

Table 25: Time and Monetary Limits of Investments

	Fitch (or equivalent)	Money Limit	Time Limit
Limit 1 Category	AAA	£4m	1 year
Money Market Funds	AAA	£4m	1 year
Limit 2 Category	AA	£4m	1 year
Eligible Institutions	AA	£4m	1 year
Limit 3 Category	A	£1m	3 months
Eligible Institutions	A	£1m	3 months
UK Government		unlimited	1 year
Other Local Authorities		£2m	1 year

Due to the uncertainty in the financial markets, it is recommended that the Investment Strategy is approved on a similar approach to previous years which will provide officers with the flexibility to deal with any unexpected occurrences. Officers will restrict the pool of available counterparties from these criteria to safer instruments and institutions. Currently this involves the use of the UK Government Debt Management Account Deposit Facility, AAA rated Money Market Funds and institutions with higher credit ratings than those outlined in the investment strategy, or which are provided support from the Government. Investments are being maintained short term to also improve the security of investments.

2.8 Sensitivity to Interest Rate Movements

Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified.

The estimated impact of a 1% increase or decrease in interest rates to the estimated treasury management income for the Authority in 2022/23 is an increase or decrease of £80,000.

3. External Managers (Other than those relating to the Pension Fund)

The Authority may, upon the recommendations of the Treasurer, appoint one or more external managers to manage the short-term investment of surplus Authority money. Any such managers appointed are to be bound by this Treasury Management Policy Statement.

SECTION K

SUMMARY OF RECOMMENDATIONS

Set out below is a summary of the recommendations on which Members' views are sought.

SECTION B – Consultation (page 3)

That Members take into account the views of those consulted as they consider the budget and Medium-Term Financial Plan proposals.

SECTION C – Local Government Finance Settlement (page 4)

That the Authority notes the 2022/23 settlement funding assessment and the uncertainty around the funding position from 2023/24 onwards.

SECTION D – Reserves Strategy (page 6)

That the Authority agrees to the policy for reserves, that the Authority will:

- Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
- Aim to maintain a general reserve of 5% of the net expenditure; currently £1.45m.

SECTION E – Medium-Term Financial Plan (page 11)

That the Authority:

- (a) Agrees the Medium-Term Financial Plan.
- (b) Notes the Treasurer's comments on the robustness of the estimates, the adequacy of reserves and the risks in the budget, as set out in the separate report under Section 25 of the Local Government Act 2003.

SECTION F – Revenue Budget (page 19)

That the Authority adopts the following resolutions:

- (a) That the revised revenue budget for 2021/22, as set out in Appendix A be approved.
- (b) That the Treasurer be authorised to make any proper accounting transactions that would be in the interests of the Authority in relation to the accounts for 2021/22.
- (c) That the revenue budget for 2022/23, as set out in Appendix A be approved.

SECTION G – Capital Strategy (page 20)

That the Authority approves the revised capital budget for 2021/22 and the capital budgets for 2022/23 to 2025/26.

SECTION H – Fire Authority Council Tax Requirement (page 25)

That Members determine the level of Council Tax for 2022/23 based on the Net Expenditure of £30,202,276. Based on the recommendation of the Finance Committee, it is recommended for the year ending 31st March 2023:

- i. That the 'council tax base' for the whole of the Authority's area be £178,160.30
- ii. That there be no Authority expenses relating to a part only of the Authority's area
- iii. That the Authority increases Council Tax by 1.99% to £109.69 for a Band D property
- iv. That the Net Expenditure be £30,202,276 and that, after taking into account revenue support grant of £3,606,038, business rates income of £1,390,796, top up grant of £5,691,126, services grant of £491,039 and a deficit on the collection fund of £519,126, precepts totalling £19,542,403.31 be issued to Durham County Council and Darlington Borough Council.

SECTION I – Prudential Code (page 28)

- (a) That the Authority notes the prudential indicators.
- (b) That the Authority approves the MRP Statement.
- (c) That the Authority approves the following limits for external debt in 2022/23:
 - i. Authorised Limit of £17.367m
 - ii. Operational Boundary of £15.788m

SECTION J – Treasury Management (page 33)

- (a) That the Authority formally adopts the key recommendations of the CIPFA code.
- (b) That the Authority notes the Annual Treasury Management Strategy.
- (c) That the Authority sets an upper limit on its fixed interest rate exposures for 2022/23, 2023/24 and 2024/25 of 100% of its net outstanding principal sum.
- (d) That the Authority sets an upper limit on its variable interest rate exposures for 2022/23, 2023/24 and 2024/25 of 30% of its net outstanding principal sums.

COUNTY DURHAM AND DARLINGTON FIRE AND RESCUE AUTHORITY

REVENUE BUDGET

Budget Heading	Original Estimate 2021/22 £	Revised Estimate 2021/22 £	Original Estimate 2022/23 £
Employees			
Salaries and Wages	19,462,786	19,462,786	20,370,638
Pension Contributions	4,305,252	4,302,672	4,518,645
Ill Health Charges	728,409	728,409	584,200
Other	441,422	441,422	456,089
Total Employees Costs	24,937,869	24,935,289	25,929,572
Premises	2,802,025	2,810,667	2,956,712
Transport	624,690	624,690	609,400
Supplies & Services	4,482,713	4,508,477	4,420,925
Capital Financing	1,329,906	1,329,906	1,599,826
Contingencies	265,246	240,276	167,689
Capital Charges	2,756,396	2,204,347	2,532,362
GROSS EXPENDITURE	37,198,845	36,653,652	38,216,486
Income	-4,882,519	-4,889,375	-4,886,976
Contribution from Reserve	-222,075	-222,075	-594,872
Reversal of Capital Charges	-2,756,396	-2,204,347	-2,532,362
NET EXPENDITURE	29,337,855	29,337,855	30,202,276

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Combined Fire Authority

16 February 2022

External Auditor Appointment

<h2>Report of Deputy Chief Executive</h2>

Purpose of Report

1. This report sets out proposals for appointing the external auditor to the Authority for the accounts for the five-year period from 2023/24.

Background and Summary

2. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Authority opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
3. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28 and all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA. Further details of the national auditor appointment scheme and the procurement process are set out in Appendix A.
4. The sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Authority than a procurement undertaken locally because:
 - a. collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements.
 - b. if it does not use the national appointment arrangements, the Authority will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract.

- c. it is the best opportunity to secure the appointment of a qualified, registered auditor. There are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
 - d. supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
5. If the Authority wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at a meeting of the full Authority. To opt into the national scheme from 2023/24, the Authority needs to return completed opt-in documents to PSAA by 11 March 2022.

Recommendation

6. Members are requested to **accept** PSAA invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

APPENDIX A

Procurement of External Audit for the period 2023/24 to 2027/28

Under the Local Government Audit & Accountability Act 2014 (“the Act”), the Authority is required to appoint an auditor to audit its accounts for each financial year. The Authority has three options;

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

In order to opt into the national scheme, the Authority must make a decision at a meeting of the Full Authority.

The Appointed Auditor

The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

The auditor must act independently of the Authority and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.

The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.

Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.

Authorities therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Appointment by the council/Authority itself or jointly

The Authority may elect to appoint its own external auditor under the Act, which would require the Authority to;

- Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Authority itself, and the members of the panel must be wholly, or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Authority's external audit.
- Manage the contract for its duration, overseen by the Auditor Panel.

Alternatively, the Act enables the Authority to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Authority under the Act and the Authority would need to liaise with other local authorities to assess the appetite for such an arrangement.

The national auditor appointment scheme

PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023.
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints.
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy.
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period.
- minimising the scheme management costs and returning any surpluses to scheme members.
- consulting with authorities on auditor appointments, giving the Authority the opportunity to influence which auditor is appointed.

- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

Pressures in the current local audit market and delays in issuing opinions

Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

During 2018 a series of financial crises and failures in the private sector led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.

None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

The invitation

PSAA is now inviting the Authority to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Authority's auditor.

The next audit procurement

The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:

- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies.
- continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme).
- continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.

PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office)¹, the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.

¹ MHCLG's Spring statement proposes that overarching responsibility for Code will in due course transfer to the system leader, namely ARGAs, the new regulator being established to replace the FRC.

There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

Assessment of options and officer recommendation

If the Authority did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Authority itself, and the members of the panel must be wholly, or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council/Authority's external audit.

Alternatively, the Act enables the Authority to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each authority under the Act and the Authority would need to liaise with other local authorities to assess the appetite for such an arrangement.

These would be more resource-intensive processes to implement for the Authority and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The Authority is unable to influence the scope of the audit and the regulatory regime inhibits the Authority's ability to affect quality.

The Authority and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.

The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the Authority would be acting with other authorities to optimise the opportunity to influence the market that a national procurement provides.

The recommended approach is therefore to opt into the national auditor appointment scheme.

The way forward

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Authority (meeting as a whole), except where the authority is a corporation sole.

The Authority then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).

PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

Risk Management

The principal risks are that the Authority:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- does not achieve value for money in the appointment process.

These risks are considered best mitigated by opting into the sector-led approach through PSAA.

Legal implications

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

Section 8 governs the procedure for appointment including that the Council/Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council/Authority is a local Council/Authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council/Authority under those arrangements.

Section 12 makes provision for the failure to appoint a local auditor. The Council/Authority must immediately inform the Secretary of State, who may direct the Council/Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council/Authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary

of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Financial Implications

There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.

If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

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Combined Fire Authority

16 February 2022

Appointment of Independent Person to the Audit and Finance Committee

Report of Deputy Chief Executive

Purpose of Report

1. To seek members agreement to a proposed process for appointing an Independent Person to the Audit and Finance Committee.

Background

2. The Authority's constitution was amended in July 2021 to include the addition of an Independent Person to the membership of the Audit and Finance Committee. The Audit and Finance Committee provides assurance to the Authority on the effectiveness of the Authority's governance, financial management, risk management and internal control arrangements and it approves the Authority's Statement of Accounts and Annual Governance Statement. Having an Independent Person as a member of the committee is recommended best practice by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Recruitment Process

3. Applications for the role will be sought from individuals ideally with a financial, accountancy, risk management or audit background preferably within a large or public sector organisation. The appointed individual will be expected to observe the principles of behaviour in public life (the 'Nolan principles') which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
4. The position will be unpaid however travelling and subsistence expenses will be reimbursed in line with the rates payable to elected members of the Authority.
5. It is suggested that an advert is made in the local press, on social media sites and on the Authority's website to seek a candidate to fill the position and for the appointment to be delegated to the Clerk to the Authority and members of the Appointments Panel.

Recommendation

6. Members are recommended to **agree** to commence a recruitment exercise to appoint an Independent Person to the Audit and Finance Committee in accordance with the parameters set out in this report.

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Combined Fire Authority

16 February 2022

Building Safety Bill Update

Report of Area Manager Community Risk Management

Purpose of Report

1. To provide members of the Combined Fire Authority (CFA) with an update on the key features of the Building Safety Bill (BSB), timescales and potential implications for the Service.

Background

2. The BSB has been introduced as part of the review and reform of building and fire safety following the tragic fire at Grenfell Tower in June 2017. The BSB was published in draft form on 20 July 2020 and was subjected to pre-legislative scrutiny by the Housing, Communities and Local Government Select Committee.
3. A new version of the Bill was formally introduced on 5 July 2021, published alongside this was a transition plan (see Appendix A). The Bill had its second reading on 21 July 2021 and entered Committee Stage on 9 September 2021.

Key features of the Bill

4. The Bill establishes a Building Safety Regulator (BSR) within the Health and Safety Executive (HSE) to:
 - a. Implement the new, more stringent, regulatory regime for higher-risk buildings (defined as residential buildings over 18 metres and following Local Government Association (LGA) and National Fire Chiefs Council (NFCC) representation, care homes and hospitals over 18 metres at the design and construction stage).
 - b. Oversee the safety and performance of all buildings.
 - c. Assist and encourage competence among the built environment industry, and registered building inspectors.
5. The BSR will rely on Fire and Rescue Services (FRSs), council building control services and environmental health teams to deliver the regime for higher-risk buildings, which is expected to involve Multi-Disciplinary Teams (MDT).

6. The Bill places the HSE and local regulators under a duty to cooperate and gives the HSE the power to direct councils and fire services. The latter power is to be used only in exceptional circumstances and the Bill provides safeguards to prevent it becoming a default option.
7. New buildings will have to pass through three regulatory gateways in relation to safety, at the planning stage, at the final design stage (before construction can begin) and immediately before occupation when construction is complete.
8. In occupation, buildings will need to be registered with the BSR and will require a Safety Case. The Accountable Person (AP, essentially the owner or managing agent) will need to maintain a golden thread (detailed information) of information about the building.
9. The AP will have a duty to listen to residents who raise building safety concerns and if residents feel ignored, they can raise issues with the BSR.
10. Leaseholders will have to pay a Building Safety Charge (BSC) that covers the costs of operating the new regime.
11. The first stage of the new regime, Planning Gateway One began in August 2021, which requires those planning to build buildings in scope of the new regime to produce a fire statement to ensure applicants have considered fire safety issues as they relate to land use planning matters (e.g. layout and access).

Concerns with the Bill

12. The NFCC is generally supportive of the Bill, however, they have submitted written evidence expressing concern that the scope of the Bill could be wider, the speed at which its scope can be expanded, and the constraints on its expansion. They have argued that height is not an effective determinant of risk and that care homes under 18 metres should be included in the new regime.
13. The NFCC has also expressed concern about other areas, such as the removal of competition in building control does not go far enough and the ability for a client to choose their own regulator should be removed for the whole of the built environment.
14. The Bill impacts councils and Fire and Rescue Authorities (FRA) as regulators and councils as housing providers. Examples of issues for local regulators arising from the Bill include:
 - a. The operation of the recharging scheme that allows councils and FRSs to reclaim the cost of new burdens from BSR work from the HSE.
 - b. The interaction of the new Bill and other relevant legislation, e.g. the Housing Act, the Fire Safety Order/Fire Safety Act.
15. The impact of the Bill also interfaces with the impact of the Fire Safety Act (FSA) and associated changes to the Fire Safety Order (FSO), for example:

- a. The FSA will require building owners to review fire risk assessments on many residential buildings.
 - b. Regulations will be introduced later this year relating to premises information boxes; fire door checks and lift checks.
 - c. Further announcements are expected from the Home Office on personal emergency evacuation plans (PEEPs).
16. The key concern is the balance between the demands to be placed on local regulators and the funding available. The HSE does not appear to be clear about the extent to which it will rely on local building control and FRS to deliver its inspection and enforcement functions, and the operating model has not been shared with local regulators. If 'new burdens' funding is not found for the delivery of the BSB it will put additional pressures on already stretched resources.

Timescales

17. The BSB is expected to receive Royal Assent in Spring/Summer 2022 with commencement of the new regime under the BSR 12-18 months following that (earliest April 2023).
18. The report of phase two of the Grenfell Tower Inquiry is expected in 2022, which is also expected to contain recommendations for FRS.

Implications for CDDFRS

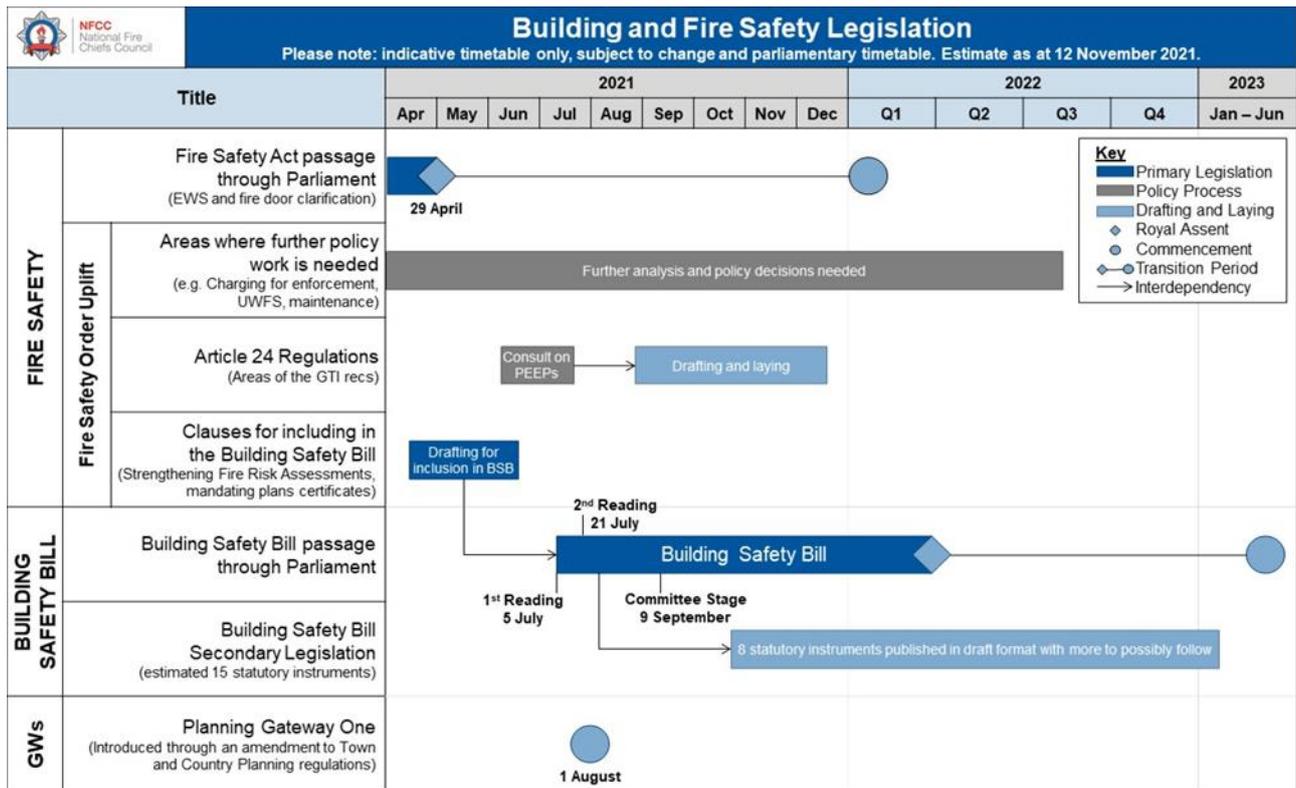
19. At this time there are no higher-risk premises within our Service area which are within scope for the BSR as defined in paragraph 4a above and none are currently being planned.
20. However, as noted in paragraph 12 above, the NFCC have submitted evidence expressing concern that the scope of the Bill could be wider and have argued that that care homes under 18 metres should be included in the new regime. If this amendment was made to the BSB, there would be premises in scope and therefore a requirement for our FRS, council building control services and environmental health teams to support the work of the BSR.

Recommendations

21. CFA members are requested to:
- a. **Note** the content of the report.
 - b. **Agree** to receive further updates.

AM Keith Wanley, 0191 3755630

Appendix A – Estimated Legislative Timetable



Based on current known estimates. A range of areas are subject to further consultation, analysis, and policy decisions. Timing of legislation is subject to the Parliamentary timetable and may change.

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Combined Fire Authority

16 February 2022

Fire Standards

Report of the Assistant Chief Fire Officer

Purpose of Report

1. The purpose of the report is to update members of the Fire Standards Board's progress in developing national Fire Standards and County Durham and Darlington Fire and Rescue Service's (CDDFRS) progress against meeting these standards.

Background

2. In 2017, the Home Office set out its agenda for fire reform which included the creation of the National Fire Chiefs Council (NFCC), an independent inspectorate for fire Her Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS) and a new professional standards body.
3. A Fire Standards Board was created in February 2019. Its role is to oversee the identification, organisation, development and maintenance of professional standards for fire and rescue services (FRS) in England.
4. Fire Standards are principle-based rather than prescriptive. The aim of this approach is to allow FRS to implement them, with a degree of individuality, whilst reassuring the public of commonality and consistency across the sector.

Fire Standards

5. The Fire Standards are applicable to all FRS in England. It is anticipated that as the Fire Standards are produced, HMICFRS will integrate those Standards into its inspection framework and judgement criteria.

6. The Fire Standards have a consistent format with the following sections:
 - a. What is required to meet the Fire Standard;
 - b. Expected benefits of achieving the Fire Standard;
 - c. Legal requirements or mandatory duties;
 - d. Linked qualifications, accreditations or Fire Standards;
 - e. Guidance and supporting information.
7. Eight Fire Standards have been published to date, these are:
 - a. Code of Ethics;
 - b. Community Risk Management Planning;
 - c. Emergency Response Driving;
 - d. Operational Competence;
 - e. Operational Learning;
 - f. Operational Preparedness;
 - g. Prevention;
 - h. Protection.
8. When received by the Service, a gap analysis is conducted on each Fire Standard with a resulting action plan developed to move CDDFRS towards compliance.
9. Appendix A lists the eight published Fire Standards, the Head of Service responsible for the action plan and expected dates that CDDFRS will be compliant with each standard.

Future Fire Standards

10. A further seven Fire Standards are currently in development by the Fire Standards Board. These are detailed below with known timeline information.
11. Safeguarding – This consultation was completed late 2021 with the results and revised standard being presented to the Fire Standards Board in December. Quality assurance has now been completed and this standard is due for publication in early 2022.
12. Fire Investigation – Consultation for this standard was completed in December. Quality assurance is set to take place in January/February with expected publication by March 2022.
13. Emergency Preparedness and Resilience – This standard is out for consultation which closes on 21 February 2022.

14. Data – The Data Fire Standard has been drafted and is due out for consultation in Spring 2022.
15. Three Leadership Standards are due to be consulted upon in Spring 2022.
16. CDDFRS has provided consultation responses to all draft Standards and will continue to engage with the Board to support their development.
17. The Fire Standards may impact on the future workloads and resource requirements of CDDFRS as strategies, policies, systems and procedures may need adjustments to ensure alignment with the Standards.

Recommendations

18. CFA Members are requested to:
 - a. **note** the contents of this report;
 - b. **receive** further reports as appropriate.

Appendix A

Fire Standard	Responsible Person(s)	Date Issued	Proposed Completion Date
Emergency Response Driving	Head of People and Organisation Development (POD)	February 2021	TBC due to guidance yet to be issued by NFCC
Operational Competence	Area Manager Emergency Response / Head of POD	February 2021	March 2022
Operational Learning	Area Manager Assets and Assurance	February 2021	Completed January 2022
Operational Preparedness	Area Manager Emergency Response	February 2021	March 2022
Code of Ethics	Head of POD	May 2021	March 2022
Community Risk Management Planning	Head of Corporate Resources	May 2021	TBC due to further guidance being sought from NFCC
Prevention	Area Manager Community Risk Management	July 2021	July 2022
Protection	Area Manager Community Risk Management	September 2021	April 2022

Safest People, Safest PlacesCounty Durham and Darlington
Fire and Rescue Authority**Combined Fire Authority****16 February 2022****Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services Update****Report of the Assistant Chief Fire Officer****Purpose of Report**

1. The purpose of this report is to provide Members with an update on the current position and next steps of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

Background

2. In July 2017, HMICFRS extended its remit to include inspections of England's 45 FRS as well as the 43 territorial police forces in England and Wales.
3. The standard FRS inspection programme assesses how effectively and efficiently FRS prevents, protects the public against and responds to fires and other emergencies. It also assesses how well services look after their people who work for the Service.
4. The first HMICFRS inspection of County Durham and Darlington Fire and Rescue Service (CDDFRS) was completed on 19 July 2019 with the final report published on 17 December 2019.
5. Additionally, in August 2020, HMICFRS were commissioned to inspect the response to the COVID-19 pandemic of the fire and rescue sector in England. CDDFRS was inspected the week beginning 2 November 2020 with the inspection conducted entirely virtually, with interviews using Microsoft Teams.

CDDFRS Round 2 Inspection

6. CDDFRS's second inspection is part of tranche 3 of HMICFRS's Round 2 inspections. The document and self-assessment requests were issued to the Service on 10 January 2022 with these being submitted on 7 February 2022.
7. The programmed dates for the main part of the inspection are the six weeks beginning on 30 May 2022. This will consist of an initial Strategic Brief to Andy Cooke, our regional HMI followed by intensive scrutiny of our effectiveness, efficiency and people.

State of Fire and Rescue 2021

8. Under section 28B of the Fire and Rescue Services Act 2004, Her Majesty's Chief Inspector of Fire and Rescue Services, Sir Thomas Winsor is required to publish an annual assessment of the effectiveness and efficiency of FRS in England.

9. On 15 December 2021, the 'State of Fire and Rescue – The Annual Assessment of Fire and Rescue Services in England 2021' was published. This is his third and final assessment of England's FRS before leaving his post in March 2022.
10. The report can be accessed online at: <https://www.justiceinspectors.gov.uk/hmicfrs/publications/state-fire-rescue-annual-assessment-2021/> and is in three parts:
 - Part 1 contains his assessment of the state of FRS in England;
 - Part 2 gives an overview of the gradings and the findings from HMICFRS's first 13 inspections of their Round 2 inspections of FRS's in England;
 - Part 3 sets out the full list of HMICFRS fire and rescue reports and other inspection publications for the period covered by the report.
11. The key headlines outlined in Part 1 of the report are listed below:
 - Progress has been made in some areas but more change is urgently required;
 - Many services have done more to prioritise fire protection;
 - Too many services aren't taking enough action on prevention;
 - Most services we inspected are better at promoting a positive professional culture;
 - Inconsistent funding and governance arrangements persist;
 - Some services don't allocate resources appropriately;
 - Many services rely on dual contracts and overtime, which can create inefficiencies;
 - Good intentions to promote equality, diversity and inclusion aren't always successful;
 - Diversity and race equality in the fire sector continues to be woeful;
 - The FRS continues to be an enormous asset to our communities;
 - HMICFRS national recommendations need to be brought in faster;
 - The windspeed of national reform has dropped;
 - The continued threat of industrial action doesn't help anyone, least of all the public;
 - The current pay structure does not give experienced firefighters a sufficient financial incentive to stay in their roles;
 - Insufficient action to develop prospective future Chief Fire Officers;
 - Welcome the focus of the Government and the sector on fire and building safety.
12. There are no new recommendations made, with Sir Thomas Winsor stating the sector must continue to act on the recommendations he has already made, and at a more urgent pace.
13. The Service have reviewed the content of the report and are using it to assist the planning for the forthcoming inspection.

Senior HMI Staff

14. HMI Zoë Billingham was the Inspectorate's senior lead for the fire and rescue inspection programme since its inception, she left her role in the inspectorate in September 2021. Zoë's successor is HMI Roy Wilsher OBE QFSM, who was the first chair of the National Fire Chiefs Council (NFCC).
15. Laura Gibb, the FRS portfolio director left HMICFRS at the end of 2021 to take up a new role as Secretary to the Angiolini inquiry (police conduct and vetting following the murder of Sarah Everard). Her successor is Alex Hill who previously covered for Laura Gibb while she was on maternity leave in 2019.

Fire and Rescue Service Monitoring Arrangements

16. HMI Roy Wilsher updated all FRS in December 2021 of a new Monitoring Portal to be introduced in 2022. This will involve closer engagement with Services to ensure they are taking the necessary remedial action where HMICFRS have identified problems. The process will apply to every FRS in England. Although the monitoring activity will primarily be focused on Services who have a cause(s) of concern, the portal will also include Areas for Improvement identified during an inspection.
17. A cause of concern is a serious, critical or systemic shortcoming in a FRS practice, policy or performance. A cause of concern is always accompanied by one or more recommendations. If a Service has been identified as having a cause of concern, then the graded judgment that they can achieve for that question will be no higher than 'requires improvement'.
18. A Service will be made formally aware of their cause(s) of concern at the earliest opportunity by HMICFRS. This will allow the Service to take immediate action to address the cause(s) of concern, prior to receiving their inspection report. The Service will be required to produce an action plan to outline how they will address the cause of concern. In discussions with the regional HMI, a tailored approach will be agreed, which may include a revisit.
19. The Service Liaison Officer (SLO) will be responsible for providing a quarterly update to the HMICFRS's Service Liaison Lead (SLL) on progress against recommendations. HMICFRS could decide to increase monitoring and formally engage with a Service more closely, if a Service is failing, or is likely to fail, to respond adequately and promptly in respect of a cause of concern.
20. Once the SLL is satisfied that there is substantial evidence that a recommendation has been completed by the Service, they will update the monitoring portal. The SLL will discuss this with their respective chief of staff, and it is the responsibility of the chief of staff to be satisfied with the evidence, and to make a recommendation to the HMI that the cause of concern is now officially closed.
21. Once all recommendations associated with a cause of concern have been signed off as complete by the HMI, the regional HMI will send a letter to the Chief Fire Officer and Chair of the Fire and Rescue Authority informing them that the cause of concern is now officially closed.
22. An area for improvement is an aspect of practice, policy or performance which falls short of the necessary level of quality, but which is not a serious or critical shortcoming. Areas for improvement will not usually be accompanied by a recommendation. A Service can be graded no higher than "good" for a question where an area for improvement has been found. HMICFRS will formally review what progress a Service has made against an area for improvement during their scheduled inspection (as per the FRS inspection programme).

Recommendations

23. Members are requested to:
 - a. **note** the contents of this report;
 - b. **receive** further reports as appropriate.

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