



Safest People, Safest Places

## **Local Government Act 1972**

**A Meeting of the Combined Fire Authority for County Durham and Darlington will be held in the Morton Room, Fire and Rescue Headquarters on Monday 11 March 2024 at 10.00 am to consider the following business:-**

### **PART A**

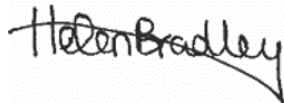
1. Declarations of interest, if any  
*If Members are aware of a private or personal conflict of interest in relation to any items on the Agenda, this should be disclosed at this stage or when the conflict of interest arises during consideration of an item in accordance with the Code of Conduct for Members*
2. Minutes of the meeting held on 16 February 2024 (Pages 3 - 8)
3. Current Correspondence - Report of Director of Emergency Response (Pages 9 - 12)
4. Notes of the Salary Review Group - Report of the Chair of the Salary Review Group (Pages 13 - 14)
5. Notes of the Human Resources Committee - Report of the Chair of the Human Resources Committee (Pages 15 - 18)
6. Report under Section 5 of the Local Government and Housing Act 1989 - Report of the Clerk (Pages 19 - 22)
7. Revenue Budget 2024/25 - Report of Treasurer (Pages 23 - 84)
8. Localism Act - Pay Policy Statement 2024/25 - Report of Deputy Chief Executive and Clerk (Pages 85 - 92)
9. Director Recruitment - Delegated Authority Request - Report of the Director of People and Organisational Development (Pages 93 - 94)
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. 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**

**Durham County Councillors:**

Councillors J Atkinson, A Batey, R Bell, J Blakey, J Cairns, C Hampson, N Jones, B Kellett, R Manchester, C Marshall, C Martin, I McLean, E Peeke, J Quinn, S Quinn, G Richardson, K Rooney, P Sexton, K Shaw, J Shuttleworth and S Zair

**Darlington Borough Councillors:**

Councillors A Anderson, G Lee, D Ray and M Snedker

Minutes of the **meeting** of the **Combined Fire Authority for County Durham and Darlington** held at **Fire and Rescue HQ, Durham** on **16 February 2024** at **10.00 am**.

### **Present:**

#### **Durham County Councillors:**

Councillors J Atkinson, R Bell, J Blakey, J Cairns, C Hampson, N Jones, B Kellett, C Martin, E Peeke, J Quinn, S Quinn, G Richardson, K Rooney, P Sexton, K Shaw, J Shuttleworth and S Zair.

#### **Darlington Borough Councillors:**

Councillor G Lee and D Ray.

Apologies for absence were received from Councillors A Anderson, A Batey, R Manchester and M Snedker.

### **Independent Persons:**

Apologies received from A Fletcher and C Hugill.

### **A1 Declarations of Interest**

There were no declarations of interest.

### **A2 Minutes of the meeting held on 5 January 2024**

The minutes of the meeting held on 5 January 2024 were confirmed as a correct record and signed by the Chair (for copy see file of minutes).

### **A3 Current Correspondence**

The Authority received an update from the Director of Emergency Response in relation to current correspondence received from government and other bodies relevant to the Authority (for copy see file of minutes).

### **A4 Minor Amendment to the Constitution**

The Authority received a report seeking approval for proposed minor amendments to the delegated powers and functions of the Appointments Committee.

It is proposed to extend the terms of reference to give the Appointments Panel delegated authority to appoint to all Director posts in addition to the Principal Officer posts as defined by the constitution.

Members **noted** the contents of the report and the revised responsibilities and functions of the Appointments Committee.

Members **approved** the amendment to the constitution as set out in the report and Appendix A.

## **A5 Notes of the Audit and Finance Committee held on the 23 January 2024**

The Authority received a report of the Chair of the Human Resources Committee which provided an update on the discussions and recommendations of the Committee held on 23 January 2024 (for copy see file of minutes).

Members **noted** the contents of the report.

## **A6 Corporate Risk Management Plan 2024/2027**

The Authority received a report updating members with details of the 2024-2027 Community Risk Management Plan (CRMP), the proposals contained within the plan and the public consultation on it.

The consultation for 2024/25 will begin on 16 February 2024 and will run for 12 weeks. To ensure that a wide range of views can be gathered, a consultation document containing the specific questions regarding the future plans of the Service will be disseminated.

The Chief Fire Officer highlighted that more face-to-face engagement will be carried out by going back into marketplaces and running events in communities around the County.

Members **noted** the contents of the report the 2024-2027 CRMP summary provided.

Members **approved** the questions to be put to the public in the Consultation Document.

## **A7 Budget 2024/25 Report under Section 25 of the Local Government Act 2003**

The Authority received a report providing members with information on the robustness of the estimates and the adequacy of reserves, so that Members have authoritative advice available when they make their budget decisions.

Members **noted** the Treasurer's assessment of the robustness of estimates and adequacy of reserves

Members **agreed** to have regard to this report when approving the budget and the level of council tax for 2024/25.

## **A8 2024/25 Revenue Budget and Council Tax, Capital Programme and Medium Term Financial Plan**

The Authority considered a report of the Treasurer and Chief Fire Officer which set out the revised revenue budget for 2023/24, proposed revenue budget for 2024/25, the Medium-Term Financial Plan, the capital budgets for 2024/25 to 2027/28 and the Authority's council tax requirement (for copy see file of minutes).

The Treasurer took the Authority through each section of the report providing an outline of the key information and proposals.

## **SECTION B - Consultation**

### **Resolved:**

That Members note the consultation arrangements.

## **SECTION C - Provisional Local Government Finance Settlement**

### **Resolved:**

That the Authority notes the 2024/25 settlement and the uncertainty around the funding position from 2025/26 onwards.

## **SECTION D – Reserves Strategy**

### **Resolved:**

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

- (a) Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
- (b) Aim to maintain a general reserve of 5% of the net expenditure, currently £1.6m.

## **SECTION E – Medium Term Financial Plan**

Cllr Sexton raised that separate budget information should be added to the report to inform members of the public of running costs for the Combined Fire Authority including Member Allowances.

The Clerk noted that Member allowances are accessible to the public on both Durham County Council, Darlington Borough Council and the County Durham and Darlington Fire and Rescue Service websites. The Clerk explained that there were limits to the scope of motions that could be moved without notice and that any motion on notice would need to be brought to a future meeting.

Cllr Lee asked whether the potential increase in Council Tax revenues raised through increased housing development have been factored into the assumptions of the MTFP. It was confirmed that the council tax base figures used in the medium-term financial plan are supplied by the constituent authorities and are based on the Durham and Darlington Local Plans.

Cllr Atkinson raised the matter of the cost of a local referendum should the percentage increase required be higher than the cap. Cllr Bell advised that the cost of running such a referendum may be greater than any amount intended to be raised by implementing a proposed increase.

### **Resolved:**

That the Authority:

- (a) Agrees the Medium-Term Financial Plan.

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

## **SECTION F – Revenue Budget**

### **Resolved:**

That the Authority adopts the following resolutions:

- (a) That the revised revenue budget for 2023/24 as set out in Appendix A be approved.
- (b) That the Treasurer be authorised to make any proper accounting transactions that would be in the interests of the Authority in relation to the accounts for 2023/24.
- (c) That the revenue budget for 2024/25 totalling £35,447,496 as set out in Appendix A be approved.

## **SECTION G - Capital Strategy 2023/24 to 2027/28**

### **Resolved:**

That the Authority approves the Capital Strategy, the revised capital budget for 2023/24 and the capital budgets for 2024/25 to 2027/28

## **SECTION H - Fire Authority Council Tax Requirement**

### **Resolved:**

Based on the net expenditure of £35,447,496 and a Band D Council Tax of £118.12 it is recommended that the Authority adopts the following resolution for the year ended 31 March 2025.

- (a) That the 'council tax base' for the whole of the Authority's area be 181,924.80.
- (b) There be no Authority expenses relating to a part only of the Authority's area.
- (c) The 'basic amount of council tax' be £21,488,957.38 and the amount of the council tax for each category of dwelling be as set out in Table 19.
- (d) The Net Expenditure be £35,447,496 and that, after taking into account revenue support grant of £5,795,326 business rates income of £1,549,164, top up grant of £6,166,680, funding guarantee grant of £529,909, services grant of £49,732 and a deficit on the collection funds of £132,272, precepts totalling £21,488,957.38 be issued to Durham County Council and Darlington Borough Council.

## **SECTION I - Prudential Code**

### **Resolved:**

That the Authority:

- (a) Notes the prudential indicators.
- (b) Approves the MRP Statement.
- (c) Approves the following limits for external debt in 2024/25:
  - i. Authorised Limit of £15.601m
  - ii. Operational Boundary of £14.183m

## **SECTION J - Treasury Management 2024/25**

### **Resolved:**

That the Authority:

- (a) Continues to adopt the key recommendations of the CIPFA code.
- (b) Notes the Annual Treasury Management Strategy as set out in Annex J3.
- (c) Agrees to set an upper limit on the Authority's fixed interest rate exposures for 2024/25, 2025/26 and 2026/27 of 100% of its net outstanding principal sum.
- (d) Agrees to set an upper limit on the Authority's variable interest rate exposures for 2024/25, 2025/26 and 2026/27 of 30% of its net outstanding principal sums.

## **A9 Any Other Business**

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

The Chair confirmed that there was no other business.

## **A10 Exclusion to the Public**

That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information.

## **Part B**

### **B11 Fire Fatality Presentation**

The Authority received a presentation by the DCFO Keith Carruthers regarding an incident on 15 January 2024.

Cllr Atkinson asked if there were any patterns or trends linked to the recent fire fatalities. DCFO Keith Carruthers explained there are some commonalities, for example, living alone, reduced mobility and smoking.

**ACTION:** DCFO Keith Carruthers to share a table of vulnerable factors with Members.

### **Any Other Business**

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

### **CLOSE OF MEETING**





**Current Correspondence: March – June 2024**

No	Release Date	Subject	Summary	Action CFA Report	Action CFA Response	Action Info
1	8/02/24	Letter from Fire Minister	Fire and Rescue Services Minimum Service Levels Regulation.  Appendix A		x	

This page is intentionally left blank



Home Office

Appendix A

**Rt Hon Chris Philp MP**  
**Minister of State for Crime, Policing**  
**and Fire**

2 Marsham Street  
London SW1P 4DF

[www.gov.uk/home-office](http://www.gov.uk/home-office)

To: All Chief Fire Officers

**Via Email Only**

8 February 2024

### **Fire and Rescue Services Minimum Service Level Regulations**

Dear Chief Fire Officers,

As you will be aware, the Strikes (Minimum Service Levels) Act 2023 received Royal Assent on 20 July 2023. The Act enables the making of regulations which set out minimum service levels during industrial action in some of our most crucial sectors. Since I wrote to you last year inviting your views as part of our consultation, my officials have worked hard to take into consideration the views of our stakeholders and shape the regulations that were laid in Parliament today. Thank you for your involvement in the consultation and for sharing your views with my officials.

The Strikes (Minimum Service Levels: Fire and Rescue Services) (England) Regulations 2024 (the Regulations) apply to all fire and rescue authorities (FRAs) in England. The Regulations will apply to three categories of services:

- **Control room services**, where the minimum level of service is that all emergency calls for help will be answered and assessed and that the control room will be able to dispatch personnel as they would on non-strike days. It will be for FRAs to determine how many personnel are named on a work notice to fulfil that requirement.
- **Emergency incident response**, where the minimum level of service is that each FRA will have available and ready to deploy 73% of the vehicles and appliances that they would have available if a strike were not taking place at that time of day. The 73% is based on modelling which uses both historical incident statistics and appliance data from fire and rescue services. Cover for senior staff and the crewing of specialist vehicles is also included within the 73%. The Regulations also include cover for the deployment of national resilience assets (as necessary), although this sits outside of the 73% appliance figure. Following consultation with the union in dispute, individual FRAs will be able to decide how many firefighters they consider to be necessary to crew this percentage of appliances on strike days.

- **Fire safety services**, where the minimum level of service is provision of cover to deal with urgent issues relating to fire protection and prevention. This could include, for example, if same-day enforcement action needs to be taken in respect of a building where a potentially life threatening fire safety concern has arisen. It will be for each FRA to determine how many personnel are named on a work notice to ensure it can provide such interventions as required.

Alongside the Regulations we have published our consultation response and a factsheet with information about the Regulations. These can be found at Gov.uk. It should be noted that, as per the Strikes (Minimum Service Levels) Act 2023, employers are under no statutory obligation to issue work notices. However, work notices will be an effective tool that employers will be able to use to ensure crucial services can continue during strike action.

As you will see from our response to the consultation, the Government firmly believes that the ability to strike is an important part of industrial relations in Great Britain. However, we also have a duty to the public to ensure their safety, protect their property and help them go about their daily lives. Fire and rescue services play a vital role in protecting the public and it is right that we seek to ensure the public can continue to rely on these crucial services during periods of strike action.

I am committed to ensuring that these regulations can be implemented successfully for fire and rescue services. Following the publication of the consultation response, my officials intend to engage with all fire and rescue services, the National Fire Chiefs Council, the Local Government Association and trade unions with a view to producing detailed guidance on how the minimum service levels can be operationalised.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'C. Philp', written in a cursive style.

**Rt Hon Chris Philp MP**  
**Minister of State for Crime, Policing and Fire**

County Durham and Darlington  
Fire and Rescue Authority



**Safest People, Safest Places**

**Combined Fire Authority**

**11 March 2024**

**Notes of the Salary Review Group 8 February 2024**

---

## **Report of the Chair of the Salary Review Group**

---

**Members Present:** Cllr J Shuttleworth in the Chair

Cllrs S Zair and Cllr D Ray

**Officers Present:** S Helps, K Carruthers and T Hope

**In Attendance:** J Rogers (Clerk)

### **Purpose of the report**

1. The purpose of this report is to provide members with an update on the discussions and recommendations of the Salary Review Group held on 8 February 2024

### **Part B**

#### **Brigade Managers Pay Position**

2. S Helps introduced the report which provided members with the Brigade Managers' views around a local pay award to support a decision from the Salary Review Group in relation to salary levels for 2024.

The Committee **approved** that no pay award would be made for Brigade Managers and that a full structural review of Brigade Managers salaries would be undertaken.

Members delegated the authority to the Chief Fire Officer to appoint someone independent to undertake the review and present the findings to the Salary Review Group.

### **2023/24 Performance Against Objectives**

3. Members considered the performance against objectives during the 2023/24 years of the Principal Officers.

Members **noted** the report.

County Durham and Darlington  
Fire and Rescue Authority



**Safest People, Safest Places**

**Combined Fire Authority**

**11 March 2024**

**Notes of the Human Resources Committee held on 20 February 2024**

---

**Report of the Chair of the Human Resources Committee**

---

**Members Present:** Cllr C Martin in the Chair  
Cllrs A Batey, J Quinn and D Ray

**Purpose of the report**

1. The purpose of this report is to provide members with an update on the discussions and recommendations of the Human Resources Committee held on 20 February 2024

**Sickness Absence Performance Report Quarter Three 1 April 2023 to 31 December 2023**

2. K Metcalfe introduced the report which provided an update on sickness absence performance for the period 1 April 2023 to 31 December 2023.

Members discussed sickness through injury, return to work procedures, mental health and possible links to Covid. It was agreed that Members would receive a breakdown of mental health absence data at year end.

The committee **noted** the report.

**Health and Safety Report Quarter Three 1 October 2023 to 31 December 2023**

3. Members received a summary of the Service's health and safety performance for the end of the third quarter of the 2023/24 reporting period.

Discussion took place around vehicle accidents, near misses and investigations incomplete after 28 days. It was agreed to review the narrative for the PI around investigations incomplete after 28 days.

Members **noted** the report.

### **Values and Culture in Fire and Rescue Services Spotlight Action Plan Update**

4. K Metcalfe introduced a report which provided an update on the progress made towards completion of the Action Plan relating to HMICFRS Values and Culture Report and the recommendations made.

Discussion took place around the procedure change for DBS checks. Members noted that although it was a challenging task it would be greatly beneficial to the Service and Fire sector.

Members **noted** the report.

### **Equality Reporting 2023**

5. K Metcalfe introduced the report which updated the committee on the annual reports published by the Service for Public Sector Equality Duty and Gender Pay Gap.

Members discussed flexible working arrangements noting that all requests were considered however flexibility was limited for operational staff.

The Committee **noted** the report.

### **NFCC Equality Diversity and Inclusivity Maturity Model**

6. J Parry introduced the report which provided an update on the progress made in the implementation of the NFCC Equality Diversity and Inclusivity Maturity Model.

Members commented on the commendable work carried out by the EDI group.

The Committee **noted** the report.



## **Additional Health Care Benefit**

7. K Metcalfe introduced the report which provided an update on the implementation of the trial of additional workforce healthcare benefit, through Benenden Health.

Members commented on the positive use to date and noted that it would be interesting to see the effects on sickness absence moving forward.

The Committee **noted** the report.

## **Staff Survey Outcomes**

8. K Metcalfe introduced the report which informed the committee of the findings of the staff survey conducted by People Insight over September and October 2023.

The Committee **noted** the report.

## **PART B**

### **Employee Relations Update**

9. Members were provided with details of informal and formal complaints received by the Service from its workforce as well as the instigation of any disciplinary action for the period 1 April 2023 to 31 December 2023.

Members commented on the information.

The Committee **noted** the report.

### **Recommendation**

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

This page is intentionally left blank

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



**Safest People, Safest Places**

## **Combined Fire Authority**

**11 March 2024**

### **Report under Section 5 of the Local Government and Housing Act 1989**

---

#### **Report of the Clerk and Monitoring Officer**

---

#### **Purpose of Report**

1. The purpose of this report is to report on a contravention of an enactment or rule of law pursuant to Section 5 of the Local Government and Housing Act 1989.

#### **Background**

2. Section 5 of the Local Government and Housing Act 1989 requires that all relevant authorities, of which the Combined Fire Authority is one, must designate an officer as its Monitoring Officer. The Clerk is currently the officer so designated.
3. The remainder of the section places a personal duty upon the Monitoring Officer to report to the Combined Fire Authority in respect of any proposal, decision or omission that appears to them to have given rise to a contravention by the Authority of any enactment or rule of law or where such a proposal, decision or omission, in their opinion, is likely to or would give rise to such a contravention.
4. In preparing a report, the Monitoring Officer is required, so far as is practicable, to consult with both the Chief Fire Officer and the Treasurer.
5. As soon as practicable after preparing such a report, a copy must be sent to all members of the Combined Fire Authority, who must consider the report at a meeting within 21 days.

## The Budget

6. The Combined Fire Authority is a Major Precepting Authority for the purposes of the Local Government Finance Act 1992. It is required under s40(5) of the Act to issue its precept before the 1 March in the financial year preceding that for which it is issued. Before issuing its precept, the Combined Fire Authority must determine its Council Tax Requirement pursuant to s42A of the Act and then calculate its Basic Amount of Council Tax pursuant to s42B of the Act. A failure to calculate these figures in accordance with the provisions of the above sections means that the purported issue of a precept shall be treated as having not occurred (s40(8)).
7. Notwithstanding these provisions, the legislation is clear that a precept shall not be invalid simply because it was issued after the 1 March.
8. At its meeting on the 16 February 2024, the Combined Fire Authority considered a report of the Treasurer and resolved that its Council Tax Requirement pursuant to s42A was £21,488,957.38.
9. It then went on to consider its Basic Amount of Council Tax pursuant to s42B. That section states that the Basic Amount of Council Tax shall be arrived at by dividing the Council Tax Requirement by the Aggregate Council Tax Base figure provided by the Billing Authorities (in this case being Durham County Council and Darlington Borough Council). Unfortunately, the figure for the Durham County Council Tax Base was incorrect with an earlier estimated figure being used as opposed to the final figure which had been notified to the Combined Fire Authority.
10. As the Basic Council Tax has been calculated otherwise than in accordance s42B, it must be concluded therefore that the issuance of the precept has legally not occurred and that the Combined Fire Authority has failed to issue its precept before 1 March as it is statutorily obliged to do. It is the breaches of these enactments that as Monitoring Officer I am under a duty to report to the Combined Fire Authority on.
11. Having undertaken consultation with the Treasurer, he has concluded that had the correct Council Tax Base for Durham been used, his recommendation would have been that the Council Tax Requirement be set £2,515.96 higher than originally agreed by the Combined Fire Authority. Crucially, this would have also ensured that the Basic Amount of Council Tax would be exactly the same as members agreed at the meeting in February (£118.12 per Band D property).
12. The Treasurer has therefore undertaken to bring a further report to the Combined Fire Authority to correct this very technical and very minor (in terms of quantum) human error. Should the Combined Fire Authority agree to his recommendations then there will be no detriment to the Combined Fire Authority or to the people of Durham and Darlington and no further action will be necessary.
13. However, the consequences of a failure to take a decision on the 11 March in accordance with the Treasurer's recommendations cannot be overstated. Any further delay in issuing a precept is likely to mean an expensive re-billing process for Durham County Council and a risk that the Combined Fire Authority may not receive its first instalment of payments. The cash flow consequences of which may

necessitate a statutory report from the Treasurer under his powers at s114 of the Local Government Finance Act 1988.

14. Given the urgency of the situation, officers have considered whether a decision could be taken under delegated powers (with a report for information provided to the next meeting of the Combined Fire Authority). However, s67 of the 1992 Act is clear that decisions regarding the setting of the precept are matters which can only be taken by members.
15. Given annual leave commitments and the urgency of the situation, it has not been possible to consult with the Chief Fire Officer in the preparation of this report.

### **Recommendations**

16. Members are requested to:
  - (a) **note** the content of the report; and
  - (b) **consider** the advice contained in this report when considering the report of the Treasurer.

This page is intentionally left blank



## **Combined Fire Authority**

**11 March 2024**

## **2024/25 Revenue Budget**

---

### **Report of Treasurer**

---

#### **Purpose of Report**

1. To seek members approval to amend the 2024/25 revenue budget and the associated resolutions to reflect a change in the council tax base for Durham County Council (DCC).

#### **Background**

2. At the meeting of the Authority on 16 February 2024 members received a report on the 2024/25 revenue budget, council tax, capital programme and medium-term-financial plan. Following the presentation of the report and a discussion on the budget and council tax proposals, members approved the report and the associated resolutions.
3. During the preparation of the County Council's budget report, it has come to light that the DCC council tax base figure set out in the Fire Authority's budget report was the provisional figure of 146,624.00, not the final figure of 146,645.30.

#### **Amendments to the Budget Report**

4. In order to correct the position, the following changes to the 2024/25 budget report are required:
  - Amend the DCC council tax base to the final figure of 146,645.30.
  - Amend the 2024/25 DCC precept amount to £17,321,742.84.
  - Amend the Authority's budget requirement to £35,450,012.
  - Amend the associated resolutions.

The Authority's agreed Band D council tax figure of £118.12 is unaffected by these amendments.

5. For the avoidance of any doubt, any resolutions passed by the Authority at the previous meeting and not subsequently proposed for amendment in the remainder of this report shall continue in full effect.
6. Members of the Authority must also have regard to the report under Section 25 of the Local Government Act 2003 for the previous meeting (a copy of which is appended to this report). For the avoidance of doubt, the opinions expressed in that report are not altered by the proposed resolutions below. A copy of the Section 25 report is attached at Appendix A.
7. A copy of the budget report approved by the Authority on 16 February 2024 is attached at Appendix B.

### Amended Resolutions

#### Section F Revenue Budget

8. Recommendation (c)

That the revenue budget for 2024/25 totalling £35,450,012 be approved.

#### Section H Fire Authority Council Tax Requirement

9. Based on the net expenditure of £35,450,012 and a Band D Council Tax of £118.12 it is **recommended** that the Authority adopts the following resolutions:

That for the year ended 31 March 2025:

- i. the 'council tax base' for the whole of the Authority's area be 181,946.10.
- ii. there be no Authority expenses relating to a part only of the Authority's area.
- iii. the 'Council Tax Requirement' be £21,491,473.34 and the amount of the council tax for each category of dwelling be as set out in Table 19 below:

**Table 19: 2024/25 Council Tax by Council Tax Band**

Council Tax Band	Proportion of 'Basic Amount'	Council Tax
		£
A	6/9	78.75
B	7/9	91.87
C	8/9	105.00
D	'Basic Amount'	118.12
E	11/9	144.37
F	13/9	170.62
G	15/9	196.87



<b>Council Tax Band</b>	<b>Proportion of 'Basic Amount'</b>	<b>Council Tax</b>
H	18/9	236.24

- iv. the Net Expenditure be £35,450,012 and that, after taking into account revenue support grant of £5,795,326 business rates income of £1,549,164, top up grant of £6,166,680, funding guarantee grant of £529,909, services grant of £49,732 and a deficit on the collection funds of £132,272, precepts totalling £21,491,473.34 be issued to Durham County Council and Darlington Borough Council.

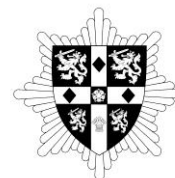
### **Recommendations**

10. Members are requested to **approve** the amendments to the 2024/25 revenue budget and the associated resolutions set out in paragraphs 8 and 9 above.

This page is intentionally left blank

**Safest People, Safest Places**

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



## **Combined Fire Authority**

**16 February 2024**

**Budget 2024/25**

## **Report Under Section 25 of Local Government Act 2003**

---

### **Report of Deputy Chief Executive and Treasurer**

---

#### **Purpose of Report**

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

#### **Background**

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

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

### **Robustness of Estimates**

5. The budget process has involved Members and staff in a thorough examination of the budget now recommended to the Authority.
6. During the budget process risks have also been identified. It is anticipated that these risks can be managed using contingencies and if necessary, reserves.
7. In my view, the robustness of the estimates has been ensured by the budget process, which has enabled all practical steps to be taken to identify and make provision for the Authority's commitments in 2024/25.
8. It should be noted that plans for 2025/26, 2026/27 and 2027/28 are based on a range of assumptions and estimates for these years are therefore less robust at this stage.

### **Adequacy of Reserves**

9. The CIPFA Local Authority Accounting Panel (LAAP) has issued a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 55) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's 2003 Statement on the Role of the Finance Director in Local Government. It would be best practice to follow this guidance.
10. The guidance however, states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of the budget. Each local authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.
11. The Fire and Rescue National Framework for England document makes specific reference to reserves and requires Fire and Rescue Authorities (FRA's) to provide information to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the FRA's medium-term financial plan (MTFP). In addition, authorities are required to provide justification for holding a general reserve larger than 5% of budget.
12. A general reserve of 5% of budget is considered adequate taking account of the risks associated with the MTFP and the Authority's track record of delivering efficiency savings and sound budget management.
13. The reserves policy is that the Authority will:
  - Set aside sufficient sums in earmarked reserves as it considers prudent to do so. The Treasurer will be authorised to establish such reserves as required and to review them for adequacy and purpose on a regular basis.
  - Aim to maintain a general reserve of 5% of net expenditure, currently £1.6m.

14. In coming to a view on the adequacy of reserves, account needs to be taken of the risks facing the Authority. The Annual Governance Statement, within the Authority's Statement of Accounts, gives assurance in relation to the organisation's arrangements for the management of risk and ensuring proper arrangements are in place for governing its affairs and looking after the resources at its disposal.
15. The risk management process has identified several key risks which could impact on the Authority's resources. These risks which are outlined in the Authority's MTFP are likely to impact in the short to medium term.
16. The setting of the level of reserves is an important decision, not only in the budget for 2024/25 but also in the formulation of the MTFP.
17. In my view, if the Authority were to accept the Audit and Finance Committee's recommendations regarding the 2024/25 revenue budget, the level of council tax and capital expenditure, then the level of risks identified in the budget process, alongside the Authority's financial management arrangements, suggest that the level of reserves is adequate.

### **Recommendation**

18. Members are **recommended** to:
  - a) **note** the Treasurer's assessment of the robustness of estimates and adequacy of reserves: and
  - b) **have regard** to this report when approving the budget and the level of council tax for 2024/25.

This page is intentionally left blank

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



Safest People, Safest Places

## **Combined Fire Authority**

**16 February 2024**

### **2024/25 Revenue Budget and Council Tax, Capital Programme and Medium-Term Financial Plan**

#### **Report of Treasurer and Chief Fire Officer**

##### **Purpose and Structure of the Report**

- 1 The purpose of the report is to enable the Authority to:
  - approve a revised revenue budget for 2023/24
  - approve a revenue budget for 2024/25
  - approve the Medium-Term Financial Plan (MTFP)
  - approve the capital budgets for 2024/25 to 2027/28
  - determine the Fire Authority Council Tax Requirement
  - approve the associated resolutions.
  
- 2 The report is divided into 11 sections:
  - Section A - Background
  - Section B - Consultation
  - Section C - Local Government Finance Settlement
  - Section D – Reserves Strategy
  - Section E – Medium-Term Financial Plan (MTFP)
  - Section F – Revenue Budget
  - Section G - Capital Strategy
  - Section H- Fire Authority Council Tax Requirement
  - Section I - Prudential Code
  - Section J - Treasury Management
  - Section K - Summary of Recommendations

## **Section A**

### **Background**

- 1 A meeting of the Audit and Finance Committee was held on 23 January 2024 to consider the revenue and capital budgets, together with the MTFP. This report incorporates the recommendations of the Committee regarding the overall budget amount and the level of council tax for 2024/25.



## Section B

### Consultation

- 1 Consultation on the budget and proposals for achieving efficiency savings have taken place with elected members, staff, and the representative bodies on a regular basis. Meetings have been productive and focused on considering savings options that minimise any increase in risks in local communities.
- 2 An opportunity to discuss the budget proposals was also provided to representatives of non-domestic ratepayers.
- 3 The Authority will undertake further consultation with a wide range of stakeholders on the Community Risk Management Plan (CRMP) and the options for balancing the budget over the medium-term. The consultation process will start on 16 February 2024 and will be open for 12 weeks closing on 10 May 2024. The consultation will involve a wide range of stakeholders including:
  - Our staff
  - Representative Bodies
  - The public
  - Our partner agencies
  - Local councillors
  - Parish councils
  - Residents' associations
  - Area Action Partnerships
  - Community groups
- 4 Various methods of communication will be used in the consultation process including:
  - An on-line survey
  - Durham County Council and Darlington Borough Council staff
  - Messages about the survey and links to it from Twitter and Facebook via the Service accounts as well as the partner organisations (listed above)
  - Direct emailing to stakeholders (incl. neighbouring Fire and Rescue Services, Police, NHS, Voluntary Sector, Businesses, Faith Groups)
  - Online events with the public (eg Facebook live)
  - Presentations to various strategic groups of Darlington Borough Council and Durham County Council including Overview and Scrutiny Committees
  - Presentations at Resident Association meetings
  - Presentations at Parish and Town Council meetings
  - Presentations to Area Action Partnership meetings
  - In person engagement at community events
  - Briefings to all CDDFRS staff. Information also included in several staff bulletins and Communications Forums

5 It is **recommended** that members note the consultation arrangements.

## Section C

### Provisional Local Government Finance Settlement

- 1 The government announced the provisional settlement on 18 December 2023 which once again is a one-year funding settlement for 2024/25, compounding the uncertainty surrounding future funding.
- 2 The Services Grant that was introduced in 2022/23 will continue in 2024/25 however the quantum has been reduced to pay for other parts of the settlement. The settlement also includes an extension to the Funding Guarantee to ensure that all local authorities see at least a 3% increase in Core Spending Power before any council tax decisions locally.
- 3 The Settlement Funding Assessment is calculated by formula and is the Government's assessment of the financial resources to be provided from a combination of revenue support grant, local business rates income and top-up grant. Table 1 below sets out the provisional settlement figures for 2024/25 and the current year (2023/24).

**Table 1: Provisional Settlement**

Description	2023/24 £m	2024/25 £m
Government Funding	9.897	11.962
Local Non-Domestic Rates	1.459	1.531
<b>Settlement Funding Assessment</b>	<b>11.356</b>	<b>13.493</b>
Services Grant	0.288	0.045
Funding Guarantee	0	0.198
<b>Total</b>	<b>11.644</b>	<b>13.736</b>
Pensions Grant	1.560	0
<b>Adjusted Total Funding</b>	<b>13.204</b>	<b>13.736</b>
<b>Change in Funding</b>	<b>+0.465</b>	<b>+0.532</b>
<b>% Change in Funding</b>	<b>+4.2%</b>	<b>+4.0%</b>

- 4 In 2023/24 the Authority received a separate Pensions Grant which has been rolled into revenue support grant (government funding) in 2024/25.

### Final Local Government Finance Settlement

- 5 The final settlement was announced on 05 February 2024 and included further new funding for local government including an increase in the Funding Guarantee from 3% to 4% which increases the Authority's government funding by a further

£332,000 in 2024/25. Table 2 below sets out the final settlement figures for 2024/25 and the current year (2023/24).

**Table 2: Final Settlement**

Description	2023/24 £m	2024/25 £m
Government Funding	9.897	11.962
Local Non-Domestic Rates	1.459	1.549
<b>Settlement Funding Assessment</b>	<b>11.356</b>	<b>13.511</b>
Services Grant	0.288	0.050
Funding Guarantee	0	0.530
<b>Total</b>	<b>11.644</b>	<b>14.091</b>
Pensions Grant	1.560	0
<b>Adjusted Total Funding</b>	<b>13.204</b>	<b>14.091</b>
<b>Change in Funding</b>	<b>+0.465</b>	<b>+0.887</b>
<b>% Change in Funding</b>	<b>+4.2%</b>	<b>+6.7%</b>

- 6 The Authority's funding will increase by £0.887M (6.7%) in 2024/25. Whilst the additional funding from the Funding Guarantee in 2024/25 is welcome, it is likely to be a one-off for 2024/25 only and therefore, we are unable to plan for this level of funding going forward. The position beyond 2024/25 remains uncertain and in view of this uncertainty the Authority will need to continue to prepare for the possibility of further reductions in funding going forward.

### Local Council Tax Referendum

- 7 The Government has also announced details of the local council tax referendum limits for 2024/25.
- 8 Any fire authority that wishes to increase Band D council tax in 2024/25 by 3% or more, as compared to the 2023/24 council tax level will be required to hold a referendum.

### Recommendation

- 9 It is **recommended** that the Authority notes the 2024/25 settlement and the uncertainty around the funding position from 2025/26 onwards.

## **Section D**

### **Reserves Strategy**

#### **Background**

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

#### **Reserves Policy**

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

- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

5 The current reserves policy is that the Authority will:

- Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
- Aim to maintain a general reserve of 5% of the net expenditure, currently £1.6m.

### Estimated Reserves Position

6 The estimated reserves position for the period 2023/24 to 2027/28 is set out in Table 3 below:

**Table 3: Estimated Reserves Position 2023/24 – 2027/28**

Reserve	31.03.24 £m	31.03.25 £m	31.03.26 £m	31.03.27 £m	31.03.28 £m
<b>General Reserve</b>	<b>1.605</b>	<b>1.605</b>	<b>1.605</b>	<b>1.605</b>	<b>1.605</b>
<b>Earmarked Reserves</b>	<b>2.756</b>	<b>2.157</b>	<b>2.157</b>	<b>2.157</b>	<b>2.157</b>
<b>TOTAL RESERVES</b>	<b>4.361</b>	<b>3.762</b>	<b>3.762</b>	<b>3.762</b>	<b>3.762</b>

### General Reserve

- 7 The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. However, given the high level of influence that third parties such as the Local Government Employers and government departments have on income and expenditure there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for. As a single purpose authority, the Authority has no opportunity to use cross service subsidies to meet unanticipated expenditure. Therefore, proportionally, it's general reserve may be slightly higher than a multi-purpose authority.
- 8 The Authority has a policy to maintain the general reserve at 5% of net expenditure (currently £1.6m) which is a commonly used benchmark across the fire sector. A risk assessment of the adequacy of the Authority's general reserve is carried out at the year-end and any necessary adjustments are made as part of the final accounts process. A general reserve of 5% of net expenditure is adequate taking account of the risks associated with the MTFP, the level of

earmarked reserves and the Authority's track record of delivering efficiency savings and sound budget management.

## **Earmarked Reserves**

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

### **Pensions Reserve (General Contingency)**

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

### **Insurance Reserve (General Contingency)**

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

### **Resilience Reserve (General Contingency)**

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

### **Strategic Finance Reserve (General Contingency)**

This reserve holds funds to ensure the continuity of service provision, in the event of future funding pressures.

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

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

### Modernisation Reserve (Funding for projects)

The funds in this reserve are earmarked to fund expenditure on future improvements to the Authority's estate. **This balance is expected to be fully utilised during 2023/24.**

### Community Safety Reserve (Funding for Projects)

This reserve is made up of the balance of unspent grant to enable specific community safety improvements to be undertaken. **This balance is expected to be fully utilised during 2023/24.**

### Training Reserve (Funding for Projects)

This reserve holds the balance of unspent income, earmarked to fund future training programmes. **This balance is expected to be fully utilised during 2023/24.**

- 10 The estimated movement on each of the earmarked reserves during the period 2023/24 to 2027/28 is set out in Table 4 below:

**Table 4: Earmarked Reserves 2023/24 to 2027/28**

<b>Earmarked Reserve</b>	<b>Estimated Balance at 31.03.24 £m</b>	<b>Transfers to Reserves £m</b>	<b>Use of Reserves £m</b>	<b>Estimated Balance 31.03.28 £m</b>
Pensions	0.500	0	0	0.500
Insurance	0.285	0	0	0.285
Resilience	1.000	0	0	1.000
Strategic Finance	0.372	0	0	0.372
ESMCP	0.599	0	-0.599	0
<b>TOTAL</b>	<b>2.756</b>	<b>0</b>	<b>-0.599</b>	<b>2.157</b>

### Recommendations

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

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



- Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
- Aim to maintain a general reserve of 5% of the net expenditure, currently £1.6m.

## **Section E**

### **Medium-Term Financial Plan**

This section provides a summary of the Medium-Term Financial Plan (MTFP) for 2024/25 to 2027/28.

#### **Basis of the Preparation of the Medium-Term Financial Plan**

- 1 The MTFP has been revised to take account of the final settlement information and to incorporate 2024/25 and future year's expenditure and income estimates.

#### **Resources**

##### **Settlement Funding**

- 2 Details of the Local Government Finance Settlement are outlined in Section C. The Government has once again only provided a one-year settlement and funding has increased by £0.887m (6.7%) in 2024/25. Whilst the additional funding of £332,000 from the increase in the Funding Guarantee is welcome it is likely to be a one-off for 2024/25 only and therefore, we are unable to plan for this level of funding going forward. In view of this, the additional funding as a result of the increase in the Funding Guarantee has been earmarked to fund planned capital expenditure in 2024/25. This reduces the need to borrow at a time of high interest rates easing pressure on the revenue budget going forward.
- 3 The funding position beyond 2024/25 is currently unknown and we are unlikely to have longer term certainty regarding the level of future funding until late 2024. In view of this uncertainty the Authority will need to continue to prepare for the possibility of further reductions in funding going forward

##### **Council Tax**

- 4 The MTFP has been calculated based on the assumption that council tax will increase by 2.99% in 2024/25 and by 1.99% in each of the financial years included in the MTFP thereafter. Members will need to review these assumptions noting that each 1% change in council tax results in a variation of approximately £207,000.

##### **Council Tax and Business Rates Collection Fund**

- 5 COVID-19 and the cost-of-living crises continued to impact on council tax and business rates receipts in 2023/24. The Authority has been notified by Durham County Council and Darlington Borough Council of forecast deficits on the council tax collection and business rates collection funds for 2023/24. The Authority's estimated share of the 2023/24 collection fund deficits is £0.133m.

- 6 The estimated deficits on the collection funds in 2023/24 of £0.133m will need to be included in the budget requirement for 2024/25.

## **Budget Pressures**

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

### **Pay Awards**

- 8 The MTFP includes an allowance for pay increases of 3% in 2024/25 and 2025/26 and 2% thereafter however there is a great deal of uncertainty surrounding the level of pay awards going forward. Each additional 1% increase in pay for the whole workforce costs in the region of £270,000. Any unfunded pay increase above the level included in the MTFP would therefore have a significant impact on the Authority's financial position.

### **Inflation**

- 9 In addition to the increase in general inflation, there have been significant increases in the cost of gas and electricity during 2023/24 and further increases are possible going forward. For 2024/25, the budgets for gas and electricity have been increased to reflect current prices and an allowance of 3% has been added to other non-pay budget headings. A further allowance to cover exceptional inflationary pressures has been made within the contingencies budget which can be allocated to budget holders on an exceptional basis should the need arise.

### **Firefighters Pension Scheme (FPS)**

- 10 The results of the latest actuarial valuation of the FPS were published on 19 December 2023. Following the valuation, the revised employer contribution rate will be 37.6% of pensionable pay from 01 April 2024, an increase of 8.5%. The Home Office have confirmed that they will be providing a new pensions grant to fire and rescue services in 2024/25 in relation to the additional employer contributions along with a further grant towards additional pension administration costs. This is a one-off grant in 2024/25 only at this stage and the Home Office will need to bid for funding in the forthcoming Spending Review to secure the grant for future years.

## **Efficiency Savings**

- 11 During the preparation of the 2024/25 revenue budget, budget heads have been reviewed with an emphasis on the identification of efficiency savings. Where savings have been identified based on historic and predicted future spend the relevant amount has been removed from the 2024/25 budget.

## Medium-Term Financial Plan

- 12 The MTFP incorporates 2024/25 and future year's expenditure and income estimates. The estimates for 2025/26 onwards are less robust as they are based on assumptions therefore there is a significant risk that the actual position could turn out to be different.
- 13 The MTFP is based on assumptions which are set out in table 5 below. At this stage the assumptions are considered to be reasonable based upon the information that is available.

**Table 5: MTFP Assumptions**

	2024/25	2025/26	2026/27	2027/28
<b>Income Assumptions</b>				
Council Tax Base	+0.79%	+0.90%	+0.90%	+0.90%
Council Tax Level	+2.99%	+1.99%	+1.99%	+1.99%
Government Funding	+6.70%	+2.00%	+2.00%	+2.00%
<b>Expenditure Assumptions</b>				
Pay Awards	+3.00%	+3.00%	+2.00%	+2.00%
Inflation	+3.00%	+2.00%	+2.00%	+2.00%

- 14 The Authority has been notified of collection fund deficits of £133,000 (the reduction in council tax and business rates collected over that which was budgeted to collect) in relation to 2023/24 which have been included in the 2024/25 budget. No surplus or deficit has been incorporated into the MTFP models for future years.
- 15 The MTFP in Table 6 below is based on the assumptions outlined in Table 4.

**Table 6: Medium Term Financial Plan**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Net Expenditure</b>	<b>35.447</b>	<b>36.117</b>	<b>37.809</b>	<b>38,344</b>
Government Funding	11.962	12.202	12.446	12.695
Local Non-Domestic Rates	1.549	1.549	1.549	1.549
Council Tax	21.489	22.118	22.766	23.432
Services Grant	0.050	0.050	0.051	0.052
Funding Guarantee	0.530	0.198	0.198	0.198
Deficit on Collection Fund	(0.133)	0		
<b>Total Funding</b>	<b>35.447</b>	<b>36.117</b>	<b>37.010</b>	<b>37.926</b>
<b>Surplus/ (Shortfall)</b>	<b>0</b>	<b>0</b>	<b>(0.799)</b>	<b>(0.418)</b>

- 16 The MTFP in Table 6 above shows a balanced budget for 2024/25 and 2025/26 and a shortfall in funding of 0.799M in 2026/27 falling to £0.418M in 2027/28. The reduced shortfall in 2027/28 is a result of a planned move to alternative headquarters accommodation during the year.

**Impact of Changes to Assumptions on the MTFP**

- 17 Several assumptions have been made in relation to settlement funding, council tax, pay, prices and pension costs across the MTFP period. Table 7 below sets out the potential impact of changes to the main assumptions on the MTFP position:

**Table 7: Impact of Changes to Expenditure and Income Assumptions**

<b>Impact of Changes to Expenditure Assumptions</b>	<b>Annual Impact £m</b>
1% change in level of pay award	£0.270
1% change in level of Inflation	£0.082
1% change in level of council tax	£0.207
1% change in level of settlement funding	£0.120

**Alternative MTFP Scenarios**

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

- **Model 1 Increased Pay Awards**

The MTFP includes pay awards of 3% in 2024/25 and 2025/26 and 2% in 2026/27 and 2027/28. This model sets out the impact of pay awards above this level. An increase of 5.0% in 2024/25, 4.0% in 2025/26, 2.0% in 2026/27 and 2% in 2027/28 has been assumed in this model.

**Table 8 Alternative Scenario Model 1**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
MTFP Shortfall	0	0	(0.799)	(0.418)
Impact	(0.540)	(0.838)	(0.855)	(0.871)
<b>Model 1 Shortfall</b>	<b>(0.540)</b>	<b>(0.838)</b>	<b>(1.654)</b>	<b>(1.289)</b>

- **Model 2 Increase in Council Tax Base of 1.50% in all future years.**

The MTFP includes increases in the council tax base of 0.79% in 2024/25 and 0.92% in 2025/26, 2026/27 and 2027/28. An increase in the council tax base of 1.50% in each year from 2025/26 onwards has been assumed in this model.

**Table 9 Alternative Scenario Model 2**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
MTFP Shortfall	0	0	(0.799)	(0.418)
Impact	0	0.127	0.262	0.406
<b>Model 2 (Shortfall)/Surplus</b>	<b>0</b>	<b>0.127</b>	<b>(0.537)</b>	<b>(0.012)</b>

- **Model 3 A £5 increase in Band D council tax in 2025/26**

The MTFP includes council tax increases of 2.99% in 2024/25 and 1.99% in 2025/26, 2026/27 and 2027/28. A £5 increase in Band D council tax in 2025/26 has been assumed in this model.

**Table 10 Alternative Scenario Model 3**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
MTFP Shortfall	0	0	(0.799)	(0.418)
Impact	0	0.485	0.500	0.514
<b>Model 3 (Shortfall)/Surplus</b>	<b>0</b>	<b>0.485</b>	<b>(0.299)</b>	<b>0.096</b>

- **Model 4 Services Grant and Funding Guarantee received in 2024/25 only.**

In the final settlement the government announced the continuation of the Services Grant that was introduced in 2022/23 and an increase in the Funding Guarantee from 3% to 4%. This model sets out the impact of no further funding from these two sources beyond 2024/25.

**Table 11 Alternative Scenario Model 4**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
MTFP Shortfall	0	0	(0.799)	(0.418)
Impact	0	(0.580)	(0.249)	(0.250)
<b>Model 4 (Shortfall)</b>	<b>0</b>	<b>(0.580)</b>	<b>(1.048)</b>	<b>(0.668)</b>

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

### **Balancing the Budget over the Medium-Term**

- 19 At the Fire Authority strategic planning day on 16 November 2023, members received an update on the options that have been modelled to shape the Service's Emergency Response provision in future years together with alternative options for service delivery. A summary of the options is set out in Table 12 below:

**Table 12: Summary of Options**

	<b>Option</b>	<b>Saving £m</b>	<b>Response Standards Impact</b>
1	Service Headquarters	0.200	Implemented
2	Phase 2 of the Service Restructure	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 2 <sup>nd</sup> pump	0.120	Greater
8	1 x station 2 <sup>nd</sup> 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 wholetime station removal of 2 <sup>nd</sup> pump	0.870	Greater
12	1 x station to RDS only	1.132	Greater

- 20 Options 1-4 in the table above are complete and the savings have been built into the 2024/25 budget and the MTFP. At this stage none of the other options have been incorporated into the budget for 2024/25 or the MTFP.
- 21 Depending on future funding settlements, members may need to consider the implementation of some of the options in Table 11 above in order to balance the budget.

### **Risks**

- 22 The Authority has embedded risk management as part of its overall control framework and reviews financial risks on a regular basis. Risks have also been fully reviewed as part of the overall budget setting process for 2024/25 and over the medium-term.
- 23 There are several risks associated with the MTFP that need to be considered as part of the budget setting process:
- a) Local Business Rates Retention**  
The Local Business Rates Retention Scheme introduces risks in relation to the Authority being exposed to fluctuations in business rates income in County Durham and Darlington. The Authority is also exposed to collection



rate risk and if collection rates fall, then there will be a direct impact on the Authority's available financial resources.

**b) Local Council Tax Benefit Schemes**

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

**c) Expenditure and Income Assumptions**

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

**d) Firefighter Pensions**

The outcome of the latest valuation exercise for the Firefighters Pension Scheme resulted in an increase of 8.5% in the average employer's contribution rate. The Home Office have stated that grant funding will be made available in 2024/25 towards the additional cost however there is a risk that the Home Office is unable to secure this funding in future years.

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

**Value for Money**

- 25 The Authority's approach to identifying efficiency savings is based on the principle of providing value for money to local taxpayers. The savings that have been identified as part of the budget setting process are focused on reducing cost whilst at the same time minimising the impact on the level of risk in local communities.

**Recommendations**

- 26 It is **recommended** that the Authority:

(a) Agrees the Medium-Term Financial Plan.

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

## Section F

### Revenue Budget

#### Introduction

- 1 This section sets out the revised revenue budget for 2023/24 and the revenue budget for 2024/25.

#### Revised Revenue Budget 2023/24

- 2 During the year, the revenue budget is monitored and reports outlining spending against budget are regularly considered by the Audit and Finance Committee. Estimates are revised as pressures and opportunities for savings are identified and virement is exercised in accordance with the financial regulations of the Authority. Details of the revised 2023/24 revenue budget are set out in Appendix A.
- 3 Based upon expenditure and income to 31<sup>st</sup> December 2023, net expenditure for 2023/24 is forecast to be within the approved budget.
- 4 To secure the financial position of the Authority going forward, it is recommended that the Treasurer is authorised to make any proper accounting transactions that would be in the interests of the Authority in relation to the accounts for 2023/24.

#### Revenue Budget 2024/25

- 5 The revenue budget for 2024/25 includes provision for pay awards, inflation, capital financing and any known variations. Due to the current financial climate, attention has been focussed on the achievement of further efficiencies during the preparation of the budget.
- 6 The net revenue budget for 2024/25 totals £35,447,496. Details of the revenue budget are set out in Appendix A.

#### Recommendations

- 7 The following resolutions are **recommended** to the Authority:
  - (a) That the revised revenue budget for 2023/24 as set out in Appendix A be approved.
  - (b) That the Treasurer be authorised to make any proper accounting transactions that would be in the interests of the Authority in relation to the accounts for 2023/24.
  - (c) That the revenue budget for 2024/25 totalling £35,447,496 as set out in Appendix A be approved.

## **Section G**

### **Capital Strategy 2023/24 to 2027/28**

#### **Background**

- 1 The CIPFA Prudential Code for Capital Finance in Local Authorities, sets out key objectives to ensure capital programme decisions are affordable, prudent, and sustainable. Under the Prudential Code, the Authority is required to produce a Capital Strategy, which must be considered and approved annually by Members. A revised Prudential Code was published in December 2021, and has been formally adopted since 2023/24, in line with requirements.
- 2 The provisions of the code around borrowing in advance of need were strengthened, to make it clear that borrowing for debt-for-yield investment is not permissible. The Authority does not undertake any such activity, and is not involved in commercial activities, so there is no impact upon the Authority.
- 3 One of the objectives of the new Code is for the Authority to incorporate an assessment of risk to the resources it uses for capital purposes. When undertaking any capital scheme, the Authority assess the financing needs and all associated risks as part of the project.
- 4 Capital strategies are required to report investments under the headings of service, treasury management and commercial investment. The Authority does not invest in capital resources with the intention of making a return. Any investment in capital is purely to allow the Authority to undertake its primary function.

#### **Purpose and Principles**

- 5 The principles of the Capital Strategy are:
  - To ensure capital resources are aligned with the corporate priorities of the Authority.
  - To maintain the Authority's assets and infrastructure.
  - To maintain an affordable rolling capital programme.
  - To only undertake Prudential Borrowing where there are sufficient monies to meet the full borrowing and running costs of capital expenditure.
- 6 These principles have been followed when developing the capital programme, within the framework of the MTFP.

- 7 It is essential that the Authority ensures that its assets are in good condition and that it delivers a good service through the best use of its assets. Where assets are identified as surplus to requirements, they will be disposed of appropriately and where possible, will generate a capital receipt. Such capital receipts contribute towards the costs of future asset investment and development.

### **Monitoring**

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

### **Funding**

- 9 There are several available options for the financing of capital expenditure. Typically, this will be financed through a combination of revenue contributions or use of reserves, capital grants, capital receipts and borrowing, as defined below:
- Revenue Contributions – the revenue budget can include an amount allocated to support the funding of the capital programme.
  - Use of Reserves – revenue resources held in the Authority’s modernisation reserve are set aside to fund capital expenditure.
  - Capital Grants – external grant funding may be available for some projects. Such funding must be applied for and utilised for the specific project. The Government have not announced any available capital grant funding for 2024/25.
  - Capital Receipts – cash receipts generated from the disposal of assets deemed to be surplus to requirements will be used to support new capital investment or to offset any future debt.
  - Borrowing – prudential borrowing can be used to fund capital expenditure. This is on condition that any borrowing is affordable, prudent and sustainable over the medium term. As part of the annual budget setting process, a range of calculations, known as prudential indicators, are completed to demonstrate this and ensure that when developing the MTFP, the cost of interest charges and the repayment of principal is taken into account.

### **Capital Receipts Strategy**

- 10 Prior to the start of each financial year, under the statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), Local

Authorities are required to publish a strategy on the planned use of capital receipts. Generally, capital receipts must only be utilised to support the purchase of capital expenditure.

- 11 The Authority is not expected to receive a significant level of capital receipts in 2024/25, but any received will be used to fund capital expenditure, reducing the need to borrow.

### **Significant Capital Projects**

- 12 The main capital projects included in the Authority's Capital Programme are outlined below:
- **Premises** – No provision for major work on premises has been made for the 2024/25 financial year. However, the capital programme includes an allowance for minor works to ensure that the condition of the Authority's property portfolio is maintained and provision for the relocation of Service Headquarters in 2027/28.
  - **Vehicle Replacement** – a comprehensive plan is in place to replace the operational fleet of fire appliances and specialist vehicles, pool cars and response vehicles when they reach the end of economic life. This is reviewed on an ongoing basis to identify any changes in the number and types of vehicles required to facilitate operational capacity.
  - **Equipment Replacement** – Equipment and IT assets are replaced in line with a detailed plan, which is subject to regular review.
- 13 All capital projects are subject to an assessment of risk and outcomes, as well as identifying any savings and efficiencies that can be achieved. The Authority seeks to collaborate with other partner agencies wherever possible, in order to maximise efficiencies and improvements to service.

### **Capital Expenditure**

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

- 15 The estimates of capital expenditure, along with the proposed sources of finance are outlined in Table 13 below:

**Table 13: Capital Budgets 2023/24 – 2027/28**

	<b>2023/24 Revised £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Premises	1,203	500	500	6,500	500
IT	120	286	559	150	150
Equipment	284	517	418	414	157
Vehicles	381	1,610	1,749	1,047	2,107
<b>TOTAL</b>	<b>1,988</b>	<b>2,913</b>	<b>3,226</b>	<b>8,111</b>	<b>2,914</b>
Funded by:					
Revenue contributions	600	875	60	60	60
External borrowing	1,388	2,038	3,166	8,051	2,854
<b>TOTAL FUNDING</b>	<b>1,988</b>	<b>2,913</b>	<b>3,226</b>	<b>8,111</b>	<b>2,914</b>

- 16 The capital budgets proposed for the medium term are reflective of the Authority's priorities and are affordable in terms of associated revenue expenditure. The revenue costs associated with the capital programme have been incorporated into the MTFP.

### Capital Financing Requirement

- 17 Under the Prudential Code, it is necessary for the Authority to calculate its Capital Financing Requirement (CFR), which relates to all unfunded capital expenditure, not yet permanently financed through the revenue account. The Authority's Capital Financing Requirement is set out in Table 14 below:

**Table 14: Capital Financing Requirement 2023/24 – 2024/25**

	<b>2023/24 £000</b>	<b>2024/25 £000</b>
<b>Opening CFR</b>	<b>12,172</b>	<b>13,138</b>
Capital Expenditure	1,988	2,913
Sources of Finance:		
Revenue Contributions	-600	-875
Transfers from Reserves	0	0
Minimum Revenue Provision (MRP)	-422	-489
<b>Closing CFR</b>	<b>13,138</b>	<b>14,687</b>

## External Debt

- 18 All borrowing is undertaken from the Public Works Loan Board (PWLB). The outstanding external borrowing from PWLB as at 31<sup>st</sup> March 2023 was £4.972m. The estimated borrowing requirement based upon the capital programme contained within the MTFP is set out in Table 15 below:

**Table 15: Estimated Borrowing Requirement 2024/25 – 2027/28**

<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
£000	£000	£000	£000
2,038	3,166	8,051	2,854

## Knowledge and Skills

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

## Recommendations

- 20 It is **recommended** that the Authority approves the Capital Strategy, the revised capital budget for 2023/24 and the capital budgets for 2024/25 to 2027/28.

## Section H

### Fire Authority Council Tax Requirement

#### Council Tax

- 1 Considering the information outlined in Sections F and G, the budget has been constructed to include the assumption that council tax will be increased by 2.99%.
- 2 This will increase basic council tax (Band D) by £3.43 (2.99%) from the 2023/24 level of £114.69 to £118.12 in 2024/25. Table 16 below sets out the effect of a 2.99% council tax increase in 2024/25 on each of the council tax bands.

**Table 16: Effect of a 2.99% Increase in Council Tax**

Council Tax Band	Proportion of 'Basic Amount'	2023/24 Council Tax	Increase (per annum)	2024/25 Council Tax	Increase (per week)
Band A	6/9	£76.46	£2.29	£78.75	4.4p
Band B	7/9	£89.20	£2.67	£91.87	5.1p
Band C	8/9	£101.95	£3.04	£104.99	5.8p
Band D	'Basic Amount'	£114.69	£3.43	£118.12	6.6p
Band E	11/9	£140.18	£4.19	£144.37	8.1p
Band F	13/9	£165.66	£4.96	£170.62	9.5p
Band G	15/9	£191.15	£5.72	£196.87	11.0p
Band H	18/9	£229.38	£6.86	£236.24	13.2p

- 3 Members are **requested** to determine the level of Council Tax for 2024/25.

#### Calculation of the Council Tax Requirement

- 4 The calculation of the council tax requirement takes the Authority's net expenditure and deducts contributions from Government together with the business rates income receivable from Durham County Council and Darlington Borough Council. Allowance must also be made for the Authority's share of any surplus or deficit on Durham County Council and Darlington Borough Council Collection Funds.
- 5 Assuming net revenue expenditure of £35,447,496 the calculation is shown in Table 17 below:



**Table 17: Calculation of the 2024/25 Council Tax Requirement**

	£	£
Net Revenue Expenditure		35,447,496
Less:		
Revenue Support Grant	5,795,326	
Top Up Grant	6,166,680	
Business Rates Income	1,549,164	
Services Grant	49,732	
Funding Guarantee Grant	529,909	
Collection Fund Surplus / Deficit	-132,272	
		13,958,539
<b>Council Tax Requirement</b>		<b>21,488,957</b>

### Council Tax Base

- 6 The 'council tax bases' of Durham County Council and Darlington Borough Council are used to calculate the proportion of the Fire Authority's total precept to be levied on each local authority. The tax base is the estimated full year equivalent number of chargeable 'Band D' dwellings with two or more liable adults in respect of which tax will be received. The 'council tax bases' for 2024/25 as notified to the Fire Authority are set out in Table 18 below:

**Table 18: Council Tax Base and Precept 2024/25**

Authority	Council Tax Base	Precept £
Durham County Council	146,624.00	17,319,226.88
Darlington Borough Council	35,300.80	4,169,730.50
<b>Total</b>	<b>181,924.80</b>	<b>21,488,957.38</b>

### Calculation of Fire Authority's Basic Council Tax

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

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

$$\frac{21,488,957.38}{181,924.80} = \text{£}118.12$$

- 8 A Basic Council Tax of £118.12 represents a £3.43 (2.99%) increase from the 2023/24 level.

## Precept Instalments

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

(a) Durham County Council:

05 April 2024	04 September 2024
03 May 2024	04 October 2024
03 June 2024	04 November 2024
03 July 2024	04 December 2024
02 August 2024	06 January 2025

(b) Darlington Borough Council:

19 April 2024	16 October 2024
28 May 2024	20 November 2024
02 July 2024	27 December 2024
06 August 2024	03 February 2025
11 September 2024	10 March 2025

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

## Recommendations

11 Based on the net expenditure of £35,447,496 and a Band D Council Tax of £118.12 it is **recommended** that the Authority adopts the following resolutions:

That for the year ended 31 March 2025:

- i. the 'council tax base' for the whole of the Authority's area be 181,924.80.
- ii. there be no Authority expenses relating to a part only of the Authority's area.
- iii. the 'basic amount of council tax' be £21,488,957.38 and the amount of the council tax for each category of dwelling be as set out in Table 19 below:

**Table 19: 2024/25 Council Tax by Council Tax Band**

<b>Council Tax Band</b>	<b>Proportion of 'Basic Amount'</b>	<b>Council Tax</b>
		<b>£</b>
A	6/9	78.75
B	7/9	91.87
C	8/9	104.99
D	'Basic Amount'	118.12
E	11/9	144.37
F	13/9	170.62
G	15/9	196.87
H	18/9	236.24

- iv. the Net Expenditure be £35,447,496 and that, after taking into account revenue support grant of £5,795,326 business rates income of £1,549,164, top up grant of £6,166,680, funding guarantee grant of £529,909, services grant of £49,732 and a deficit on the collection funds of £132,272, precepts totalling £21,488,957.38 be issued to Durham County Council and Darlington Borough Council.

## **Section I**

### **Prudential Code**

#### **Background**

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

#### **Prudential Indicators**

- 6 The estimates of capital expenditure to be incurred for the current and future years are contained in Section G of this report and summarised in Table 20 below:

**Table 20: Prudential Indicators – Capital Expenditure**

<b>2022/23 Actual £000</b>	<b>2023/24 Estimate £000</b>	<b>2024/25 Estimate £000</b>	<b>2025/26 Estimate £000</b>	<b>2026/27 Estimate £000</b>
956	1,988	2,913	3,226	8,111

- 7 Estimates of the end of year Capital Financing Requirement for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2023 are set out in Table 21 below:

**Table 21: Prudential Indicators – Capital Financing Requirement**

<b>2022/23 Actual £000</b>	<b>2023/24 Estimate £000</b>	<b>2024/25 Estimate £000</b>	<b>2025/26 Estimate £000</b>	<b>2026/27 Estimate £000</b>
12,172	13,138	14,687	17,175	23,945

- 8 The Capital Financing Requirement measures the Authority’s underlying need to borrow for a capital purpose. In accordance with best professional practice, the Fire Authority does not associate borrowing with particular items or types of expenditure. The Authority has an Integrated Treasury Management Strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Authority’s Treasury Management Strategy and annual plan for 2024/25 is shown in Section J. The Fire Authority has, at any point in time, several cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Treasury Management Strategy. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Authority and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the Authority’s underlying need to borrow for a capital purpose.
- 9 CIPFA’s Prudential Code for Capital Finance includes the following as a key indicator of prudence:
- “In order to ensure that over the medium-term net borrowing will only be for a capital purpose the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.”*
- 10 There are no difficulties envisaged for the current or future years in meeting this requirement. This view considers current commitments, existing plans, and the proposals contained in this budget report.

- 11 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2022/23 are set out in Table 22 below:

**Table 22: Prudential Indicators – Ratio of Financing Costs to Net Revenue Stream**

<b>2022/23 Actual %</b>	<b>2023/24 Estimate %</b>	<b>2024/25 Estimate %</b>	<b>2025/26 Estimate %</b>	<b>2026/27 Estimate %</b>
1.7	1.8	2.0	2.8	5.1

### **Minimum Revenue Provision (MRP) Statement**

- 12 The Authority is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision – MRP). Communities and Local Government (CLG) Regulations have been issued which require the full Authority to approve an MRP Statement in advance of each year. A variety of options have been provided to replace the existing Regulations, so long as there is a prudent provision. The Authority is recommended to approve the following MRP Statement:

- i. For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure, the MRP policy will be:
  - **Existing practice** - MRP will follow the existing practice outlined in former CLG Regulations (Option 2).
- ii. From 1 April 2008 for all unsupported borrowing the MRP policy will be:
  - **Asset Life Method (Annuity)** - MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (Option 3).

### **External Debt**

- 13 In respect of external debt, the Authority has set Authorised Limits for its total external debt, gross of investments, for the current (2023/24) and the next three financial years. These limits separately identify borrowing from other long-term liabilities such as finance leases. The authorised limits are set out in Table 23 below:

**Table 23: Prudential Indicators – Authorised Limit for External Debt**

	<b>2023/24 Estimate £m</b>	<b>2024/25 Estimate £m</b>	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>
Borrowing	6.902	9.053	10.903	17.385
Long-term liabilities	6.858	6.548	6.218	5.839
<b>Total</b>	<b>13.759</b>	<b>15.601</b>	<b>17.121</b>	<b>23.225</b>

- 14 The Authorised Limits are consistent with the Authority’s current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely, prudent but not worst-case scenario, with the addition of sufficient headroom over and above this to allow for operational management. An assessment of risk has been considered, as have plans for capital expenditure, estimates of the Capital Financing Requirement, and estimates of cash flow requirements.
- 15 The Operational Boundary for external debt is based on the same estimates as the Authorised Limit but directly reflects the Treasurer’s estimate of the most likely, prudent but not worst-case scenario, without the additional headroom included within the Authorised Limit. The Operational Boundary represents a key management tool for in year monitoring by the Treasurer. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified. The operational boundary limits are set out in Table 24 below:

**Table 24: Prudential Indicators – Operational Boundary for External Debt**

	<b>2023/24 Estimate £m</b>	<b>2024/25 Estimate £m</b>	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate£m</b>
Borrowing	6.274	8.230	9.912	15.805
Long-term liabilities	6.234	5.953	5.653	5.308
<b>Total</b>	<b>12.508</b>	<b>14.183</b>	<b>15.565</b>	<b>21.113</b>

- 16 The Authority’s actual external debt on 31 March 2023 was £11.206m, comprising of £4.972m PWLB borrowing and £6.234m long-term liabilities in respect of Private Finance Initiative (PFI) schemes. It should be noted that actual external borrowing differs from the Authorised Limit and Operational Boundary, since actual external debt reflects the position at one point in time.

## Council Tax

- 17 The Prudential Indicators have been calculated using a 2.99% Band D Council Tax increase in 2024/25 and assuming a 1.99% increase in subsequent years.
- 18 The capital programme set out in Section G (Table 13) is funded by a mixture of capital grants, contributions from revenue and borrowing under the Prudential Code.
- 19 The estimate of the incremental impact of this prudential borrowing for Band D Council Tax is set out in Table 25 below:

**Table 25: Prudential Indicators – Incremental Impact of Borrowing**

<b>2024/25</b> %	<b>2025/26</b> %	<b>2026/27</b> %
0.24	0.67	2.30

## Liability Benchmark

- 20 The Liability Benchmark calculates the optimum position for external borrowing.
- 21 A positive benchmark indicates the need for the Authority to borrow, whilst a negative benchmark indicates that the Authority has surplus cash balances that can be used to fund capital.
- 22 The Liability Benchmark over the course of the MTFP period is set out in Table 26 below:

**Table 26: Prudential Indicators – Liability Benchmark**

<b>2024/25</b> £000	<b>2025/26</b> £000	<b>2026/27</b> £000	<b>2027/28</b> £000
5,284	2,062	-6,047	-8,958



## Recommendations

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

- (a) Notes the prudential indicators.
- (b) Approves the MRP Statement.
- (c) Approves the following limits for external debt in 2024/25:
  - i. Authorised Limit of £15.601m
  - ii. Operational Boundary of £14.183m

## Section J

### Treasury Management 2024/25

- 1 The CIPFA Code of Practice for Treasury Management in the Public Services makes the following key recommendations:
  - (i) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities
  - (ii) Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities
  - (iii) They should acknowledge that the pursuit of best value in treasury management and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.
- 2 The Authority has formally adopted the key recommendations of the CIPFA Code of Practice for Treasury Management in the Public Services and has created and maintains, as the cornerstone for effective treasury management:
  - a treasury management policy statement stating the policies and objectives of its treasury management activities. This is attached as Annex J1.
  - suitable treasury management practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. These are attached as Annex J2.
- 3 Reports will be presented to members of the Authority on its Treasury Management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in the TMPs. The annual strategy for 2024/25 is shown in Annex J3. In implementing this strategy, the Authority will give priority to security and liquidity rather than yield. However, the Authority will aim to achieve the highest rate of interest consistent with proper levels of security and liquidity. **Members' attention is drawn to the key objectives of the Investment Strategy, which is firstly safeguarding the repayment of principal and interest of its investments on time and secondly ensuring adequate liquidity. The investment return is the third objective.** The Authority delegates responsibility

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

### Treasury Management Indicators

- 4 The Authority has set an upper limit on its *fixed* interest rate exposures for 2024/25, 2025/26 and 2026/27 of 100% of its net outstanding principal sum.
- 5 The Authority has further set an upper limit on its *variable* interest rate exposures for 2024/25, 2025/26 and 2026/27 of 30% of its net outstanding principal sums.
- 6 The Authority's upper and lower limits for the maturity structure of its borrowings are set out in Table 27 below. The table shows the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate:

**Table 27: Maturity Structure of Borrowings**

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

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

### Recommendations

- 8 It is **recommended** that the Authority:
  - a) Continues to adopt the key recommendations of the CIPFA code.
  - b) Notes the Annual Treasury Management Strategy as set out in Annex J3.
  - c) Agrees to set an upper limit on the Authority's fixed interest rate exposures for 2024/25, 2025/26 and 2026/27 of 100% of its net outstanding principal sum.
  - d) Agrees to set an upper limit on the Authority's variable interest rate exposures for 2024/25, 2025/26 and 2026/27 of 30% of its net outstanding principal sums.

## **Annex J1: Treasury Management Policy Statement**

1 The Authority defines its treasury management activities as:

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

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

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

## Annex J2: Treasury Management Practices

### 1 TMP1 - TREASURY RISK MANAGEMENT

#### 1.1 The Treasurer shall:

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

#### 1.2 *Liquidity*

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

#### 1.3 *Interest Rates*

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

#### 1.4 *Credit and Counterparties*

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

#### 1.5 *Rescheduling & Refinancing of Debt*

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

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

## 1.6 *Legal and Regulatory*

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

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

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

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

## 1.8 *Market Risk*

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

## **2 TMP2 - BEST VALUE AND PERFORMANCE MEASUREMENT**

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

## **3 TMP3 - DECISION-MAKING AND ANALYSIS**

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

## **4 TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

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

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

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

## **6 TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

- 6.1 Regular reports will be prepared for consideration by the Authority on:
- the implementation of its treasury management policies
  - the effects of decisions taken, and the transactions executed in pursuit of those policies
  - the implications of changes resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function

6.2 As a minimum, Authority will receive:

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

## **7 TMP7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

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

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

## **8 TMP8 - CASH AND CASH FLOW MANAGEMENT**

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

## **9 TMP 9 - MONEY LAUNDERING**

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

## **10 TMP 10 - STAFF TRAINING AND QUALIFICATIONS**

10.1 The Authority will seek to appoint individuals to the treasury management function who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Treasurer will recommend and implement the necessary arrangements.

## **11 TMP 11 - USE OF EXTERNAL SERVICE PROVIDERS**

11.1 When external service providers are employed by the Authority, the Treasurer will ensure that this is done for reasons which have been submitted to a full evaluation of the costs and benefits. The terms of their appointment and the



methods by which service providers' value will be assessed will be properly agreed and documented and subjected to regular review.

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

## **12 TMP 12 - CORPORATE GOVERNANCE**

- 12.1 The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity, and accountability.
- 12.2 The Authority has adopted and implemented the key recommendations of the Code of Practice on Treasury Management in the Public Services. This, together with other arrangements that the Treasurer will put in place, is considered vital to the achievement of proper corporate governance in treasury management, and the Treasurer will monitor and, if necessary, report upon the effectiveness of these arrangements.

## **Annex J3: Treasury Management Strategy 2024/25**

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

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

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

### **1. Borrowing Strategy 2024/25 – 2026/27**

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

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

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

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

### **2. Investment Strategy 2024/25 – 2026/27**

#### **2.1 Key Objectives**

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

## 2.2 Risk Benchmarking

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

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

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

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

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

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

Yield - Local measure of yield benchmarks is:

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

## 2.3 Investment Counterparty Selection Criteria

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

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

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

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

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

## **2.4 Specified Investments**

Specified Investments are defined as those satisfying the following conditions:

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

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

### **Banks 1 - Good Credit Quality**

The Authority will only use banks which:

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

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

### **Banks 2 - Guaranteed Banks with suitable Sovereign Support**

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

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

### **Banks 3 - Eligible Institutions**

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

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

### **Building Societies**

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

### **Money Market Funds – AAA**

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

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

## **2.5 Non - Specified Investments**

Non-Specified investments are those not meeting the definition in the Specified Investments section above. It is proposed that during 2024/25, the Authority will not invest in Non-Specified Investments, including those to be repaid or redeemed more than 12 months from the date on which the investment was made.

## 2.6 Use of additional information other than credit ratings

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

## 2.7 Time and Monetary Limits applying to Investments

The time and monetary limits for institutions on the Authority's Counterparty List are set out in Table 28 below:

**Table 28: Time and Monetary Limits of Investments**

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

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

## 2.8 Sensitivity to Interest Rate Movements

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

The estimated impact of a 1% increase or decrease in interest rates to the estimated treasury management income for the Authority in 2024/25 is an increase or decrease of £41,000.

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

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

## **Section K**

### **Summary of Recommendations**

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

#### **Section B – Consultation**

That Members note the consultation arrangements.

#### **Section C – Local Government Finance Settlement**

That the Authority notes the 2024/25 settlement and the uncertainty around the funding position from 2025/26 onwards.

#### **Section D – Reserves Strategy**

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

- Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
- Aim to maintain a general reserve of 5% of the net expenditure; currently £1.6m.

#### **Section E – Medium-Term Financial Plan**

That the Authority:

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

#### **Section F – Revenue Budget**

That the Authority adopts the following resolutions:

- (a) That the revised revenue budget for 2023/24, as set out in Appendix A be approved.
- (b) That the Treasurer be authorised to make any proper accounting transactions that would be in the interests of the Authority in relation to the accounts for 2023/24.
- (c) That the revenue budget for 2024/25 totalling £35,447,496, as set out in Appendix A be approved.



## **Section G – Capital Strategy**

That the Authority approves the Capital Strategy, the revised capital budget for 2023/24 and the capital budgets for 2024/25 to 2027/28.

## **Section H – Fire Authority Council Tax Requirement**

That Members determine the level of Council Tax for 2024/25 based on the Net Expenditure of £35,447,496. Based on the recommendation of the Audit and Finance Committee, it is recommended for the year ending 31<sup>st</sup> March 2025:

- i. That the 'council tax base' for the whole of the Authority's area be £181,924.80
- ii. That there be no Authority expenses relating to a part only of the Authority's area
- iii. That the Authority increases Council Tax by £3.43 to £118.12 for a Band D property
- iv. That the Net Expenditure be £35,447,496 and that, after taking into account revenue support grant of £5,795,326, business rates income of £1,549,164, top up grant of £6,166,680, services grant of £49,372 and a deficit on the collection fund of £132,272, precepts £21,488,957.38 be issued to Durham County Council and Darlington Borough Council.

## **Section I – Prudential Code**

- (a) That the Authority notes the prudential indicators.
- (b) That the Authority approves the MRP Statement.
- (c) That the Authority approves the following limits for external debt in 2024/25:
  - i. Authorised Limit of £15.601m
  - ii. Operational Boundary of £14.183m

## **Section J – Treasury Management**

- (a) That the Authority formally adopts the key recommendations of the CIPFA code.
- (b) That the Authority notes the Annual Treasury Management Strategy.
- (c) That the Authority agrees to set an upper limit on its fixed interest rate exposures for 2024/25, 2025/26 and 2026/27 of 100% of its net outstanding principal sum.

- (d) That the Authority agrees to set an upper limit on its variable interest rate exposures for 2024/25, 2025/26 and 2026/27 of 30% of its net outstanding principal sums.

## COUNTY DURHAM AND DARLINGTON FIRE AND RESCUE AUTHORITY

## REVENUE BUDGET

Budget Heading	Original Estimate 2023/24 £	Revised Estimate 2023/24 £	Original Estimate 2024/25 £
<b>Employees</b>			
Salaries and Wages	21,919,384	21,475,785	22,432,221
Pension Contributions	4,835,908	4,722,003	5,956,187
Ill Health Charges	629,822	629,822	655,000
Other	479,259	466,259	512,362
<b>Total Employees Costs</b>	<b>27,864,373</b>	<b>27,293,869</b>	<b>29,555,770</b>
<b>Premises</b>	3,293,566	3,275,932	3,330,464
<b>Transport</b>	789,873	786,373	826,386
<b>Supplies &amp; Services</b>	4,610,853	4,426,775	4,632,001
<b>Capital Financing</b>	1,720,724	1,720,724	2,463,565
<b>Contingencies</b>	500,000	1,592,716	971,198
<b>Capital Charges</b>	2,437,196	2,228,677	2,635,376
<b>GROSS EXPENDITURE</b>	<b>41,216,585</b>	<b>41,325,066</b>	<b>44,414,760</b>
<b>Income</b>	-6,063,624	-6,380,624	-6,331,888
<b>Contribution from Reserves</b>	-614,483	-614,483	-
<b>Reversal of Capital Charges</b>	-2,437,196	-2,228,677	-2,635,376
<b>NET EXPENDITURE</b>	<b>32,101,282</b>	<b>32,101,282</b>	<b>35,447,496</b>

This page is intentionally left blank

County Durham and Darlington  
Fire and Rescue Authority



**Safest People, Safest Places**

## **Combined Fire Authority**

**11 March 2024**

### **Localism Act – Pay Policy Statement 2024/25**

---

#### **Report of Deputy Chief Executive and Clerk**

---

#### **Purpose of Report**

1. The purpose of this report is to seek approval of the pay policy statement for 2024/25.

#### **Background**

2. Sections 38 to 43 of the Localism Act 2011 apply to the Fire and Rescue Authority as a relevant Authority. Section 38(1) requires relevant authorities to prepare pay policy statements.
3. Pay policy statements must be prepared for each financial year, be approved by a meeting of members and must also be published.

#### **Guidance**

4. The government has also issued guidance on the content of pay policy statements. The guidance “Openness and accountability in local pay” sets out the key areas that need to be included in a pay policy statement. Further supplementary guidance was set out in a letter from the Secretary of State for Communities and Local Government dated 20 February 2013.
5. The guidance has been considered in full when preparing the Authority’s pay policy statement for 2024/25.

## 2024/25 Pay Policy Statement

6. The 2024/25 pay policy statement is attached at Appendix A.

## Recommendations

7. Members are requested to:

- (a) **approve** the 2024/25 pay policy statement as set out at Appendix A.
- (b) **note** that the statement will be published on the Authority's website.

# County Durham and Darlington Fire and Rescue Authority

## Pay Policy Statement 2024/25

### 1. Background

This document outlines the key principles of County Durham and Darlington Fire and Rescue Authority's (the Authority's) pay policy for 2024/25 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with the Government guidance issued under the Localism Act 2011 (the Act) and sets out:

- the approach towards the remuneration of Principal Officers and Directors.
- the remuneration of the lowest paid employees.
- the relationship between the remuneration of Principal Officers and the basic firefighter and non-operational salary.

County Durham and Darlington Fire and Rescue Authority is an equal opportunities employer and in setting the pay arrangements for the workforce seeks to pay salaries that are in accordance with the:

- National Joint Council (NJC) for Brigade Managers of Fire and Rescue Services, Constitution, and scheme of conditions of service.
- national terms and conditions as set out in the NJC for Local Authorities' Fire and Rescue Services, Scheme of conditions of service for other uniformed members of staff.
- national pay scales and the job evaluation procedure for non-operational employees.

### 2. Posts covered by the NJC) for Brigade Managers of Fire and Rescue Services (Gold Book) for pay purposes.

For pay purposes, the following posts are covered by the NJC Terms and Conditions of Employment for Fire and Rescue Service Brigade Managers:

#### **Principal Officers**

Chief Fire Officer  
Deputy Chief Fire Officer  
Deputy Chief Executive and Treasurer

#### **Directors**

Director of Emergency Response  
Director of Community Risk Management  
Director of Corporate Resources

### **Appointment of Principal Officers and Directors**

Decisions on the recruitment of Principal Officers and Directors are taken by the Fire Authority. An Appointments Panel is established for the purposes of undertaking a robust recruitment process. Decisions on appointing Principal Officers and Directors are made by the Fire Authority taking account of recommendations from the Appointments Panel.

### **Principles of Principal Officers and Directors Pay**

The principles for setting Principal Officers and Directors pay are set out in the NJC Terms and Conditions of Employment for Fire and Rescue Service Brigade Managers.

The Salary Review Group makes recommendations to the Authority on the pay arrangements for Principal Officers.

In doing so the Salary Review Group takes account of NJC Terms and Conditions of Employment for Fire and Rescue Service Brigade Managers and other factors including:

- The market in which the Authority operates.
- The Authority's short and long-term objectives.
- The Authority's relative size.
- The size of the senior team and responsibilities of individual posts.
- Required on-call arrangements as determined by the Executive Rota.
- The cost of the policy over the short, medium, and longer term.
- The total remuneration package.
- The expectations of the community and stakeholders.
- Links with how the wider workforce is remunerated and national negotiating frameworks.

The Salary Review Group also has access to external independent advice on Principal Officers and Directors pay which can be used to consider the context of pay decisions taking account of wider public and private sector pay levels.

### **3. Key Principles of the Principal Officers and Directors Pay Policy**

- (i) The Principal Officers and Directors pay policy is designed to be clear and transparent to those within the roles and key stakeholders. The structure and level of the pay arrangements enable the Authority to attract, motivate and retain key senior talent.
- (ii) The policy is based on spot salaries with clear differentials between levels of work/job size. This policy is reviewed on an on-going basis to ensure it remains fit for purpose and in line with the NJC Terms and Conditions of Employment for Fire and Rescue Service Brigade Managers.
- (iii) The Authority's pay policy does not currently include provision for performance related pay, bonuses or other additions to basic salary based on individual or organisational performance.
- (iv) In setting the pay policy for Principal Officers and Directors, a market position has been reached that aims to attract and retain the best talent available at a senior level. The qualifications, experience and calibre of



the Principal Officers and Directors employed are considered by the Authority to be amongst the best available in the country.

- (v) Roles at Principal Officer and Director level have been subject to an externally ratified job evaluation scheme that is transparent and auditable to ensure equality proofing of pay levels.
- (vi) The NJC Terms and Conditions of Employment for Fire and Rescue Service Brigade Managers set out the arrangements for national and local pay negotiations.
- (vii) On recruitment the Authority will consider and agree the conditions of employment and salary of the Principal Officer and Director roles. Consideration will be given to market forces, national government policy, local indicators and NJC guidance.
- (viii) The current individual salaries of Principal Officers and Directors are as follows:

	<b>Annual Salary</b>
<b>Principal Officers</b>	
Chief Fire Officer	£165,407
Deputy Chief Fire Officer	£132,324
Deputy Chief Executive and Treasurer (0.6 FTE)	£71,784
<b>Directors</b>	
Director of Emergency Response	£96,090
Director of Community Risk Management	£96,090
Director of Corporate Resources	£79,826
Director of People and Organisational Development	£79,826

- (ix) The statutory officer function of Treasurer to the Fire Authority is undertaken by the Deputy Chief Executive who reports to the Chief Fire Officer. The Deputy Chief Executive is employed for 22.5 hours per week (0.6 full time equivalent).
- (x) The statutory officer function of Clerk to the Fire Authority is provided by Durham County Council under a Service Level Agreement and the post is filled by the Head of Legal and Democratic Services. Details of the pay policy for this position are available in the Durham County Council pay policy.

#### **4. The policy relationship between Principal Officers and Directors pay, the lowest paid workers and the wider workforce**

Employees that are conditioned to the “Grey Book” NJC for Local Authorities' Fire and Rescue Services, scheme of conditions of service) are paid in accordance with national terms and conditions.

Other employee groups have their pay scales based on a nationally agreed job evaluation system that has been in place since 2008. This arrangement allows for incremental progression in pay for the wider workforce, based on national spinal column points and linked to service in post. This approach towards pay for the wider

workforce, and the use of established job evaluation schemes, ensures a planned approach towards pay policy that is accountable, transparent and fair. Pay grades for staff are published as part of the Authority's pay and grading information and are available from the website.

In line with the policy for senior staff, no performance related pay arrangements or bonuses are currently in place for the wider workforce.

Pay multiples for staff based on the pay policy are set out in the table below:

<b>Firefighter multiple</b>	<b>£</b>
Chief Fire Officer salary	165,407
Basic Firefighter salary	36,226
Pay multiple	4.6

<b>Non-Firefighter multiple</b>	<b>£</b>
Chief Fire Officer Salary	165,407
Basic Non-operational salary	23,500
Pay multiple	7.0

The ratio between the pay of the Chief Fire Officer and the lowest paid competent firefighter is 4.6:1 and against the lowest paid workers that are employed is 7.0:1. Figures published by Government set out an expectation that the pay multiple should be below a ratio of 20:1 in local government.

## **5. The Approach towards Payment for those Officers Ceasing to Hold Office Under or be Employed by the Authority**

### **Termination of Employment**

The Authority has an agreed redundancy policy in relation to officers whose employment is terminated via either voluntary or compulsory redundancy. This policy provides a clear, fair and consistent approach towards handling early retirements and redundancy.

Decisions on early retirements and redundancy are made by the Human Resources Committee. Where the value of a severance payment exceeds £100,000 the decision is made by the Authority.

In setting this policy, the Authority does currently retain its discretion to utilise the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales Regulations) 2006.

### **Policy towards Re-employment and Pension Abatement**

The Authority will consider re-employment of retired employees in accordance with the relevant pension scheme regulations and governance arrangements. There is no automatic right to be re-employed. The decision will be strictly based on organisational need and will normally follow an open and fair selection process.

The Fire and Rescue National Framework for England, published in May 2018, stated that Fire Authorities must not re-appoint principal fire officers (at Brigade Manager or Area Manager level or those with comparable responsibilities to those roles) after their retirement to their previous or similar role, save for in exceptional circumstances when such a decision is necessary in the interest of public safety. Any such appointment

must be transparent, justifiable and time limited, with the reason for the decision published and the pension abated until the contract ends. Such a decision will be subject to prior approval at a meeting of the Fire Authority in open session.

Where an employee has taken their pension benefits (either as a former employee or employee from another public section organisation), and is then re-employed, an abatement check will be undertaken. Pension will be adjusted so the combination of pension and new salary does not exceed the individual's salary at the time of their retirement.

There is no age limit on abatement, and this continues for the full period of re-employment. When the re-employment ends, the pension will be reinstated to the full amount.

The Authority operates a flexible retirement process for employees in the Local Government Pension Scheme. This allows an employee to take their pension benefits and remain employed on reduced hours or at a lower grade without abatement of pension. This complies with the provisions of the Local Government Pension Scheme.

This page is intentionally left blank

**Safest People, Safest Places****Combined Fire Authority****11 March 2024****Director Recruitment – Delegated Authority Request**

---

**Report of the Director of People and Organisational Development**

---

**PURPOSE OF REPORT**

1. This paper seeks approval from the Combined Fire Authority (CFA) to give delegated authority to the Appointments Panel to fully oversee the appointment of the Uniformed Director role, which is currently out to advert.

**BACKGROUND**

2. Following the approval of the appointment of the Deputy Chief Fire Officer at the CFA meeting held on 5 January 2024, a vacancy was created for a Uniformed Director post in the Service Leadership Team (SLT) structure.
3. A report was agreed at the CFA meeting on the 16 February to make a minor change to the constitution to enable the Appointments Panel to oversee the selection process and appoint all roles which form part of the SLT, which includes the Uniformed Director post.
4. The Appointments Panel met on Friday 16 February and agreed the salary level, job description, person specification, advert, and the details of the appointments process. The appointments panel also agreed a date for the final interview.
5. It was agreed that CFO Steve Helps undertakes the role of advisor to the panel, to cover any technical and sector specific advice and that the Director of People and Organisational Development provides administrative support and specialist HR advice, should it be needed.
6. Normally, the Appointments Panel would oversee the process and make a recommendation to full CFA of the appointment of a suitable candidate. However, when agreeing the recruitment timeline, it was evident that gaining final approval from the CFA due to the next planned CFA meeting was going to cause a significant delay in the appointment. This is outlined in the timeline in point 9.
7. If an external candidate was successful and had a contractual notice period of three months, it could be October before a start date was agreed. Such a delay would not only potentially portray the Service in an unprofessional way to the successful candidate, but also cause the SLT to continue working at a reduced capacity for a

further prolonged period. To overcome this, the Appointments Panel formally request that they are given delegated authority to make the appointment to the Director role without full approval from the CFA. This would allow an offer of appointment to be made immediately following the final interview with the successful candidate taking up their role within a reasonable timeframe. A report will be taken to a future CFA meeting outlining the decision made.

## APPOINTMENTS PROCESS AND TIMELINE

8. The Fire and Rescue Service National Framework for England 2018 states:

*“To ensure greater fairness and the exchange of talent and ideas, all principal fire officer posts must be open to competition nationally, and fire and rescue authorities must take account of this in their workforce planning.”*

It is therefore a requirement that the Authority advertise the Director role nationally. Senior roles within the fire and rescue service (FRS) sector are generally advertised on the National Fire Chiefs Council’s (NFCC) website. The site is followed closely by those considering the opportunities that are available within other services.

9. The detailed arrangements for the recruitment process agreed by the Appointments Panel are outlined below:

Task / Assessment	Date
Appointments Panel met to agree the process and documentation	16/02/2024
Role advertised through the NFCC job page and service website	16/02/2024
Shortlisting of applications	06/03/2024
Media Assessment / Online Exercises	11/03/2024
Assessment Centre	18/03/2024
Final Interview	28/03/2024
First available date for approval by the Full Fire Authority and formal offer of appointment	25/06/2024

## RECOMMENDATIONS

10. Members are asked to:
- a. **Note** the report and timeline for Director recruitment.
  - b. **Approve** the Appointments Panel to have delegated authority to appoint the successful candidate to the role of Director.