

Safest People, Safest Places

Local Government Act 1972

A Meeting of the Combined Fire Authority for County Durham and Darlington Audit and Finance Committee will be held in the Morton Room, Fire and Rescue Headquarters on Thursday 30 November 2023 at 2.30 pm to consider the following business:-

PART A

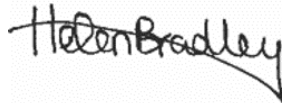
1. Apologies for Absence
2. Minutes of the previous meeting - Report of the Chair (Pages 3 - 6)
3. External Audit Progress Report - Report of External Audit (Pages 7 - 22)
4. Annual Governance Statement 2022/23 - Report of Deputy Chief Executive (Pages 23 - 38)
5. Revenue and Capital Outturn for the Year Ended 31 March 2023 - Report of Deputy Chief Executive (Pages 39 - 44)
6. Internal Audit Progress Report - Report of Internal Audit (Pages 45 - 50)
7. Forecast of Outturn 2023/24 - Estimate Based on Expenditure and Income to 30 September 2023 (Quarter 2) - Report of Deputy Chief Executive Pages 51 - 58)
8. Short Term Investments and Long Term Borrowing - Period to 30 September 2023 (Quarter 2) - Report of Treasurer (Pages 59 - 60)
9. 2024/25 Budget and Medium Term Financial Plan - Report of Deputy Chief Executive (Pages 61 - 66)
10. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgent to warrant consideration
11. 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)

12. Outstanding Audit Recommendations Quarter Ended 30 September 2023 - Report of Internal Audit (Pages 67 - 68)
13. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration

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



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

County Hall
Durham
DH1 5UL

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

Durham County Councillors:

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

Darlington Borough Councillors:

Councillors A Anderson

Minutes of the **County Durham and Darlington Fire and Rescue Service Audit and Finance Committee meeting** held at Fire HQ on **27 September 2023 at 14:30hours**.

Present: Cllr R Bell (Chair)
Durham County Council: Cllr A Batey
Cllr J Blakey
Darlington Borough Council:
Officers: Tony Hope
Internal Audit: Nicola Cooke
External Audit (Mazars): Campbell Dearden

Part A

1 Apologies

Apologies received from Cllr Neville Jones, Cllr Bill Kellett and Gavin Barker.

It was noted that as there was not a Darlington member present the meeting would not be quorate, but as there were no decisions to be made it would go ahead.

2 Minutes of the Previous Meetings

The minutes of the previous meeting held on 6 April 2023 were agreed as a true record.

3 Audit Completion Certificate for 2020/21

C Deardon reported that the Audit Certificate for 2020/21 has been signed, formally closing the audit. C Deardon noted that they are awaiting instruction regarding the Whole of Government Accounts for 2021/22; timeframe for which is currently unknown. The delay in signing off accounts is reported to be an issue nationally.

The report was **noted**.

4 Audit Strategy Memorandum 2022/23

C Dearden introduced the Audit Strategy Memorandum for year ending March 2023, summarising their audit approach, highlighting significant audit risks and areas of key judgements.

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

5 Audit Completion Report 2022/23

Members received an update on the Audit Completion Report for year ending 31 March 2023. C Dearden noted that it is anticipated that an unqualified

opinion, without modification, will be issued on the financial statements. Pension Fund assurance is expected in October and a further report update report is to be presented to the Committee in November.

Further work is to be carried out on Value for Money but no significant weakness has been identified. C Dearden noted that a report will be presented at the end of January 2024 providing an update on the Value for Money aspect.

C Dearden thanked the CDDFRS Finance team for their timely and detailed responses.

Cllr Batey expressed appreciation on behalf of the Audit and Finance Committee for the work carried out by T Hope, the CDDFRS Finance Teams and Mazars.

ACTION: T Hope to thank the CDDFRS Finance Team for their assistance on behalf of Mazars.

6 Annual Internal Audit Opinion and Report 2022/23

N Cooke introduced the Annual Internal Audit Opinion Report for 2022/23. Based on the work undertaken, a Moderate overall assurance opinion is provided on the adequacy and effectiveness of the governance, risk management and internal control arrangements operating across the Authority in 2022/2023.

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

7 Annual Review of the System of Internal Audit 2022/23

N Cooke presented a report asking Members of the Audit and Finance Committee to consider the findings and conclusions of the 2022/23 review of the effectiveness of the Internal Audit system.

It was noted that the service is happy with the work undertaken.

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

8 Fraud and Corruption Annual Report 2022/23

N Cooke introduced a report advising and providing assurances to Members of the Audit and Finance Committee of the results and work being undertaken within the Authority in seeking to identify, control and prevent fraud and corruption.

N Cooke explained that the latest exercise carried out by the National Fraud Initiative focused upon payments made in relation to pensions, payroll and creditors and generated various reports containing a total of 143 data matches for further investigation across the Authority. All 143 data matches were reviewed and investigated as appropriate with no instances of fraudulent

or irregular activity, being perpetrated by Service employees, pensioners or their representatives identified.

Cllr Batey noted that this is very re-assuring.

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

9 Internal Audit Progress Report 2022/23

Members were updated on work undertaken by Internal Audit between 01 April 2022 and 31 March 2023.

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

10 Corporate Risk Register

Members were updated details of the Corporate Risk Register at 31 August 2023.

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

11 Short Term Investments and Long-Term Borrowing – Period to 31 March 2023 (Quarter 4)

T Hope introduced a report providing an update on the performance of the Authority's short-term investments and long-term loans for the period ended 31 March 2023.

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

12 Short Term Investments and Long-Term Borrowing – Period to 30 June 2023 (Quarter 1)

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

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

13 Medium Term Financial Plan Update

Members were updated on the latest Medium Term Financial Plan position.

T Hope explained that to assist in balancing the budget a full review of all budget headings has been undertaken to identify savings and correct any shortfalls in current budgets. The review identified annual net savings of £309,000 which have been removed from the MTFP from 2024/25 onwards.

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

Work has commenced on preparing the 2024/25 budget and MTFP and the assumptions will be updated as information becomes available. Further reports will be presented to the Committee prior to approval of the 2024/25 budget and MTFP at the meeting of the Fire Authority on 16 February 2024.

Cllr Bell queried if timescales for budgets are known. T Hope explained that a settlement figure will be received towards the end of the year. Council Tax and grant funding is key to preparing the budget.

T Hope explained that the overall financial position has improved but there remains a number of factors outside of our control that may have an impact on this moving forward.

Cllr Batey noted that it is good to deliver a more positive stance regarding the financial position, but we need to remain realistic and continue to highlight the pressures we face as a Committee.

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

14 Internal Audit Outstanding Actions

N Cooke noted that a circular is going out this week in order to action outstanding actions.

ACTION: T Hope to chase Information Services and provide contact details to N Cooke.

Audit Progress Report

County Durham and Darlington Fire and Rescue Authority

November 2023



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- 3. Mazars public sector insights

01

Section 01: **Audit progress**

1. Audit progress

Purpose of this report

This report provides the November 2023 Audit and Finance Committee meeting with an update on progress in delivering our responsibilities as your external auditors. It updates members on the national delays in completing the 2021/22 and 2022/23 audit. It also includes, at Section 2, a summary of recent national reports and publications for your information. In Section 3, we highlight some of the work Mazars has been leading on to provide public sector insights and this may be of interest to Members.

2021/22 Audit

Members may recall from the last meeting that the one remaining issue in relation to completion of the 2021/22 audit was the whole of government accounts (WGA) return. Although we have completed our work on the return itself, we are still waiting for clearance from the National Audit Office (NAO) that they will not be selecting the Authority as a sampled component for additional work. NAO's timetable for the completion of WGA for 2021/22 is the end of March 2024. We therefore anticipate being able to issue our audit certificate closing the 2021/22 audit at about this time.

2022/23 Audit

We presented our Audit Completion Report on the financial statements in September 2023 and since then our focus has been to complete all outstanding work ready to sign our opinion at the end of November. However, there are two outstanding issues, both relating to pensions as set out below:

- We are awaiting for the pension fund assurance letter from the auditor of the Durham County Pension Fund which is Mazars. We expect to receive this before the end of November.
- The Government Actuarial Department (GAD) has recently been in discussions with police and fire bodies about providing an updated Actuary report because the initial reports did not make any allowance for known inflation from September 2022 to March 2023. We expect the change to be material to the firefighters pension scheme and the Authority has therefore requested a revised report. The report itself will not incur any additional fees but is unlikely to be received in time to sign the opinion before the end of November. However, we expect that it will be available in December when we will be able to complete our work.

We will report our findings to the January 2024 meeting of the Audit and Finance Committee when the revised accounts will be approved. We plan to take our draft Auditor's Annual Report 2022/23 including our commentary on value for money to the same meeting and will finalise this once the opinion on the financial statements has been signed.

When we have issued the 2022/23 audit opinion, we will also be able to report to the NAO on the 2022/23 WGA. However, once again we anticipate a delay before we can issue the audit certificate, as we wait for NAO clearance that they will not be selecting the Authority as a sampled component for additional work.

02

Section 02: **National publications**

National publications

Publication / Update		Key points
National Audit Office (NAO)		
1.	Whole of Government Accounts 2020/21, 20 July 2023	Publication of the Whole of Government Accounts for 2020/21, along with a qualified audit certificate and report by the Comptroller and Auditor General.
Public Sector Audit Appointments (PSAA)		
2.	PSAA announces the number of audit opinions completed for the 2022/23 audits (10 October 2023)	At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.
3.	PSAA October 2023 Update, 17 October 2023	This edition of our quarterly e-bulletin includes an update on the 2022/23 audit opinion delivery, news on our consultation on 2023/24 audit scale fees and a summary of local audit news from elsewhere.
Chartered Institute of Finance and Accountancy (CIPFA)		
4.	Section 114s: where are we headed next? 16 August 2023	Rob Whiteman, CIPFA CEO assesses the latest position on s114 notices (where formal action needs to be taken to balance a Council's finances), what has been done to prevent further s114 notices, whether more will occur and what the sector should do. This originally appeared as an article in the Municipal Journal on 31 July 2023.
Department for Levelling Up, Housing and Communities (DLUHC)		
5.	Letter from the Parliamentary Under-Secretary of State for Local Government and Building Safety to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament, 14 July 2023	Lee Rowley MP's letter to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament on Local Audit Delays – Cross-System Statement on Proposals to Clear the Backlog and Embed Timely Audits.
6.	Municipal Journal Article by a Local Government Minister on Rebuilding Audit, 30 October 2023	An article by Lee Rowley MP in Municipal Journal and the most up-to-date statement at the current time of proposals to address the backlog of local government audits.

NATIONAL PUBLICATIONS

National Audit Office

1. Whole of Government Accounts 2020/21, 20 July 2023

Publication of the Whole of Government Accounts for 2020/21, along with a qualified audit certificate and report by the Comptroller and Auditor General.

The Whole of Government Accounts consolidates the accounts of central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK's public finances.

Whole of Government Accounts (WGA) consolidates the audited accounts of over 10,000 organisations across the UK public sector. WGA is based on International Financial Reporting Standards, the system of accounts used internationally by the private sector.

This is the twelfth year of publication of the WGA. The UK is among the most advanced countries in this regard and the WGA is a uniquely comprehensive product; as it is the only set of consolidated public sector accounts that includes both central government, local government and government owned corporations.

The WGA is independently audited by the National Audit Office providing greater confidence in the figures, and supports effective scrutiny by Parliament. This scrutiny is exercised by the Public Accounts Committee who examine the accounts each year.

In the event the Comptroller and Auditor General qualified the audit certificate and report on a number of points.

Link to further information:

<https://www.nao.org.uk/reports/whole-of-government-accounts-2020-21/>

Public Sector Audit Appointments (PSAA)

2. PSAA announces the number of audit opinions completed for the 2022/23 audits (10 October 2023)

At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.

Local government bodies are required to publish accounts with an auditor's certificate or opinion by 30 September or to explain the reasons for non-publication. At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.

The cumulative position of 918 delayed audit opinions emphasises how important it is that there is a successful conclusion to the intensive ongoing work to find a solution to the backlog, and to ensure that it does not recur. PSAA is making every effort to support this work in collaboration with fellow members of the Local Audit Liaison Committee.

Steve Freer, PSAA's Chair said,

'The scale of the backlog of local audit opinions is becoming more and more serious. It is now very clear that an extraordinary intervention of some sort is urgently required to put the system back on track. Hopefully, current work to develop a solution can be concluded quickly, enabling details of the planned solution to be announced and implemented as soon as possible.

An important strand of any solution must be to address the root causes of so many delayed opinions so that following its implementation the delivery of timely opinions is firmly and permanently re-established.'

Link to further information:

<https://www.psa.co.uk/2023/10/psaa-announces-the-number-of-audit-opinions-completed-for-the-2022-23-audits/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments (PSAA)

3. PSAA October 2023 Update, 17 October 2023

This edition of our quarterly e-bulletin includes an update on the 2022/23 audit opinion delivery, news on our consultation on 2023/24 audit scale fees and a summary of local audit news from elsewhere.

Content:

- 2022/23 audit opinion delivery
- Update on our consultation on the fee scale for 2023/24 audits
- Additional information for 2022/23 audits
- Contract Monitoring Data Pack: Quarter 1 for 2023/24
- Latest Annual Report and Accounts published
- Local audit news from elsewhere

Link to further information:

<https://www.psa.co.uk/2023/10/october-2023-update/>

Rob Whiteman, CIPFA CEO assesses the latest position on s114 notices (where formal action needs to be taken to balance a Council's finances), what has been done to prevent further s114 notices, whether more will occur and what the sector should do. This originally appeared as an article in the Municipal Journal on 31 July 2023.

This is an assessment of a very topical subject given the increasing number of s114 notices in recent times.

The term 'Section 114' refers to this section of the Local Government Finance Act 1988, part (3) of which sets out the duty of the chief finance officer (CFO) to "make a report under this section if it appears to him that the expenditure of the authority incurred (including expenses it proposes to occur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".

Issuing the notice under Section 114(3) immediately suspends all financial activity apart from that which is necessary to maintain statutory duties; it also initiates a 21-day period for full council to consider the report and agree urgent action to start to remedy the situation.

CIPFA's guidance states that the authority's external auditors and the Department for Levelling Up, Housing and Communities (DLUHC) should also be notified and 'can step in to provide advice and support'.

These cases tend to reflect situations of financial failure and / or financial collapse. All Members of authorities need to be alert to how their organisation is managing its financial risks and taking steps to avoid any form of financial distress.

The insights in this article may be of particular interest to Members.

Link to further information:

<https://www.cipfa.org/cipfa-thinks/articles/section-114s-where-are-we-headed-next>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities (DLUHC)

5. Letter from the Parliamentary Under-Secretary of State for Local Government and Building Safety to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament, 14 July 2023

Lee Rowley MP's letter to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament on Local Audit Delays – Cross-System Statement on Proposals to Clear the Backlog and Embed Timely Audits.

This paper sets out the detail of proposals to address to address audit delays and clear the backlog. It was provided by the Minister to the Chair of the Levelling Up, Housing and Communities Committee, after the Minister provided evidence to the Committee in Parliament at a meeting in June.

The paper sets out the issues in some detail. The item on the next page (page 21) provides a summary of the main issues from a recent Municipal Journal article on the subject.

This is a link to the detailed paper:

<https://committees.parliament.uk/publications/40932/documents/199432/default/>

6. Municipal Journal Article by a Local Government Minister on Rebuilding Audit, 30 October 2023

An article by Lee Rowley MP in Municipal Journal and the most up-to-date statement at the current time of proposals to address the backlog of local government audits.

Quotes from this article include:

“The number of outstanding local audits dating back to 2015-16 is now too high, and is likely to increase further without action.

To do that, we recognise there will be hard decisions. Our proposals include setting a series of statutory deadlines for account preparers and auditors to clear the backlog. I know the setting of ‘backstop’ dates may result in some qualifications and disclaimers of opinion in the short term.

As others have noted too, clearing the backlog can’t be our sole focus. The return to timely audits must be sustained as part of an effective system underpinned by proportionate financial reporting, auditing and regulatory requirements; we cannot resolve a backlog one day only to see it starting to build again the next.

So, the second big endeavour is to ensure future local authority accounting and audit activity strikes a balance between maintaining the highest standards of financial reporting and the fundamental, day to day purpose of audit – to provide financial information and general assurance which is useful for taxpayers and others. That is why when it comes to debates on issues such as the accounting requirements for infrastructure assets, we need to consider our approach carefully. In the meantime, the Department for Levelling Up, Housing and Communities will seek to extend the legislative changes made in this area last year while the Chartered Institute of Public Finance and Accountancy (CIPFA) explores longer-term changes to reporting requirements for non-investment assets and pension valuations.”

Link to the full article:

<https://www.themj.co.uk/Rebuilding-audit/233116#>

03

Section 03:

Mazars public sector insights

Public Sector Insights

Click [here](https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights) to find and subscribe to our public and social sector articles. Or copy and paste this link: <https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights>



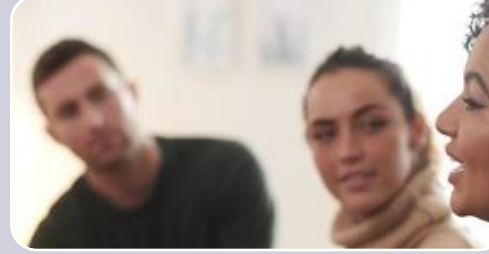
Recruitment crisis in the public sector

Insights from over 170 individuals across the UK public and social sector highlighted that the UK is on the cusp of a recruitment and retention crisis. Amid ongoing social and economic instability, how can we improve efforts to support our public sector workforce and effectively attract new talent?



Fiscal Pressure and inflation challenges

Over 300 individuals from across the UK public and social sector told us that the UK is at a critical juncture. Amid ongoing social and economic turmoil, decisive action is needed now to support those most in need.



Supporting vulnerable communities

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and face more hardship.



A global public and social sector study (2023)

The public and social sector is in a time of transformation. Expectations of organisations in the sector are higher than ever while financial constraints and regulatory burdens are increasing.

To understand some of the challenges leaders in this sector face and the steps they are taking to tackle them, we surveyed more than 100 public sector executives in five countries.

Contact

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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AUDIT & FINANCE COMMITTEE

30 NOVEMBER 2023

ANNUAL GOVERNANCE STATEMENT 2022/23

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of the Report

1. The purpose of this report is to provide members with details of the 2022/23 Annual Governance Statement (AGS) for approval.

Annual Governance Statement

2. The AGS sets out the Authority's approach to corporate governance and identifies the key governance risks that have been identified throughout the year. Identification of governance risks is informed by the work of internal audit and managements own assessment of the key risks that may impact on the effective governance of the Authority.
3. The AGS reflects the requirements of the Delivering Good Governance in Local Government Framework (2016), which replaced the corresponding 2007 Framework.
4. The Audit and Finance Committee has delegated authority to approve the Annual Governance Statement.

Recommendations

5. Members are requested to **approve** the 2022/23 Annual Governance Statement.



Safest People, Safest Places

ANNUAL GOVERNANCE STATEMENT 2022/23

SCOPE OF RESPONSIBILITY

1. County Durham and Darlington Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. It must also ensure that public money is used economically, efficiently, and effectively.
2. The Accounts and Audit Regulations 2015 require the Authority to prepare an annual governance statement, which must accompany the statement of accounts. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
3. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
4. The Authority has approved a code of corporate governance, which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – “Delivering Good Governance in Local Government”. This statement explains how the Authority has complied with the code and meets the requirements of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework comprises the systems processes, culture, and values by which the Authority is directed and the activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
7. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

8. The governance framework has continued to be in place at the Authority for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

9. The Annual Governance Statement (AGS) provides a summary of the extent to which the Authority meets the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016.

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Authority fosters a culture based on shared values, high ethical principles, and good conduct. The Authority does this by establishing and keeping under review:

- The Authority's own values on Leadership as enshrined in the Three-Year Strategic Plan and evidenced in Codes of Conduct that set standards for behavior.
- A Member Code of Conduct.
- An Officer Code of Conduct.
- A Register of Interests and declarations of Gifts and Hospitality accepted.
- Equality and Diversity arrangements.
- A Confidential Reporting policy.
- The roles of Members and Officers in decision-making.
- Appropriate and timely advice, guidance, and training for both Members and Officers.
- Systems for reporting and dealing with any incidents of fraud and corruption.

The Authority ensures that appropriate legal, financial, and other professional advice is always considered as part of the decision-making process and observes both specific requirements of legislation and general responsibility by Law.

The Authority is transparent about how decisions are taken and recorded. The Authority does this by:

- Ensuring that decisions are made in public and recording those decisions and relevant information and making them available publicly (except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Authority).
- Having rules and procedures which govern how decisions are made.

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

The Authority ensures that effective, transparent, and accessible arrangements are in place for dealing with complaints. The website includes facilities for complaints to be made against the Authority by the public and processes are in place to progress any complaints that are made.

Principle B - Ensuring openness and comprehensive stakeholder engagement.

The Authority responds to the views of stakeholders and the community. The Authority does this by:

- Forming and maintaining relationships with the leaders of other organisations.
- Ensuring partnership arrangements demonstrate clear and appropriate governance accountabilities.
- Producing plans for service delivery within the community.
- Providing access to a range of consultation methods, particularly to those groups which are harder to reach.
- Using an approach that recognises that people are different and gives everyone the same or an equal opportunity to information, advice and support in ways that are suited to the needs or circumstances of the individual.
- Encouraging and supporting the public in submitting requests for aspects of the Authority's Service to be scrutinised.
- Providing and supporting ways for Citizens to present community concerns to the Authority.
- Providing for the public the opportunity to ask questions or make representations to the Authority.
- Publishing a Three-Year Strategic Plan and Community Risk Management Plan (CRMP) providing information in relation to the Authority.
- Continually developing clear channels of communication.
- Providing a modernised Information Communication and Technology Service that meets the needs and aspirations of the organisation and the communities we serve.

The Authority recognises the key role it has to play in supporting partnership working within County Durham and Darlington and the role partners have to play in assisting the Authority to deliver on its objectives.

The Authority ensures good governance in respect of partnerships by:

- Reviewing and evaluating partnerships on a regular basis.
- Auditing partnership strategies and policies through the internal audit function.
- Ensuring partnerships offer value and contribute to the Authority's strategic objectives.
- Maintaining a partnership register.

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The Authority published its Strategic Vision and corporate priorities for County Durham and Darlington as part of its Three-Year Strategic Plan. The vision and priorities are focused on community needs and aspirations.

In delivering its vision and corporate priorities, the Authority explains and reports regularly on activities, performance and the Authority's financial position. Timely, objective and understandable information relating to the Authority's activities,

achievements, performance and financial position is provided through the publishing of:

- A Three-Year Strategic Plan incorporating the Community Risk Management Plan.
- A Medium-Term Financial Plan.
- An Efficiency Plan.
- Externally audited accounts.
- Detailed performance information.

The Authority considers the governance implications of its actions and has established its Code of Corporate Governance to be consistent with the principles of the CIPFA/SOLACE Framework – “Delivering Good Governance in Local Government”.

The Authority is committed to delivering quality services to the public in an efficient and effective way. The Authority does this by:

- Delivering services to meet local needs through the Three-Year Strategic Plan and the Integrated Risk Management Plan and putting in place policies and processes to ensure that they operate effectively in practice.
- Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors.
- Actively pursuing collaboration opportunities with the Police, Ambulance and other Fire Services.
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions.
- Comparing information about services with those provided by similar organisations, assessing why levels of efficiency, effectiveness and quality are different and considering other alternative means of service provision and procurement to maximise opportunities and improve value for money where appropriate.

Principle D - Determining the interventions necessary to optimize the achievement of the intended outcomes.

To achieve this, the Authority:

- Has a detailed medium-term financial plan which includes actions to ensure financial sustainability.
- Has a performance management framework, to ensure plans are met and remedial action taken.
- Has processes in place to ensure data quality is high, to enable objective and rigorous decision making.
- Has regular monthly Service Leadership Team (SLT) meetings together with weekly SLT catch up meetings where issues are raised, and actions agreed upon.
- Has a risk management process to identify where interventions may be required.
- Has a sound understanding of demand (current and future) which informs resource allocation decisions.
- Maintains a collaboration register to record individual collaboration initiatives.

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

The Authority ensures that the necessary roles and responsibilities for effective Governance are identified and allocated through its Constitution so that it is clear who is accountable for decisions that are made. The Authority does this by:

- Electing a Chair, establishing Committees and nominating Member Champions with defined responsibilities.
- Agreeing a scheme of delegated responsibilities to the Senior Management.
- Undertaking a regular review of the operation of the Constitution.
- Having in place effective and comprehensive arrangements for the scrutiny of services.
- Making the Chief Fire Officer responsible and accountable for all aspects of operational management.
- Always ensuring arrangements are in place for the proper administration of its financial affairs (S151 Officer).
- Always ensuring arrangements are in place for ensuring actions are taken in accordance with Statute and Regulation (Monitoring Officer).
- Developing protocols that ensure effective communications between Members and Officers.
- has robust performance management arrangements which enables each officer's needs, training, and development requirements to be identified.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

The Authority ensures that those charged with governance have the skills, knowledge and experience they need to perform well. The Authority does this by:

- Consistent application of the People Strategy
- Operating robust and transparent recruitment and selection processes.
- Implementing Member Development strategies.
- Cascading regular information to Members and staff.
- Investing in Member and Officer Leadership training.
- Providing resources that support Member and Officer development.
- Promoting schemes supporting ongoing professional development.
- Undertaking the annual appraisal of the Chief Fire Officer and setting objectives that contribute to the Authority's vision, strategy and plans and that incorporate key development needs.

The Authority is fully compliant with the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Treasurer to the Authority is professionally qualified and suitably experienced. He plays a key role in providing a strategic insight to the direction and control of Authority business decisions affecting financial resources. He ensures compliance with financial standards and gives due consideration to the economic, efficient, and effective use of resources. He works closely with the Chief Fire Officer in ensuring the finance function provided is fit for purpose and that the management of the Authority's resources is robust.

Principle F - Managing risks and performance through robust internal control and strong public financial management.

The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. Areas of potential change are identified throughout the year and the Constitution is amended on an annual basis.

The Authority operates a risk management approach that aids the achievement of its strategic priorities, supports its decision-making processes, protects the Authority's reputation and other assets and is compliant with statutory and regulatory obligations. The Authority ensures that the risk management approach:

- Enables a culture of risk awareness.
- Formally identifies and manages risks.
- Involves elected members in the risk management process.
- Maps risks to financial and other key internal controls.
- Documents and records details of risks in a risk management information system.
- Monitors the progress in mitigating significant risks, and reports this to appropriate Members.
- Reviews and, if necessary, updates its risk management processes at least annually.
- Considers risk within major projects.

The Audit and Finance Committee has responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure Internal Control systems are effective and that policies and practices are following statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk Management and making recommendations concerning relevant governance aspects of the Constitution.

Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

To achieve this, the Authority:

- Publishes relevant information relating to salaries, business interests and performance data on its website.
- Has a Procurement Officer who provides advice and issues clear guidelines for procuring goods and services.
- Has an Audit and Finance Committee that operates in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Publishes information to the Authority and its Committees as part of established accountability mechanisms.
- Acts upon the findings/recommendations of Internal Audit and External Audit Reports.
- Prepares an Annual Governance Statement.
- Prepares an annual Statement of Assurance.

The Authority is committed to the publication of transparent performance information. This includes but is not limited to:

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

REVIEW OF EFFECTIVENESS

10. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Service Leadership Team who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the Treasurer, external auditors and other review agencies and inspectorates.
11. The Authority has an Audit and Finance Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are following statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk Management and making recommendations concerning relevant governance aspects of Standing Orders.

SIGNIFICANT GOVERNANCE ISSUES

12. The Authority is fully committed to the principles of corporate governance. The Service Leadership Team and Audit and Finance Committee review, by way of an action plan, the governance issues contained within the Annual Governance Statement (AGS) on a quarterly basis. The position in relation to the action plan for 2022/23 is set out in Appendix A. Issues which were ongoing on 31st March 2023 will be included in the 2023/24 action plan. The progress made in implementing recommendations in relation to governance issues is confirmed by Internal Audit and forms the starting point of the work carried out in producing the AGS for 2022/23.
13. In addition, based on assurance work undertaken by Internal Audit during 2022/23, the Head of Internal Audit has issued a Moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2022/23.
14. The moderate opinion provides assurance that there is a sound system of control in place however there are some weaknesses and evidence of ineffective controls. When taken within a context of the change the Authority continues to face, the reduction in resources and the increasing diverse nature of the Internal Audit Plan, this assurance opinion should be regarded as positive.

15. The issues detailed below have been agreed with the Service Leadership Team for inclusion in the 2023/24 action plan:

(i) Public Sector Spending

The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. To set a balanced budget for the forthcoming financial year (2023/24) the Authority was required to again draw from its already limited reserves. Further savings during the period 2024/25 to 2026/27 will be required to balance the budget going forward. Alternative delivery options for services continue to be considered and implementation plans are being progressed. Implementation will be closely monitored to ensure that planned service changes and associated savings are realised.

(ii) Assumptions Underpinning the Medium-Term Financial Plan

The assumptions made in the medium-term financial plan, particularly around savings, inflation, pay awards, employer pension contributions and potential liabilities, future Government grants and income from council tax and business rates whilst based on the best information available are subject to change from economic circumstances and public finances in general. This represents a potential risk to the Authority's medium-term financial plan which will be monitored closely to enable corrective action to be taken where necessary.

(iii) Changes to the Governance of public services in light of stated Government policy direction

The Policing and Crime Act requires fire, police, and ambulance services to collaborate, where the proposed collaboration would be in the interests of their own efficiency and effectiveness and one or more of the other services take the same view. The government also published a White Paper on Fire Reform for consultation in May 2022 however we are still awaiting the outcome of the consultation and the governments proposed response. The proposals for reform suggest that in County Durham and Darlington fire governance could be mandated to transfer to the Police and Crime Commissioner. The proposals for reform focus on three key areas: people, professionalism, and governance. The Service will continue to monitor, at local, sub national and national level, the development and potential impact, of differing governance arrangements, the relevant underpinning statutory frameworks and current national negotiating machinery.

(iv) Impact of Changes to the Firefighters Pension Scheme

The service will closely monitor the impact of changes to the Firefighters Pension Scheme in terms of legislation, cost, business continuity, resilience, and local industrial relations.

(v) Collaboration

Collaboration will continue to be addressed pro-actively in terms of collaborating with other Fire and Rescue Services, the Police, North-East Ambulance Service,

and other organisations. The government have placed an increased emphasis on collaboration with Blue Light Services and this is reflected in the Authority's governance structure in relation to collaboration.

(vi) Fire Service Inspectorate (HMICFRS)

The 2021/22 inspection is complete, and the Service has been rated as good across all 3 pillars – Effectiveness, Efficiency and People. An action plan has been developed to address the areas identified for improvement in the inspection report. Progress in completing the actions will be monitored by the Service Leadership Team and the Authority going forward.

(vii) Independent Review of Building Regulations and Fire Safety

The service will continue to closely monitor developments following the publication of Dame Judith Hackitt's independent review into building regulations and fire safety following the Grenfell Tower fire. Changes to the regulatory requirements will have significant resource implications for the service as the government is committed to doing more to set and enforce high standards.

We propose to take steps to address the above matters to further enhance our governance arrangements during the coming year. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness, and we will monitor their implementation and operation as part of our next annual review.

(viii) HMICFRS Spotlight Report – Values and Culture in Fire and Rescue Services

On the 30 March 2023, HMICFRS released its spotlight report "Values and Culture in Fire and Rescue Services" which was commissioned by The Minister of State for Crime, Policing and Fire. The report draws on the evidence collected through all inspections since 2018 and recent data requests around the handling of misconduct cases and background checks of current and new employees. A gap analysis has been undertaken with the key objective to highlight any immediate actions required. Whilst the Service is well placed to address several of the recommendations with already established and well embedded processes in place such as background checks, confidential reporting lines, policies and procedures and undertaking staff engagement activities there are a few areas identified where we can strengthen. Progress in completing the actions will be monitored by the Service Leadership Team and the Authority going forward.

Signed: _____

Chair

Signed: _____

Chief Fire Officer

Signed: _____

Treasurer

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
01	<p>Public Sector Spending</p> <p>The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. To set a balanced budget for the forthcoming financial year (2022/23) the Authority was required to draw £0.5M from its already limited reserves. Further savings during the period 2023/24 to 2025/26 will be required to balance the budget going forward. Alternative delivery options for services continue to be considered and implementation plans are being progressed. Implementation will be closely monitored to ensure that planned service changes and associated savings are realised.</p>	<p>The Authority fails to balance its budget and service provision deteriorates as a result.</p>	High	<p>The Authority should look to further progress its implementation plans and monitor them to ensure that it's in year budget is balanced and service delivery maintained.</p>	<p>To arrive at a balanced budget for next year 23/24 it will be necessary to draw an additional £0.571M from reserves. This is not sustainable on an on-going basis and alternative methods of service delivery need to be considered and agreed to balance the budget. There is also a great deal of uncertainty surrounding the level of inflation, pay awards and funding going forward.</p> <p>Several savings options have been developed to deal with shortfalls in funding. These options have been discussed with members at the Strategic Planning Days held in May and October 2022. The Community Risk Management Plan consultation seeks views on the proposal to ride with a crew of 4 on all wholetime fire appliances. This will save £0.749m per annum and assist in balancing the budget.</p>	<p>Deputy Chief Executive</p> <p>ONGOING</p>
02	<p>Assumptions Underpinning the Medium-Term Financial Plan</p> <p>The assumptions made in the medium-term financial plan, particularly around savings, inflation, pay awards, employer pension contributions and potential liabilities, future Government grants and income from council tax and business rates whilst based on the</p>	<p>The Authority fails to balance its budget over the medium to longer term and service provision deteriorates as a result.</p>	High	<p>The Authority should monitor, as intended, the assumptions made within its medium-term financial plan to ensure they accurately reflect the most up to date position known and enable corrective action to be taken</p>	<p>The MTFP assumptions are monitored on an on-going basis and have been updated during the preparation of the 2023/24 budget and MTFP.</p> <p>The latest pay offer to firefighters of 7% for 2022/23 and 5% for 2023/24 will place additional pressure on the current year's budget which was</p>	<p>Deputy Chief Executive</p> <p>ONGOING</p>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	best information available are subject to change from economic circumstances and public finances in general. This represents a potential risk to the Authority's medium-term financial plan which will be monitored closely to enable corrective action to be taken where necessary.			where required at the earliest opportunity.	<p>based on a 2% pay award. The 2023/24 budget and MTFP is based upon pay awards of 6% in 2022/23 and 5% in 2023/24 which considering current events is more realistic.</p> <p>Whilst it is impossible to predict what might happen in the future, alternative MTFP scenarios have recently been modelled to illustrate the impact of changes to the assumptions. Based on this modelling, the level of deficit over the MTFP period from 2024/25 onwards ranges from £1.2M best case to £2.8M worst case.</p> <p>The situation regarding pay awards and inflation is monitored closely and any impact on the budget would normally be managed using contingencies and/or reserves. Members will be kept informed if further corrective action is required.</p>	
03	<p>Changes to the Governance of public services in light of stated Government policy direction</p> <p>The Policing and Crime Act requires fire, police, and ambulance services to collaborate, where the proposed collaboration would be in the interests of their own efficiency and effectiveness and one or more of the other services take the same view. The legislation also makes provision for a Police and Crime Commissioner to take responsibility for the fire and rescue service in their area, as well as to take the additional step to create a single employer for police and fire. The government has also published a</p>	The Authority fails to comply with the requirements and wider implications of the Policing and Crime Act.	High	The Service should monitor as intended the impact of any changes that arise as a result of the Policing and Crime Act and act accordingly.	<p>A White Paper on fire reform was published for consultation in May 2022 however we are still awaiting the outcome of the consultation and the governments proposed response. The proposals for reform suggest that in County Durham and Darlington fire governance could be mandated to transfer to the Police and Crime Commissioner. Close monitoring over the coming months will help the service understand more about the White Paper and potential impact which will allow for appropriate mitigating strategies and communications to be prepared in advance.</p>	<p>Chief Fire Officer</p> <p>ONGOING</p>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	White Paper on Fire Reform which focusses on three key areas: people, professionalism and governance. The Service will continue to monitor, at local, sub national and national level, the development and potential impact, of differing governance arrangements, the relevant underpinning statutory frameworks and current national negotiating machinery.					
04	<p>Impact of Changes to the Firefighters Pension Scheme</p> <p>The service will closely monitor the impact of changes to the Firefighters Pension Scheme in terms of cost, business continuity, resilience and local industrial relations.</p>	The Authority fails to balance its budget and service provision deteriorates as a result.	High	The Service should monitor as intended the impact of changes to the Firefighters Pension Scheme both in terms of cost and service delivery.	<p>The proposals to address age discrimination in the Firefighters pension schemes resulting from the McCloud Sargeant case could lead to a significant increase in the level of employer's pension contributions and a range of staff retiring and accessing their pension earlier than anticipated.</p> <p>At the 16 February 2022 Fire Authority meeting, members agreed to pause the processing of immediate detriment cases until the full extent of liabilities falling on the Authority are known. There is a risk that the Authority could be liable for the tax charges relating to individuals who have previously retired.</p> <p>The recruitment strategy includes options to bring in replacement staff quickly, if necessary, to maintain operational response.</p>	Deputy Chief Executive ONGOING

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

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
07	<p>Independent Review of Building Regulations and Fire Safety</p> <p>The service will closely monitor developments following the publication of Dame Judith Hackitt's independent review into building regulations and fire safety following the Grenfell Tower fire. Changes to the regulatory requirements will have significant resource implications for the service as the government is committed to doing more to set and enforce high standards.</p>	Staffing resources are stretched, service provision deteriorates, and the Authority's suffers reputational damage as a result.	High	The Service should monitor as intended developments following the publication of Dame Judith Hackitt's independent review.	<p>The Service has fully adopted and integrated the Competency Framework for Fire Safety Regulators published in 2020 into protection activities. This framework is currently under review with the Service having provided feedback for the consultation and will take cognisance of any changes to the framework.</p> <p>Receiving Royal Assent on 29 April 2021 the Fire Safety Act 2021 commenced on 16 May 2022. The Act amends the Regulatory Reform (Fire Safety) Order 2005 (the Fire Safety Order). It clarifies that responsible persons for multi-occupied residential buildings must manage and reduce the risk of fire for the structure and external walls of the building, including cladding, balconies and windows, and entrance doors to individual flats that open into common parts.</p> <p>Commencing January 2023, the Fire Safety (England) Regulations 2022 now makes it a requirement for the responsible person of residential buildings to provide various levels of information and to report significant faults to their local fire and rescue service., The required level of information required is based on the size of the premises.</p> <p>The Building Safety Act 2022 introduces new duties for the management of fire and building safety in high-rise residential buildings from 1st April 2023. It names the Health and Safety Executive (HSE) as the Building Safety Regulator (BSR). All buildings</p>	<p>Chief Fire Officer</p> <p>ONGOING</p>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
					<p>in scope of the Act will need to be registered with the BSR</p> <p>The Service has adopted and integrated the required changes to the Service website including links with the NFCC resources/ best practice. This will support responsible persons meet their duties under these new pieces of legislation.</p> <p>Currently there are no high-rise residential buildings in the Service's area, however the Service are fully engaged with the NFCC Protection Policy and Reform Unit to ensure preparedness to meet any new requirements.</p>	

Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



AUDIT AND FINANCE COMMITTEE

30 NOVEMBER 2023

**REVENUE AND CAPITAL OUTTURN FOR THE YEAR
ENDED 31 MARCH 2023**

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of the Report

1. To provide information on the 2022/23 revenue and capital outturn compared with the original budget. The comparison with the **original** budget is a requirement for the published statement of accounts and differs from the information provided during the year which compared actual expenditure and income with the **revised** budget.

Background

2. During 2022/23, members received regular reports comparing actual expenditure and income with the budget, together with explanations for variances. This report provides further detail on the actual outturn position for the year ended 31 March 2023.

Comparison of Revenue Outturn with Budget

3. The total net revenue expenditure for 2022/23 after transfers to and from reserves was in line with the original budget of £30.202M.
4. The reasons for significant variations from the budget are set out below and an analysis of expenditure and income over subjective budget headings is set out in Appendix 1.
5. **Employees - £0.774M Overspent**

The original budget included an allowance for a pay award to all staff groups of 2%. Corporate staff accepted a flat rate pay award of £1,925 on all pay points which equates to an average of 5%. A revised pay offer of 7% from July 2022 was accepted by firefighters. The increased cost of the pay awards was partially offset by savings from the removal of several corporate staff posts together with savings from the restructure of the Senior Leadership Team.

6. **Premises - £0.067M Underspent**

Expenditure on premises was less than anticipated because of cost saving initiatives to offset increased utility costs.

7. **Transport - £0.167M Overspent**

Due to the impact of inflation, there has been an increase in vehicle running costs and insurance costs, offset by a reduction in staff travel costs.

8. **Supplies and Services - £0.567M Underspent**

A reduction in spending on several supplies and services budget headings has been achieved because of initiatives to reduce costs, together with strict control of non-essential items of expenditure.

9. **Contingencies - £0.168M Underspent**

The contingencies budget includes an allowance for inflation and pay awards which has helped offset the increased costs within other headings.

10. **Capital Financing - £0.739M Overspent**

A contribution was made from the revenue account to finance capital expenditure which was not included in the original budget. This was facilitated by an unexpected increase in government grant income which was not anticipated when the original budget was set. Financing capital expenditure from revenue and reserves avoids the need to budget for loan interest and principal repayments in future years and will assist in balancing the medium-term financial plan going forward.

11. **Provisions and Write-Offs - £0.178M Overspent**

An additional provision for insurance claims and business rates appeals was made during the year.

12. **Government Grants - £0.715M In Excess of Original Budget**

Additional grant income was received for headquarters and business rates which was not anticipated when the original budget was set.

13. **Other Income - £0.693M In Excess of Original Budget**

The increase in other income was due to work carried out for third parties, the contribution to the service from Vital Fire Solutions for work carried out by service employees, additional investment income due to increased interest rates and additional income from training.

14. **Transfers to / from (-) Earmarked Reserves - £0.352M Less than Original Budget**

The original budget included a contribution of £0.500M from reserves to balance the budget together with transfers from earmarked reserves totalling £0.095M to meet specific items of expenditure. The £0.500M transfer from reserves was not required due to the receipt of additional

income during the year. The following transfers to (+) / from (-) reserves took place on 31st March 2023:

Reserve	Opening Balance at 01/04/22	Transfer to Reserve	Transfer from Reserve	Closing Balance at 31/03/23
	£M	£M	£M	£M
General Reserve	1.510	0.095	-	1.605
Earmarked Reserves				
Pensions	0.500	-	-	0.500
Community Safety	0.166	-	-0.082	0.084
Insurance	0.285	-	-	0.285
Resilience	1.000	-	-	1.000
Civil Resilience (New Dimensions)	0.039	-	-0.039	-
Modernisation	0.862	-	-	0.862
ESMCP	0.625	-	-0.026	0.599
New Risks	0.029	-	-0.029	-
Training	0.200	-	-	0.200
Strategic Finance – Funding Pressures	0.466	-	-0.094	0.372
IT Projects	0.068	-	-0.068	-
Total Earmarked Reserves	4.240	-	-0.338	3.902
Total Reserves	5.750	0.095	-0.338	5.507

- **General Reserve**

A transfer of £0.095M was made to the General Reserve to increase it to 5% of 2023/24 net revenue expenditure. This is in line with the Reserves Policy agreed by the Authority at its meeting in February 2023.

- **Community Safety Reserve -£0.082M**

A transfer of £0.082M was made from the Community Safety reserve to finance expenditure incurred during the year.

- **Civil Resilience -£0.039M**

A transfer of £0.039M was made from the Civil Resilience reserve to finance expenditure incurred during the year.

- **Emergency Services Mobile Communication System (ESMCP) Reserve -£0.026M**

A net transfer of £0.026M was made from the ESMCP reserve to cover expenditure incurred during the year on the project.

- **New Risks Reserve -£0.029M**

A transfer of £0.029M was made from the New Risks reserve to finance expenditure incurred during the year.

- **Strategic Finance Reserve -£0.094M**

A transfer of £0.094M was made from the Strategic reserve which is used to facilitate the smoothing of the council tax collection fund deficit between financial years.

- **IT Projects Reserve -£0.068M**

A transfer of £0.068M was made from the IT Projects reserve to finance expenditure incurred during the year.

Comparison of Capital Outturn with Budget

15. The total capital expenditure for 2022/23 was £0.956M compared with an original budget of £3.116M. The total underspend for the year was £2.160M. The reasons for significant variations from the budget are provided below and further details are set out in Appendix 2:

16. **Vehicles, Plant and Equipment - £1.606M Underspent**

The underspend was due to changes to the planned timing of the replacement of some items of vehicles, plant and equipment.

17. **Estates Improvement Programme - £0.554M Underspent**

The underspend was due to a delayed start to the refurbishment of Wheatley Hill fire station.

Recommendation

18. Members are **RECOMMENDED** to note the outturn position for the financial year ended 31 March 2023.

Appendix 1

FIRE AND RESCUE AUTHORITY REVENUE OUTTURN 2022/23

Budget Heading	Original Budget	Actual	Variance	
	£000	£000	£000	%
Expenditure				
Employees	25,929	26,703	774	2.98
Premises	2,957	2890	-67	-2.27
Transport	609	776	167	27.42
Supplies & Services	4,421	3854	-567	-12.83
Contingencies	168	-	-168	-100.00
Capital Financing	1,600	2339	739	46.19
Provisions & Write-Offs	-	178	178	100.00
Total Expenditure	35,684	36,740	1,056	2.96
Income				
Government Grants	-4,276	-4,991	-715	-16.70
Other Income	-611	-1,304	-693	-113.62
Total Income	-4,887	-6,295	-1,408	-28.81
Net Transfer to / from (-) Reserves	-595	-243	352	59.15
Net Expenditure	30,202	30,202	-	-
Taxation and Non-Specific Grant Income	-30,202	-30,202	-	-
Outturn	-	-	-	-

Variances follow this convention:

- + positive variance means an overspend or reduced income.
- negative variance means an underspend or increased income.

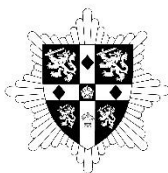
FIRE AND RESCUE AUTHORITY CAPITAL OUTTURN 2022/23

Budget Heading	Original Budget	Actual	Variance	
	£m	£m	£m	%
Vehicles, Plant and Equipment	2.116	0.510	-1.606	-75.90
Land and Buildings	1.000	0.446	-0.554	-55.40
Total Expenditure	3.116	0.956	-2.160	-69.32

Variances follow this convention:

- + positive variance means an overspend.
- negative variance means an underspend.

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

30 November 2023

Internal Audit Progress Report

Report of the Head of Internal Audit

Purpose of the Report

1. The purpose of this report is to advise Members on work undertaken by Internal Audit between 01 April 2023 and 31 March 2024.
2. The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operated across the Authority that have been subject to audit
 - Advise the Committee of significant issues where controls need to improve to effectively manage risks
 - Advise the Committee of any amendments to the approved Internal Audit plan
 - Advise the Committee of changes to audit processes and terminology
 - Track progress on the response to internal audit reports and the implementation of agreed internal audit recommendations
 - Provide an update on our performance indicators comparing actual performance against planned.
3. The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

Appendix 1 Progress against the Internal Audit Plan
Appendix 2 Internal Audit Performance Indicators
Appendix 3* Overdue Actions

Progress against planned work

4. A summary of the agreed plan (which covers the 12-month period 01 April 2023 to 31 March 2024) showing the status of each audit as at 30 September 2023 is attached at Appendix 1.

5. The Appendix shows that 19 reviews including three that were carried forward from 2022/23 are scheduled to be completed in 2023/24, of these:
 - Six assurance reviews are in progress;
 - Four assurance reviews at Draft or Final Report
 - Seven assurance reviews are planned
 - One Counter Fraud review is in progress: and
 - One NFI review is complete
6. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 1.

Amendments to Annual Audit Plan

7. During the period, there have been no amendments made to the Internal Audit Plan.

Outstanding management response to draft reports

8. No management responses to outstanding Draft Reports are overdue.

Response to Audit Recommendations

9. To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within actions plans within individual audit reports are followed up by internal audit. In addition, listings of all recommendations outstanding at the end of each month are produced and issued to a nominated representative to assist the Service in its own internal monitoring processes.
10. To allow progress made at the operational level to be tracked and monitored, the numbers of all recommendations made arising from each audit complete, and evidenced as implemented, are shown in Appendix 1. It should be noted that Internal Audit will not follow up Best Practice matters raised.
11. A summary of outstanding audit recommendations, i.e. those not implemented within original agreed or revised target dates, as evidenced through Internal Audit follow up, for period ended 31 December 2022 is given in the table below:

Risk Category	Actions Raised	Total Due	Actions Implemented	Overdue Original	Target Revised	Overdue Revised
2020/21						
High	8	8	8	0	0	0
Medium	11	11	10	1	1	0
Total	19	19	18	1	1	1
2021/22						
High	8	8	8	0	0	0
Medium	25	18	18	0	0	0
Total	33	26	26	0	0	0
2022/23						
High	0	0	0	0	0	0
Medium	23	20	18	2	2	0
Total	23	20	18	2	2	0

12. 3 medium priority recommendations are overdue against original target implementation dates. Revised target dates have been set for these recommendations. Details of the 3 recommendations are shown in Appendix 3 as a Part B Agenda Item.

Reports issued with a Limited Assurance Opinion

13. No reports have been issued that resulted in a Limited Assurance Opinion.

Corporate Governance

14. The Annual Governance Statement was approved at the November 2023 meeting of the Committee. The Corporate Governance action plan will now be updated as a means of informing the Authority's Annual Governance Statement 2023/24.

Counter Fraud

15. The Audit and Finance Committee considered the Annual Fraud and Corruption report at its meeting of 27 September 2023. Internal Audit will continue to work with the Authority through the year in ensuring the robustness of arrangements in place.

Performance Indicators

16. A summary of agreed target performance indicators is given in Appendix 2.

Recommendation

17. Members are **asked to**
 - **consider** the outturn position in delivering the internal audit plan for 2022/23 together with that made by managers in responding to the work of internal audit to gain assurance on the adequacy and effectiveness of the internal control environment.

Nicola Cooke, Audit Manager, Tel: 03000 269665

Appendix 1: Summary of the status of work undertaken and recommendations made and implemented

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INTERNAL AUDIT SERVICES							High		Medium		Best Practice
Reviews – 2023-24	Work Schedule	Planned Days	Revised Days	Actual Days	Status	Assurance Opinion	M	I	M	I	M
Planned Work											
Assurance Management – AGS	Q1-4	1	1	0.2	In Progress						
Key Financial Systems	Q3	10	10	1	In Progress						
Payroll	Q4	8	8	0	Planned						
Treasury Management	Q4	4	4	0	Planned						
Performance – Data Quality	Q4	6	6	0	Planned						
Catering Arrangements	Q3	8	8	4.5	In Progress						
Stocks and Stores	Q3	5	5	0	Planned						
Home Fire Safety Visits	Q2	5	5	6	Draft Report						
Strategic Risk Management	Q1-4	1	1	0.1	In Progress						
Partnerships	Q4	5	5	0	Planned						
Change Management	Q3	5	5	0.5	Planned						
Active Directory	Q3	5	5	2.5	In Progress						
Data Destruction	Q3	5	5	0.5	Planned						
Counter Fraud											
Counter Fraud Awareness	Q1-4	1	1	0.5							
NFI	Q1-2	2	2	2	Complete	N/A					
Audit Planning and Reporting											
Service Support	Q1-4	12	12	4.5	In Progress						
Brought Forward Reviews – 2022-23											
Payroll	Q1	8	8	8.5	Final Report	Substantial	0	0	0	0	0
Device Build Process	Q1	0.5	0.5	0.5	Final Report	Substantial	0	0	0	0	0
ICT Business Continuity	Q1	0.5	0.5	1.5	Final Report	Moderate	0	0	4	0	0
TOTAL		92	92	32.8			0	0	4	0	0

Appendix 2 Performance Indicators for 2022/23

Efficiency	Objective: To provide maximum assurance to inform the annual audit opinion		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2024	90%	16% (3 out of 19 reviews completed)
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90%	100% (4 out of 4 Draft Reports issued)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also to be reported for information	95%	100% (3 out of 3 Final Reports issued)
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95%	100% (8 TOR's issued)
Quality	Objective: To ensure that the service is effective and adding value		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95%	100% (4/4 recommendations agreed)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good Average score is also reported for information	100%	67% (2 out of 3 surveys issued)
Customers providing feedback Response	% of Customer returning satisfaction returns	70%	100% (average score 4.5 out of 5)

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County Durham and Darlington
Fire and Rescue Authority



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AUDIT AND FINANCE COMMITTEE

30 NOVEMBER 2023

FORECAST OF OUTTURN 2023/24 – ESTIMATE BASED ON EXPENDITURE AND INCOME TO 30 SEPTEMBER 2023 (QUARTER 2)

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of the Report

1. To provide an indication of the Service's revenue and capital financial outturn position based upon expenditure and income to the 30 September 2023.

Forecast of Outturn – Revenue Budget

2. Based upon expenditure and income to 30 September 2023, the forecast revenue outturn position to the 31 March 2024 is an underspend of £0.640M (1.99%). The budget includes an estimated drawing from reserves of £0.571M which will no longer be required based on the forecast outturn position. Taking this into account the total forecast underspending against the original budget is £1.211M.
3. A breakdown of expenditure and income compared to the budget is set out in Appendix 1 and details of the main variances are set out below:
4. **Salaries & Wages - Forecast Outturn £558,000 (2.09%) Underspent**

The budget was based on firefighter pay awards of 6% from July 2022 and 5% from July 2023. The actual pay award was announced after approval of the budget and MTFP and resulted in a further 1% increase in firefighter pay from July 2022 to 7%. This increased the estimated drawing from reserves in 2023/24 and the shortfall in future years by a further £250,000. To assist in balancing the budget in future years, members agreed to consult the public on the option of riding with a crew of 4 on all fire appliances. The change to riding with 4 was implemented from 01 July 2023 saving £608,000 in staffing costs in the current financial year. Further savings are also forecast as a result of vacant corporate staff posts. The savings are partially offset by the alignment of station and watch manager posts from grade A to grade B.

5. **Ill Health Charges – Forecast Outturn £133,000 (21.11%) Overspent**

Expenditure in this area is particularly difficult to forecast as it depends upon the number and timing of ill health retirements during the year. Several long-term ill-health retirements

have recently been progressed and based upon this it is likely that expenditure will exceed the budget by £133,000. This expenditure is currently reported as an overspend however, a transfer from the pensions reserve will be made at the year-end should the need arise.

6. Other Employee Costs – Expenditure Forecast to be in line With Budget

At this stage, expenditure on other employee costs is forecast to be in line with budget at the year-end.

7. Premises – Forecast Outturn £0.018M (0.55%) Underspent

Savings in business rates of £59,000 have been identified following a rating review of all premises. This is partially offset by an increase in the cost of building cleaning of £41,000.

8. Transport - Expenditure Forecast to be in line With Budget

At this stage, expenditure on transport costs is forecast to be in line with budget at the year-end.

9. Supplies and Services – Forecast Outturn £218,000 (4.73%) Underspent

To assist in balancing the budget a full review of all budget headings has been undertaken to identify savings and correct any shortfalls in current budgets. The review identified net savings of £218,000 in supplies and services budget heads.

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

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

11. Contingencies – Forecast Outturn £250,000 (100.00%) Underspent

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

12. Income – Forecast Outturn £300,000 (4.95%) more than budget

There has been a significant increase in interest on short-term investments which is forecast to exceed the budget by £300,000 in 2023/24.

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

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

Forecast of Outturn – Capital Budget

15. The original capital budget for 2023/24 was £3.708M. Based on the latest available information the forecast outturn position is an underspend of £1.650M (44.50%). A breakdown of expenditure compared with the budget is set out in Appendix 2 and details of the main variances are set out below.

16. **Estates Improvement Programme – Forecast Outturn £0.038M Underspent**

The capital budget includes £0431M to complete the refurbishment of Wheatley Hill fire station. The refurbishment is now complete and final budget estimates indicate with an underspend of £0.038M on the project.

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

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

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

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

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

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

Conclusions

20. Based upon expenditure and income to 30 September 2023 the forecast revenue underspend for the year is £0.640M and the estimated drawing from reserves of £0.571M will not be required.

21. An underspending of £1.650M is currently forecast on the capital budget at the year-end mainly due to slippage in the replacement of vehicles.

Recommendations

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

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Revenue Budget Forecast of Outturn - 30 September 2023

Description	Budget £'000	Forecast Outturn Position £'000	Variance £'000	Transfers to/(from) Reserves £'000	Adj Variance £'000	% Variance
Employees - Salaries and Wages	26,755	26,197	-558	0	-558	-2.09
Employees - Ill Health Charges	630	763	133	0	133	21.11
Employees - Other	479	479	0	0	0	0.00
Premises	3,294	3,276	-18	0	-18	-0.55
Transport	789	789	0	0	0	0.00
Supplies & Services	4,611	4,393	-218	0	-218	-4.73
Capital Financing	1,721	1,721	0	0	0	0.00
Contingencies	500	250	-250	0	-250	-50.00
GROSS EXPENDITURE	38,779	37,868	-911	0	-911	-2.35
Income	-6,064	-6,364	-300	0	-300	4.95
Contribution from Reserves	-614	-43	571	0	571	-93.00
NET EXPENDITURE	32,101	31,461	-640	0	-640	-1.99

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

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Capital Budget Forecast of Outturn - 30 September 2023

Description	Budget	Forecast Outturn	Variance	% Variance
	£000	£000	£000	%
Estates Improvement Programme				
Wheatley Hill Fire Station Refurbishment	431	393	-38	-8.82
Training Centre Adaptations	600	600		
Minor Works	250	250	0	0.00
	1,281	1,243	-38	-2.97
ICT	150	150	0	0.00
Vehicles	1,993	381	-1,612	-80.88
Equipment	284	284	0	0.00
TOTAL	3,708	2,058	-1,650	-44.50

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

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AUDIT AND FINANCE COMMITTEE

30 November 2023

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

Report of Treasurer

Purpose of the Report

1. To provide an update on the performance of the Authority's short-term investments and long-term loans for the period ended 30 September 2023.

Short-Term Investments

2. In accordance with the Fire and Rescue Authority's adopted Treasury Policy Statement, the following transactions have been made with the UK Government Debt Management Office, Money Market Funds, UK clearing banks and major building societies for the financial year ended 30 September 2023.

	Position as at 30 September 2023
Interest Earned	£197,627.66
Average Return Earned	4.89%
Average Bank of England base rate	4.80%
Balance Invested at Quarter End	£11,109,000.00
Average Daily Balance of Investments	£8,386,772.23

3. Interest of £197,627.66 has been earned up to the 30 September 2023 which is significantly more than the budgeted amount of £25,000 for the year to date due to increases in interest rates.

4. The short-term investments balance of £11,109,000 at the 30 September 2023 is made up as follows: -

Borrower	Amount Invested £M
Money Market Fund	
<ul style="list-style-type: none"> • Goldman Sachs • Insight 	£0.800 £4.000
Lloyds	£0.309
Debt Management Office	£6.000
Total	£11.109

Long-Term Borrowing

5. The outstanding principal balance of £4,913,000 relating to long-term loans at the 30 September 2023 is made up as follows: -

Lender	Amount Invested £M
PWLB Lending Facility	
<ul style="list-style-type: none"> • Loan 324867 • Loan 510768 	£1.941 £2.972
Total	£4.913

Recommendation

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

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County Durham and Darlington
Fire and Rescue Authority



AUDIT AND FINANCE COMMITTEE

30 NOVEMBER 2023

2024/25 BUDGET AND MEDIUM-TERM FINANCIAL PLAN

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of the Report

- 1 The purpose of this report is to advise members of the proposed timetable for the consideration and approval of the 2024/25 Budget and Medium-Term Financial Plan (MTFP).

Background

- 2 At the Strategic Planning Day on 16 November members received an update on the financial pressures facing the Authority including the impact of unfunded pay awards, inflation, and rising interest rates. Members were informed that although the Authority's financial position has improved following the identification of savings through budget challenge, increased interest receipts and the implementation of riding with four, there are risks in our current MTFP assumptions particularly around pay. Members were also reminded of the uncertainty surrounding future funding and the reliance on council tax receipts which now account for 65% of the Authority's funding.

Settlement Funding

- 5 The position regarding settlement funding for individual authorities will not be known until the provisional settlement is announced in December.
- 6 The government is also in the process of undertaking a full review of how funding is allocated and redistributed between local authorities (The Fair Funding Review). However, it has been confirmed that the Fair Funding Review has been further delayed and is unlikely to feature in the settlement figures for 2024/25.

Council Tax

- 7 The impact of COVID-19 and the cost-of-living crisis on council tax receipts in recent years has been significant and initial indications are that there will be a further shortfall in council tax receipts in 2022/23. The council tax referendum limit will be formally announced alongside the provisional settlement in December.

Options to Balance the Budget

- 8 Further work has been undertaken to develop options to deal with a significant reduction in funding should the need arise. Some of the options involve changes to crewing arrangements which will impact on emergency response standards. These options were further discussed with members at the Strategic Planning Day held on 16 November 2023.
- 9 A summary of the options discussed is set out in table 1 below:

Table 1: Summary of Options to Balance the Budget

Option Number	Option	Saving £m	Response Standards Impact
1	Service Headquarters	0.200	IMPLEMENTED
2	Phase 2 of the Service Structure	0.013	IMPLEMENTED
3	Review of SLT and Middle Managers	0.445	IMPLEMENTED
4	Ride with a crew of 4 on all appliances	0.780	IMPLEMENTED
5	SRU Unit Crewed	0.452	LEAST
6	Remove 1 x station TRV	0.446	LEAST
7	1 X RDS station removal of second pump	0.120	GREATER
8	1 x station second pump to day crewing	0.287	GREATER
9	1 x station to day crewing	0.478	GREATER
10	1 x station 1 pump and 1 TRV	0.427	GREATER
11	1 x wholtime station removal of second pump	0.870	GREATER
12	1 x station to RDS only	1.132	GREATER

- 10 Options 1-4 in the table above are complete and the savings have been built into the budget and the MTFP. Further work will be undertaken over the coming months to develop savings options in line with the views expressed by members and staff on the proposals.

Revenue Expenditure

- 11 The budget for 2023/24 was set at £32.101M. The process of constructing the “standstill” budget for 2024/25 has commenced which will provide a comparison with the total available resources.
- 12 Whilst the quantum of pay awards, inflation and pension costs in future years will be difficult to estimate accurately, the budget process will need to incorporate a realistic view on these elements.
- 13 The current MTFP includes an allowance for pay increases of 3% in 2024/25 and 2% thereafter and includes annual price inflation of 2% each year. These assumptions will be reviewed and updated in view of current economic conditions.
- 14 Each additional 1% increase in pay for the whole workforce costs in the region of £250,000. A 1% increase in inflation costs in the region of £75,000.
- 15 In the knowledge that this is again a particularly challenging budget round, the revenue budget will be constructed using a zero-based approach with the emphasis on the identification of further savings during the process.

Capital Expenditure

- 16 The capital programme also includes planned expenditure on the replacement of vehicles, equipment, and ICT together with some provision for minor improvements to existing buildings. The revenue implications of the capital programme will need to be incorporated into the 2024/25 budget and the MTFP.

Next Steps

- 17 To consider the available options in preparation for the final budget decisions, it is proposed that the Audit and Finance Committee meets between now and January to:
- Consider options to balance the budget.
 - Consider the settlement information.
 - Consider outline revenue and capital budgets in accordance with the parameters set out in this report.
- 18 It is envisaged that the Committee will recommend an outline revenue and capital budget for 2024/25 together with an associated Medium-Term

Financial Plan. The Fire Authority will consider these recommendations at the meeting on the 16 February 2024.

- 19 A budget timetable is attached at Appendix A for information. Some of the dates are still to be confirmed however, updates will be provided as the dates are finalised.

Recommendations

- 20 Members are requested to note the report.

County Durham & Darlington Fire and Rescue Authority - Budget Timetable 2024/25

Date	Meeting	Report
NOVEMBER 2023		
30 November 2023	Audit and Finance Committee	Background Report - Budget Strategy and Timetable Forecast of Outturn - Quarter 2 2023/24
DECEMBER 2023		
December 2023	Provisional Settlement Information Received	
JANUARY 2024		
January 2024	Consultation - Non Domestic Ratepayers Online consultation on the level of council tax increase	
23 January 2024	Audit and Finance Committee	Budget Report: Proposed budget and Council Tax Final Medium-Term Financial Plan Final Settlement Budget and Council Tax Options Forecast Outturn – Quarter 3 2023/24
FEBRUARY 2024		
16 February 2024	Combined Fire Authority	Approval of the 2024/25 budget and Medium-Term Financial Plan Public Consultation via the Community Risk Management Plan on options to balance the budget over the medium-term

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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