



Safest People, Safest Places

## **Local Government Act 1972**

**A Meeting of the Combined Fire Authority for County Durham and Darlington Audit and Finance Committee will be held in the County Durham and Darlington Fire and Rescue Service Headquarters on Wednesday 27 November 2024 at 10.00 am to consider the following business:-**

### **PART A**

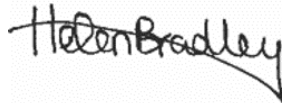
1. Apologies for absence
2. Minutes of the Meeting held on 26 September 2024 (Pages 3 - 6)
3. Internal Audit Progress Report - Report of the head of internal audit (Pages 7 - 12)
4. Corporate Governance Action Plan Update - Report of the Deputy Chief Executive (Pages 13 - 18)
5. Corporate Risk Register - Position as at 31 October 2024 - Report of the Deputy Chief Executive (Pages 19 - 26)
6. Forecast of Outturn 2024/25 Quarter 2 - Report of the Deputy Chief Executive (Pages 27 - 34)
7. Short-Term Investments and Long Term Borrowing - Quarter 2 - Report of the Deputy Chief Executive (Pages 35 - 36)
8. 2025/26 Budget and Medium Term Financial Plan - Report of the Deputy Chief Executive (Pages 37 - 42)
9. County Durham and Darlington Fire and Rescue Authority Audit Progress Report November 2024 (Pages 43 - 58)
10. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgent to warrant consideration
11. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

## **PART B**

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

12. Outstanding Audit Recommendations Quarter ended 30 September 2024 - Report of Head of Internal Audit (Pages 59 - 64)
13. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgent to warrant consideration

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



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

County Hall  
Durham  
DH1 5UL

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

**Durham County Councillors:**

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

**Darlington Borough Councillors:**

Councillors A Anderson

Minutes of the **County Durham and Darlington Fire and Rescue Service Audit and Finance Committee meeting** held at Fire HQ on **26 September 2024 at 13:30hours**.

**Present:** Cllr R Bell (Chair)  
**Durham County Council:** Cllr Julie Cairns  
**Darlington Borough Council:** Cllr A Anderson  
**Officers:** Tony Hope  
Keith Lazzari  
**Internal Audit:** Nicola Cooke  
**External Audit (Mazars):** Smriti Sood

### Part A

#### 1 Apologies

Apologies were received from Cllr Neville Jones, Cllr Alison Batey and Alan Foster.

#### 2 Minutes of the Previous Meetings

The minutes of the previous meeting held on 10 April 2024 were agreed as a true record.

#### 3 Annual Internal Audit Opinion and Report 2023/24

N Cooke introduced a report presenting the Annual Internal Audit for 2023/24; summarising work carried out by Internal Audit and providing assurance on the effectiveness of the Combined Fire Authority's control environment, risk management and corporate governance arrangements in place.

T Hope raised a query on behalf of A Foster regarding weaknesses and evidence of ineffective controls which appear to be IT related, asking if they are being improved.

N Cooke explained that the wording relates to the Moderate overall assurance opinion and is standard wording. The moderate assurance opinion should be regarded as a positive overall. It does not specifically relate to IT.

Members **noted** the Annual Internal Audit report for 2023/24.

#### 4 Annual Review of the System of Internal Audit 2023/24

N Cooke introduced a report summarising the Annual Review of the system of Internal Audit, asking members to consider the findings and conclusions of the 2023/24 review.

Members **considered** and **noted** the content of the report.

## **5 Fraud and Corruption Annual Report 2023/24**

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

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

Members **noted** progress made and assurance provided in relation to the Authority's anti-fraud and anti-corruption arrangements.

## **6 Internal Audit Progress Report 2023/24**

Members were updated on work undertaken by Internal Audit between 1 April 2023 and 31 March 2024.

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

## **7 Auditors Progress Report 2023/24**

S Sood introduced a report updating Members on progress measures to tackle the backlog in local audit.

S Sood that the backstop date for the 2023/24 accounts is now the 28 February 2025. Mazars will start the planning phase in October with work commencing on the audits in November.

R Bell requested that, if possible, work begins on the audits as soon as possible.

Members **noted** content of the report.

## **8 Action to Tackle the Local Audit Backlog in England – Letter from Ministry of Housing, Communities and Local Government**

T Hope presented a letter that has been issued from the Ministry of Housing, Communities and Local Government, recognising there is an issue with the completion of local audits and the decisive action that is being taken to tackle the backlog.

R Bell asked if the same audit standards will be applied to all. T Hope explained that all public and private organisations and business are required to follow the same audit standards.

Members **noted** the content of the letter.

## **9 Revenue and Capital Outturn for the Year Ended 31 March 2024.**

T Hope introduced a report providing information on the 2023/24 revenue and capital outturn compared with the original budget.

T Hope highlighted that the total net revenue expenditure for 2023/24 after transfers to and from reserves was in line with the original budget, and there was an underspend of capital expenditure for the year of £1.592M.

A Anderson commented that the budget is balanced and currently in a good position.

T Hope raised a query on behalf of A Foster regarding the underspend on vehicles, plant and equipment. A Foster asked if the change in planned timing of vehicle replacements is due to a supplier issue.

T Hope explained that since COVID there have been delays in the delivery of replacement vehicles however the situation is improving. The vehicle fleet overall is in a good position and replacements are made in line with the vehicle replacement plan.

Members **noted** the outturn position for the financial year ended 31 March 2024.

## **10 Annual Governance Statement**

T Hope presented a report providing Members with the details of the 2023/24 Annual Governance Statement.

Members **approved** the 2023/24 Annual Governance Statement.

## **11 Short-Term Investments and Long-Term Borrowing – Period to 31 March 2024 (Quarter 4)**

K Lazzari presented a report updating members on the performance of the Authority's short-term investments and long-term loans for the period ended 31 March 2024

Members **noted** the content of the report.

## **12 Short-Term Investments and Long-Term Borrowing – Period to 30 June 2024 (Quarter 1)**

K Lazzari presented a report updating members on the performance of the Authority's short-term investments and long-term loans for the period ended 30 June 2024

Members **noted** the content of the report.

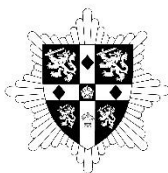
## **Part B**

### **13 Outstanding Audit Recommendations March 2024**

The Internal Audit Outstanding Actions were discussed in turn.

T Hope raised a query on behalf of A Foster regarding the Fire Home Safety Visits audit. A Foster asked for assurance that the home visits are not delayed in the winter and safety is paramount for vulnerable people. TH explained that discussions take place at the Winter Planning Group to ensure delays do not occur during the winter months.

County Durham and Darlington  
Fire and Rescue Authority



**Safest People, Safest Places**

## **Audit and Finance Committee**

**27 November 2024**

### **Internal Audit Progress Report**

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#### **Report of the Head of Internal Audit**

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#### **Purpose of the Report**

1. The purpose of this report is to advise Members on work undertaken by Internal Audit between 01 April 2024 and 31 March 2025.
2. The report aims to:
  - Provide a high level of assurance, or otherwise, on internal controls operated across the Authority that have been subject to audit
  - Advise the Committee of significant issues where controls need to improve to effectively manage risks
  - Advise the Committee of any amendments to the approved Internal Audit plan
  - Advise the Committee of changes to audit processes and terminology
  - Track progress on the response to internal audit reports and the implementation of agreed internal audit recommendations
  - Provide an update on our performance indicators comparing actual performance against planned.
3. The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

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

#### **Progress against planned work**

4. A summary of the agreed plan (which covers the 12-month period 01 April 2024 to 31 March 2025) showing the status of each audit as at 30 September 2024 is attached at Appendix 1.

5. The Appendix shows that 17 reviews including four that were carried forward from 2023/24 are scheduled to be completed in 2024/25, of these:
  - Two reviews are in progress;
  - Seven reviews are complete, at Draft or Final Report
  - Six assurance reviews are planned
  - One Counter Fraud review is in progress: and
  - One NFI review is in progress
6. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 1.

### **Amendments to Annual Audit Plan**

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

### **Outstanding management response to draft reports**

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

### **Response to Audit Recommendations**

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

<b>Risk Category</b>	<b>Actions Raised</b>	<b>Total Due</b>	<b>Actions Implemented</b>	<b>Overdue Original</b>	<b>Target Revised</b>	<b>Overdue Revised</b>
<b>2021/22</b>						
High	8	8	8	0	0	0
Medium	17	17	17	0	0	0
<b>Total</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2022/23</b>						
High	7	7	7	0	0	0
Medium	23	21	21	0	0	0
<b>Total</b>	<b>30</b>	<b>28</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2023/24</b>						



<b>High</b>	0	0	0	0	0	0
<b>Medium</b>	17	12	9	3	3	0
<b>Total</b>	<b>17</b>	<b>12</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>2024/25</b>						
<b>High</b>	0	0	0	0	0	0
<b>Medium</b>	6	3	1	2	0	0
<b>Total</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>Overall Total</b>	<b>78</b>	<b>68</b>	<b>63</b>	<b>5</b>	<b>5</b>	<b>0</b>

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

### Reports issued with a Limited Assurance Opinion

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

### Corporate Governance

14. The Annual Governance Statement was approved at the November 2024 meeting of the Committee.

### Counter Fraud

15. The Audit and Finance Committee considered the Annual Fraud and Corruption report at its meeting of 26 September 2024. Internal Audit will continue to work with the Authority through the year in ensuring the robustness of arrangements in place.

### Performance Indicators

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

### Recommendation

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

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**Nicola Cooke, Audit Manager, Tel: 03000 269665**

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

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INTERNAL AUDIT SERVICES							High		Medium		Best Practice
Reviews – 2024-25	Work Schedule	Planned Days	Revised Days	Actual Days	Status	Assurance Opinion	M	I	M	I	M
<b>Planned Work</b>											
Assurance Management – AGS	Q1-4	1	1	0.2	In Progress						
Risk Management	Q1	1	1	1	Complete						
Key Financial Systems	Q3	10	10	0.5	Planned						
Payroll	Q4	8	8	0	Planned						
Treasury Management	Q4	4	4	0	Planned						
Performance – Data Quality	Q4	8	5	0.5	Planned						
Recruitment and Selection	Q1	8	8	11	Final Report	<b>Substantial</b>	0	0	0	0	2
Ethics – Disciplinary Procedures	Q2	5	8	9	Draft Report						
Plant Management	Q3	8	8	0	Planned						
Back Ups	Q3	10	10	1	In Progress						
IT Strategy	Q4	5	5	0	Planned						
<b>Counter Fraud</b>											
Counter Fraud Awareness	Q1-4	1	1	0.5	In Progress						
NFI	Q1-4	2	2	1.5	In Progress						
<b>Audit Planning and Reporting</b>											
Service Support	Q1-4	13	13	5	In Progress						
<b>Brought Forward Reviews – 2023-24</b>											
Payroll	Q1	2	2	4.5	Final Report	<b>Substantial</b>	0	0	0	0	0
Performance - Data Quality	Q1	2	2	4	Final Report	<b>Substantial</b>	0	0	2	0	2
Partnerships	Q1	0.5	0.5	0.5	Final Report	<b>Substantial</b>	0	0	1	0	0
Active Directory	Q1	1	1	1.5	Final Report	<b>Moderate</b>	0	0	3	0	0
<b>TOTAL</b>		<b>89.5</b>	<b>89.5</b>	<b>40.7</b>			<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>2</b>

## Appendix 2 Performance Indicators for 2024/25

<b>Efficiency</b>	<b>Objective: To provide maximum assurance to inform the annual audit opinion</b>		
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Actual</b>
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2025	90%	35% (6 out of 17 reviews completed)
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90%	100% (6 out of 6 Draft Reports issued)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also to be reported for information	95%	100% (5 out of 5 Final Reports issued)
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95%	100% (7 TOR's issued)
<b>Quality</b>	<b>Objective: To ensure that the service is effective and adding value</b>		
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95%	100% (8/8 recommendations agreed)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good Average score is also reported for information	100%	100% (average score 4.8 out of 5)
Customers providing feedback Response	% of Customer returning satisfaction returns	70%	80% (4 out of 5 surveys issued)

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## AUDIT AND FINANCE COMMITTEE

27 NOVEMBER 2024

### CORPORATE GOVERNANCE ACTION PLAN UPDATE

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#### REPORT OF DEPUTY CHIEF EXECUTIVE

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##### Purpose of Report

1. To provide an update of the progress being made in relation to the actions arising from the development of the Authority's corporate governance arrangements.

##### Background

2. The Authority developed an action plan to progress the high priority actions identified during the production of the Annual Governance Statement (AGS) and reported as part of the final accounts for 2023/24.
3. The Authority continues to develop its governance arrangements and has procedures in place for monitoring actions arising from the 2023/24 final accounts. The effectiveness of internal audit has also been reviewed and a Code of Corporate Governance is in place and approved in line with CIPFA/SOLACE guidance.

##### Corporate Governance Action Plan

3. The Service Leadership Team (SLT) has responsibility for progressing key governance improvements that have been identified. These issues are reviewed quarterly, and progress is monitored to ensure that appropriate actions are being taken to mitigate any risks to effective governance.
4. The 2024/25 Corporate Governance Action Plan is attached at Appendix A. The action plan has been updated to reflect the position in relation to the action points on 31 October 2024.

##### Recommendation

5. Members are requested to **note and comment** on the contents of the report and the on-going work in relation to the corporate governance arrangements of the Authority.

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Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
01	<p><b>Public Sector Spending</b></p> <p>The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. The Service received a higher than anticipated increase in government funding for 2024/25 which together with the implementation of riding with a crew of 4 and further efficiency savings significantly reduced the deficit over the four-year medium-term financial plan from £1.6m to £0.4m. However, further savings during the period 2025/26 to 2027/28 may be required to balance the budget going forward. Alternative delivery options for services continue to be considered and implementation plans are being progressed. Implementation will be closely monitored to ensure that planned service changes and associated savings are realised.</p>	<p>The Authority fails to balance its budget and service provision deteriorates as a result.</p>	High	<p>The Authority should look to further progress its implementation plans and monitor them to ensure that it's in year budget is balanced and service delivery maintained.</p>	<p>The 2024/25 budget MTFP was approved by the CFA in February 2024. Following the implementation of Riding with 4 and other savings the MTFP shows a balanced budget for 2024/25 and 2025/26 (without the need to draw from reserves) and a significantly reduced shortfall of £0.418M over the MTFP period.</p> <p>Several savings options have been developed to deal with any future shortfall in funding. These options have been discussed in detail with members at the Strategic Planning Days and further savings options are also being examined to assist in balancing the budget.</p>	<p>Deputy Chief Executive</p> <p><b>ONGOING</b></p>
02	<p><b>Assumptions Underpinning the Medium-Term Financial Plan</b></p> <p>The assumptions made in the medium-term financial plan, particularly around savings, inflation, pay awards, employer pension contributions and potential liabilities, future Government grants and income from council tax and business rates whilst based on the best information available are subject to change from economic circumstances and public finances in general. This represents a potential risk to the Authority's</p>	<p>The Authority fails to balance its budget over the medium to longer term and service provision deteriorates as a result.</p>	High	<p>The Authority should monitor, as intended, the assumptions made within its medium-term financial plan to ensure they accurately reflect the most up to date position known and enable corrective action to be taken where required at the earliest opportunity.</p>	<p>The MTFP assumptions are monitored on an on-going basis and will be updated during the preparation of the 2025/26 budget and MTFP.</p> <p>The MTFP is based upon increases in pay awards of 3% in 2024/25 and 2025/26 and 2% thereafter. The MTFP deficit position could change dramatically if pay awards are agreed above this level.</p> <p>Whilst it is impossible to predict what might happen in the future, alternative MTFP scenarios have been modelled</p>	<p>Deputy Chief Executive</p> <p><b>ONGOING</b></p>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	medium-term financial plan which will be monitored closely to enable corrective action to be taken where necessary.				to illustrate the impact of changes to the assumptions.  The situation regarding pay awards and inflation is monitored closely and any impact on the budget in the current year would normally be managed using contingencies and/or reserves. Members will be kept informed if further corrective action is required.	
03	<p><b>Impact of Changes to the Firefighters Pension Scheme</b></p> <p>The service will closely monitor the impact of changes to the Firefighters Pension Scheme in terms of cost, business continuity, resilience, and local industrial relations.</p>	The Authority fails to balance its budget and service provision deteriorates as a result.	High	The Service should monitor as intended the impact of changes to the Firefighters Pension Scheme both in terms of cost and service delivery.	<p>The core pensions grant has been mainstreamed into settlement funding from 2024/25. This provides some certainty on future funding for pensions. The Home Office also confirmed a new pensions grant in 2024/25 in relation to the additional employer's contributions resulting from the last actuarial valuation.</p> <p>December 2023 saw the publication of the Immediate Choice Remediable Service Statements (IC-RSS) template for fire, meaning that the rollout of IC-RSSs could commence. Tax relief issues mean legislation is required to process some retired members' pension and this is due to be laid early 2025. Regular guidance continues to be received from the LGA. This is reported to the Pension Board and followed by the Service.</p> <p>The recruitment strategy includes options to bring in replacement staff quickly, if necessary, to maintain operational response.</p>	Deputy Chief Executive  <b>ONGOING</b>



Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
04	<p><b>Collaboration</b> Collaboration will continue to be addressed pro-actively in terms of collaborating with other Fire and Rescue Services, the Police, Northeast Ambulance Service and other organisations. The government have placed an increased emphasis on collaboration with Blue Light Services and this is reflected in the Authority's governance structure in relation to collaboration.</p>	The Authority's collaboration aspirations are not achieved.	High	Opportunities for further collaboration should be investigated. Progress made across all Collaborative practices should be reported, for monitoring, to the Authority.	<p>Members are supportive of further collaboration where this is in the interests of the Authority and provides value for money. The Authority has signed a Statement of Intent with Durham Constabulary setting out our intention to work more closely together to enhance co-operation and collaboration. Progress is monitored through the Collaboration Delivery Board.</p> <p>Work is continuing with the development of further collaboration opportunities and a Statement of Intent has been signed to enable closer working with neighbouring FRS's. The Service has recently entered into a collaboration with 3 other FRSs for a shared Emergency Mobilisation and Control system which has enabled the system supplier to deliver efficiencies in the solution and increased resilience for all 4 services.</p> <p>The Authority has approved a Collaboration Strategy, and a Collaboration Register is in place to record details of individual collaboration initiatives. A formal process to review the outcomes of individual collaboration initiatives has also been developed.</p>	Chief Fire Officer <b>ONGOING</b>
05	<p><b>Fire Service Inspectorate (HMICFRS)</b> In the 2021/22 HMICFRS inspection, the Service was rated as good across all 3 pillars – Effectiveness, Efficiency and People. An action plan was developed to address the areas identified for improvement in the inspection report and completion</p>	The Authority suffers reputational damage as a result of an adverse judgement from the new Fire Service Inspectorate.	High	The Service should look to increase its learning capacity further to receiving the outcomes of its inspection and through engagement with Durham Constabulary	Preparations are well advanced for the Service's next inspection which begins on 17 February 2025. A dedicated Service Improvement Team is in place to monitor progress through SLT. Communication with all staff has commenced and regular engagement takes place with the HMICFRS Service Liaison Lead.	Chief Fire Officer <b>ONGOING</b>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	of the actions is on schedule. Preparation has now started for the Service's next inspection which is planned for early 2025.			and the National Fire Chief's Council.		
06	<p><b>HMICFRS Spotlight Report – Values and Culture in Fire and Rescue services</b></p> <p>On the 30 March 2023, HMICFRS released its spotlight report “Values and Culture in Fire and Rescue Services” which was commissioned by The Minister of State for Crime, Policing and Fire. The report draws on the evidence collected through all inspections since 2018 and recent data requests around the handling of misconduct cases and background checks of current and new</p>	The Authority suffers reputational damage as a result of an adverse publicity arising from misconduct cases.	High	The Service should monitor progress towards addressing the actions outlined in the Spotlight Report.	A gap analysis has been completed with the key objective to highlight any immediate actions required. Whilst the Service is well placed to address several of the recommendations with already established and well embedded processes in place such as background checks, confidential reporting lines, policies and procedures and undertaking staff engagement activities there are a few areas identified where we can strengthen. Progress in completing the actions will be monitored by the Service Leadership Team and the Authority going forward.	Chief Fire Officer <b>ONGOING</b>

**Safest People, Safest Places**

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



## **AUDIT AND FINANCE COMMITTEE**

**27 NOVEMBER 2024**

### **CORPORATE RISK REGISTER – POSITION AT 31 OCTOBER 2024**

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#### **REPORT OF DEPUTY CHIEF EXECUTIVE**

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##### **Purpose of Report**

1. To provide details of the Corporate Risk Register at 31 October 2024.

##### **Background**

2. The Service actively manages risks at all levels of the organisation. The Authority's Risk Management Strategy sets out the framework for the reporting of risks and mitigating actions to members of the Fire Authority. This process also enables members to consider any risks that they have identified and their impact on the Authority.

##### **Corporate Risk Register**

3. The corporate risk register is a dynamic document that provides a summary of the high-level risks facing the Service. Officers review the risks facing the Service on an on-going basis as part of the overall control framework within individual sections. The Service Management Team and the Service Leadership Team also scrutinise risks monthly to ensure a corporate and cross cutting approach.
4. There are currently six risks on the corporate risk register. The register shows the original risk that has been identified, the gross risk score and the residual risk score after mitigating actions. A copy of the corporate risk register is attached at Appendix 1.

##### **Recommendations**

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

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## Corporate Risk Register – 31 October 2024

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
ER218	Heightened terrorist threat in County Durham and Darlington increasing the risk to CDDFRS staff and communities. This also includes the organisation not being able to provide critical services to the community due to a major disruption.	<b>12</b> L=3 I=4	<b>9</b> L=3 I=3	The score reflects the latest intelligence.  The Chief Fire Officer and SLT members are embedded across the LRF. The lead National Incident Liaison Officer (NILO) provides updates to the Service on national counter terrorism issues. the Service is also involved in the counter terrorism strategy (CONTEST) and production of the counter terrorism local profile. Marauding terrorism attack (MTA) refresher training delivered each year for revalidation of competence.	<b>NO CHANGE</b>
<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
ER224	Failure to respond effectively and provide services due to Industrial Action.	<b>15</b> L=3 I=5	<b>8</b> L=2 I=4	No industrial action has been notified however the position regarding firefighters pay could escalate to industrial action in 2025 if an acceptable offer is not made. Future national uncertainties could also impact on this risk such as governance changes.  The residual score reflects the fact that we have effective management of industrial relations and a communications strategy to all stakeholders together with a business continuity plan relating to industrial action.	<b>NO CHANGE</b>

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
FIN152	Failure to achieve the savings via the service transformation options outlined in the CRMP consultation leading to a greater budget deficit.	<b>20</b> <b>L=4</b> <b>I=5</b>	<b>8</b> <b>L=2</b> <b>I=4</b>	<p>The 2024/25 budget MTFP was approved by the CFA in February 2024. Following the implementation of Riding with 4 and other savings the MTFP shows a balanced budget for 2024/25 and 2025/26 (without the need to draw from reserves) and a significantly reduced shortfall of £0.418M over the MTFP period.</p> <p>Several savings options have been developed to deal with any future shortfall in funding. These options have been discussed in detail with members at the Strategic Planning Days and further savings options are also being examined to assist in balancing the budget.</p>	<b>REDUCED</b>

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
FIN153	The actual position relating to pay awards, inflation and grant cuts etc, turns out to be different to the assumptions underpinning the MTFP leading to a greater budget deficit.	<b>20</b> <b>L=4</b> <b>I=5</b>	<b>9</b> <b>L=3</b> <b>I=3</b>	<p>The MTFP assumptions are monitored on an on-going basis and will be updated during the preparation of the 2025/26 budget and MTFP.</p> <p>The MTFP is based upon increases in pay awards of 3% in 2024/25 and 2025/26 and 2% thereafter. The MTFP deficit position could change dramatically if pay awards are agreed above this level. All pay awards for 2024/25 have been settled and implemented and can be managed within the agreed budget.</p> <p>Whilst it is impossible to predict what might happen in the future, alternative MTFP scenarios have been modelled to illustrate the impact of changes to the assumptions.</p> <p>The situation regarding pay awards and inflation is monitored closely and any impact on the budget in the current year would normally be managed using contingencies and/or reserves. Members will be kept informed if further corrective action is required.</p>	<b>REDUCED</b>

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
FIN 225	Insufficient government funding to meet capital programme requirements which could impact on the revenue budget leading to an increased MTFP deficit.	<b>12</b> L=3 I=4	<b>9</b> L=3 I=3	The Authority no longer receives government funding for capital expenditure which was previously £1.3M per annum. Provision is made in the revenue budget going forward to meet the impact of borrowing and/or direct funding. We continue to lobby for the reinstatement of this funding to reduce further pressure on the revenue budget from increased debt repayment costs.	<b>NO CHANGE</b>
FIN 08	Changes to public sector pension schemes could lead to higher employer and employee contributions; increased turnover of staff; difficulty in recruiting and retaining high calibre staff and a reduction in staff morale and productivity.	<b>15</b> L=3 I=5	<b>9</b> L=3 I=3	<p>We have been informed by the Home Office that the pensions grant will continue at its current level prior to being mainstreamed into settlement funding. This provides some certainty on future funding for pensions.</p> <p>The proposals to address age discrimination in the Firefighters pension schemes resulting from the McCloud Sargeant case could lead to a significant increase in the level of employer's pension contributions and a range of staff retiring and accessing their pension earlier than anticipated.</p> <p>December 2023 saw the publication of the Immediate Choice Remediable Service Statements (IC-RSS) template for fire, meaning that the rollout of IC-RSSs could commence. Tax relief issues mean legislation is required to process some retired members' pension and this is due to be laid early 2025. Regular guidance continues to be received from the LGA. This is reported to the Pension Board and followed by the Service</p>	<b>NO CHANGE</b>



				<p>The recruitment strategy includes options to bring in replacement staff quickly, if necessary, in order to maintain operational response.</p>	
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## AUDIT AND FINANCE COMMITTEE

27 NOVEMBER 2024

### FORECAST OF OUTTURN 2024/25 – ESTIMATE BASED ON EXPENDITURE AND INCOME TO 30 SEPTEMBER (QUARTER 2)

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#### REPORT OF DEPUTY CHIEF EXECUTIVE

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#### Purpose of the Report

1. To provide an indication of the Service's revenue and capital financial outturn position based upon expenditure and income to the 30 September 2024.

#### Forecast of Outturn – Revenue Budget

2. Based upon expenditure and income to 30 September 2024, the forecast revenue outturn position to the 31 March 2025 is an underspend of £0.268M (0.76%).
3. A breakdown of expenditure and income compared to the budget is set out in Appendix 1 and details of the main variances are set out below:
4. **Salaries & Wages - Forecast Outturn £179,000 (0.63%) Overspent**

The original budget included an allowance for a 3% pay award to all staff groups. The firefighters pay award was agreed at 4% from 01 July 2024 which is the main reason for the forecast overspend. Allowance was made in the contingencies budget for a further 2% increase in pay, therefore the overspend on salaries and wages is offset by the underspend on the contingencies budget heading.

5. **Ill Health Charges – Forecast Outturn £38,000 (5.80%) Overspent**

Expenditure in this area is particularly difficult to forecast as it depends upon the number and timing of ill health retirements during the year. Based on the position at 30 September an overspend of £38,000 is forecast at the year end.

6. **Other Employee Costs – Forecast Outturn £32,000 (6.18%) Overspent**

Expenditure on other employee costs is forecast to exceed the budget by £32,000 due to additional expenditure on training.

7. **Premises – Forecast Outturn £0.230M (6.84%) Overspent**

Expenditure on repairs and maintenance is forecast to exceed the budget by £119,000 due to the need to carry out essential repairs (including the Breathing Apparatus training facility

at the Training Centre). Expenditure on utility costs at PFI stations is also forecast to exceed the budget by £80,000.

**8. Transport - Forecast Outturn £117,000 (14.16%) Underspent**

Expenditure on vehicle running costs is forecast to be below budget mainly due to a reduction in the cost of fuel.

**9. Supplies and Services – Forecast Outturn £132,000 (2.77%) Overspent**

Based on expenditure to 30 September an overspend of £132,000 is forecast across a number of budget headings. This is offset by the underspend on the contingencies budget heading.

**10. Capital Financing – Forecast Outturn £534,000 (21.67%) Overspent**

This budget includes provision to meet the full year cost of loan repayments and interest together with revenue contributions to finance capital expenditure. Additional capital expenditure on the replacement control system will be funded from revenue following the release of £534,000 from the IT projects reserve.

**11. Contingencies – Forecast Outturn £306,000 (37.97%) Underspent**

The contingencies budget is set aside to meet any unforeseen events and includes an allowance for inflation and pay awards in excess of the budgeted amount. Every effort is being made to contain expenditure within existing budgets and known overspends are reflected in the forecast outturn position. The remaining balance of the contingencies budget has been released into the revenue account as an underspend. This offsets the reported overspendings on salaries and wages and supplies and services.

**12. Income – Forecast Outturn £456,000 (7.20%) more than budget**

There has been a significant increase in interest on short-term investments which is forecast to exceed the budget by £217,000. Additional income has also been generated from the recharge of staff salaries to the Service's trading company Vital Fire Solutions.

**13. Contribution from Reserves £534,000 Not included in the original budget**

At the end of 2023/24 a transfer was made to the IT Projects reserve to fund capital expenditure associated with the replacement control system. This transfer from reserves offsets the additional expenditure on capital financing outlined above.

**Forecast of Outturn – Capital Budget**

15. The capital budget for 2024/25 is £2.913M. Based on the latest available information the forecast outturn position is an underspend of £1.210M (41.54%). A breakdown of expenditure compared with the budget is set out in Appendix 2 and details of the main variances are set out below:

**16. Estates Minor Works – Expenditure Forecast to be in line with Budget**

Expenditure on estates minor works is forecast to be in line with budget at the year end.

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

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

18. **Vehicles – Forecast Outturn £1.210M Underspent**

Provision was made in the budget for the replacement of fire appliances, operational vehicles, and several officers cars. Following a review of requirements and a reappraisal of replacement timescales a number of these vehicles will not be delivered by the year-end therefore £1.210M of expenditure will slip into next financial year.

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

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

**Reserves**

20. The table below sets out the Authority’s reserves position.

Reserve	Opening Balance at 01/04/24	Transfer to Reserve	Transfer from Reserve	Estimated Balance at 31/03/24
	£M	£M	£M	£M
<b>General Reserve</b>	<b>1.773</b>			<b>1.773</b>
<b>Earmarked Reserves</b>				
Pensions	0.500			0.500
Community Safety	0.082			0.082
Insurance	0.285			0.285
Resilience	1.000			1.000
Modernisation	1.240			1.240
ESMCP	0.065			0.065
Training	0.200			0.200
Strategic Finance – Funding Pressures	0.326			0.326
IT Projects	0.534		0.534	0.000
<b>Total Earmarked Reserves</b>	<b>4.232</b>	<b>0</b>	<b>0.534</b>	<b>3.698</b>
<b>Total Reserves</b>	<b>6.005</b>	<b>0</b>	<b>0.534</b>	<b>5.471</b>

21. With the exception of the transfer from the IT Projects Reserve to finance capital expenditure on the replacement control system, at this stage no further drawings from reserves are anticipated during 2024/25.

**Investments**

22. On 30 September 2024 the Authority had £15.8M on short-term deposit which was made up as follows: -

Borrower	Amount Invested £M
Money Market Funds	7.000
Lloyds Bank (Current Account)	0.318
Debt Management Office	8.500
<b>Total</b>	<b>15.818</b>

## Long-Term Borrowing

22. The outstanding principal balance of £4.859M on 30 September 2024 relates to long-term loans to finance capital expenditure. This was made up as follows: -

Lender	Amount Borrowed £M	Interest Rate	Loan End Date
PWLB Lending Facility			
• Loan 324867	£1.917	2.08%	28/03/2071
• Loan 510768	£2.942	2.73%	04/05/2072
<b>Total</b>	<b>£4.859</b>		

23. At this stage no further borrowing is anticipated during 2024/25.

## Recommendations

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

## Revenue Budget Forecast of Outturn - 30 September 2024

Description	Budget £'000	Forecast Outturn Position £'000	Variance £'000	Transfers to/(from) Reserves £'000	Adj Variance £'000	% Variance
Employees - Salaries and Wages	28,387	28,566	179	0	179	0.63
Employees - Ill Health Charges	655	693	38	0	38	5.80
Employees - Other	518	550	32	0	32	6.18
Premises	3,362	3,592	230	0	230	6.84
Transport	826	709	-117	0	-117	-14.16
Supplies & Services	4,764	4,896	132	0	132	2.77
Capital Financing	2,464	2,998	534	0	534	21.67
Contingencies	806	500	-306	0	-306	-37.97
<b>GROSS EXPENDITURE</b>	<b>41,782</b>	<b>42,504</b>	<b>722</b>	<b>0</b>	<b>722</b>	<b>1.73</b>
Income	-6,332	-6,788	-456	0	-456	7.20
Contribution from Reserves	0	-534	-534	0	-534	0.00
<b>NET EXPENDITURE</b>	<b>35,450</b>	<b>35,182</b>	<b>-268</b>	<b>0</b>	<b>-268</b>	<b>-0.76</b>

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

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**Capital Budget Forecast of Outturn - 30 September 2024**

Description	Budget	Forecast Outturn	Variance	% Variance
	£000	£000	£000	%
Estates Minor Works	500	500	0	0.00
ICT	286	286	0	0.00
Vehicles	1,610	400	-1,210	-75.16
Equipment	517	517	0	0.00
<b>TOTAL</b>	<b>2,913</b>	<b>1,703</b>	<b>-1,210</b>	<b>-41.54</b>

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

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**Safest People, Safest Places**

## **Audit and Finance Committee**

**27 November 2024**

### **Short-Term Investments and Long-Term Borrowing – Period to 30 September 2024 (Quarter 2)**

#### **Report of Deputy Chief Executive**

##### **Purpose of the Report**

1. To provide an update on the performance of the Authority's short-term investments and long-term loans for the period ended 30 September 2024.

##### **Short-Term Investments**

2. In accordance with the Fire and Rescue Authority's adopted Treasury Policy Statement, the following transactions have been made with the UK Government Debt Management Office, Money Market Funds, UK clearing banks and major building societies for the financial year ended 30 September 2024.

	<b>Position as at 30 September 2024</b>
Interest Earned	£276,402.40
Average Return Earned	5.09%
Average Bank of England base rate	5.17%
Balance Invested at Quarter End	£15,818,000.00
Average Daily Balance of Investments	£10,819,820.61

3. Interest of £276,402.40 has been earned up to the 30 September 2024 which is above the budgeted amount of £75,000.00 for the year to date.

4. The short-term investments balance of £15,818,000.00 at the 30 September 2024 is made up as follows: -

<b>Borrower</b>	<b>Amount Invested £M</b>
Money Market Fund	
<ul style="list-style-type: none"> <li>• Goldman Sachs</li> <li>• Insight</li> </ul>	<p style="text-align: right;">£3.000</p> <p style="text-align: right;">£4.000</p>
Lloyds	£0.318
Debt Management Office	£8.500
<b>Total</b>	<b>£15.818</b>

### Long-Term Borrowing

5. The outstanding principal balance of £4,859,134.69 relating to long-term loans at the 30 September 2024 is made up as follows: -

<b>Lender</b>	<b>Amount Invested £M</b>	<b>Maturity Date</b>	<b>Annual Interest Rate</b>
PWLB Lending Facility			
<ul style="list-style-type: none"> <li>• Loan 324867</li> <li>• Loan 510768</li> </ul>	<p style="text-align: right;">£1.917</p> <p style="text-align: right;">£2.942</p>	<p style="text-align: right;">28 March 2071</p> <p style="text-align: right;">04 May 2072</p>	<p style="text-align: right;">2.080%</p> <p style="text-align: right;">2.730%</p>
<b>Total</b>	<b>£4.859</b>		

### Recommendation

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

**Safest People, Safest Places**

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



## **AUDIT AND FINANCE COMMITTEE**

**27 NOVEMBER 2024**

### **2025/26 BUDGET AND MEDIUM-TERM FINANCIAL PLAN**

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#### **REPORT OF DEPUTY CHIEF EXECUTIVE**

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##### **Purpose of the Report**

- 1 The purpose of this report is to advise members of the timetable for the consideration and approval of the 2025/26 Budget and Medium- Term Financial Plan (MTFP).

##### **Background**

- 2 At the Strategic Planning Day on 21 November 2024 members received an update on the financial pressures facing the Authority which include the impact of unfunded pay awards, rising energy and utility costs and a lack of funding for capital investment. Members were informed that although the Authority's financial position has improved following the identification of savings through budget challenge, increased interest receipts and the implementation of riding with four, there are risks in our current MTFP assumptions particularly around pay. Members were also reminded of the uncertainty surrounding future funding and the reliance on council tax receipts which now account for over 60% of the Authority's funding.

##### **Settlement Funding**

- 5 The position regarding settlement funding for individual authorities will not be known until the provisional settlement is announced on 19 December 2024.
- 6 We have been informed that there will be a one-year funding settlement for 2025/26 followed by a multi-year settlement from 2026/27 onwards. At this stage we are anticipating that funding for the sector in 2025/26 will be broadly the same as the current year uplifted by inflation however this has not been confirmed.

##### **Council Tax**

- 7 Currently over 60% of the Authority's funding comes from council tax and increases are subject to a referendum limit which was 3% for 2024/25.

The council tax referendum limit for 2025/26 will be formally announced alongside the provisional settlement on 19 December 2024.

## Medium-Term Financial Plan

8 The Authority's approved MTFP is set out in table 1 below:

**Table 1: Approved MTFP (February 2024)**

	<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>35.450</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	21.492	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>35.450</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>

9 The MTFP in the table 1 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.

10 The MTFP which was approved in February 2024 was based on a number of assumptions which will be reviewed and updated during the preparation of the 2025/26 budget and MTFP.

## Options to Balance the Budget

11 Further work is being undertaken to develop and update the options to deal with a reduction in funding should the need arise. Some of the options involve changes to crewing arrangements which will impact on emergency response standards. Members were reminded of the current list of savings options at the Strategic Planning Day held on 21 November 2024.

12 A summary of the current options is set out in table 2 below:

**Table 2: Summary of Options to Balance the Budget**

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

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

### **Revenue Expenditure**

- 14 The budget for 2024/25 was set at £35.450M. The process of constructing the “standstill” budget for 2025/26 has commenced which will provide a comparison with the total available resources.
- 15 Whilst the quantum of pay awards, inflation and pension costs in future years will be difficult to estimate accurately, the budget process will need to incorporate a realistic view on these elements. The current MTFP includes an allowance for pay increases of 3% in 2024/25 and 2025/26 and 2% thereafter and includes annual price inflation of 2% each year. These assumptions will be reviewed and updated in view of current economic conditions.
- 16 Each additional 1% increase in pay for the whole workforce costs in the region of £297,000 and a 1% increase in inflation costs £85,000. In terms of funding, a 1% increase in council tax generates £218,000 and the impact of a 1% change in settlement funding is £120,000.
- 17 The Authority continues to face uncertainty and financial pressures over the MTFP. However, we believe we can manage these pressures in

2025/26 without needing to make cuts providing the funding settlement is as expected and pay awards remain within the budgeted level.

- 18 As this is again a challenging budget round, the revenue budget will be constructed with the emphasis on the identification of further savings during the process.

### **Capital Expenditure**

- 19 The capital programme includes planned expenditure on the replacement of vehicles, equipment, and ICT together with some provision for minor improvements to existing buildings. The revenue implications of the capital programme will need to be incorporated into the 2025/26 budget and the MTFP.

### **Next Steps**

- 20 To consider the available options in preparation for the final budget decisions, it is proposed that the Audit and Finance Committee meets between now and January to:
- Consider options to balance the budget.
  - Consider the settlement information.
  - Consider outline revenue and capital budgets in accordance with the parameters set out in this report.
- 21 It is envisaged that the Committee will recommend an outline revenue and capital budget for 2025/26 together with an associated Medium-Term Financial Plan. The Fire Authority will consider these recommendations at the meeting on the 17 February 2025.
- 22 A budget timetable is attached at Appendix A for information. Some of the dates are still to be confirmed however, updates will be provided as the dates are finalised.

### **Recommendations**

- 23 Members are requested to note the report.



**County Durham & Darlington Fire and Rescue Authority - Budget Timetable 2025/26**

<b>Date</b>	<b>Meeting</b>	<b>Report</b>
<b>NOVEMBER 2024</b>		
<b>27 November 2024</b>	<b>Audit and Finance Committee</b>	<b>Background Report - Budget Strategy and Timetable Forecast of Outturn - Quarter 2 2024/25</b>
<b>DECEMBER 2024</b>		
<b>19 December 2024</b>	<b>Provisional Settlement Information Received</b>	
<b>JANUARY 2025</b>		
<b>January 2025</b>	<b>Consultation - Non Domestic Ratepayers Online consultation on the level of council tax increase</b>	
<b>23 January 2025</b>	<b>Audit and Finance Committee</b>	<b>Budget Report: Proposed budget and Council Tax Final Medium-Term Financial Plan Final Settlement Budget and Council Tax Options Forecast Outturn – Quarter 3 2024/25</b>
<b>FEBRUARY 2025</b>		
<b>17 February 2025</b>	<b>Combined Fire Authority</b>	<b>Approval of the 2025/26 budget and Medium-Term Financial Plan</b>

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# Audit Progress Report

## County Durham and Darlington Fire and Rescue Authority

2 November 2024

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# Contents

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# 01

## Audit Progress

# Audit progress

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## Purpose of this report

To provide an update on progress of the Council's 2023-24 audit. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies](http://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO).

## Update on the 2023/24 Financial Statements Audit

Our audit work is ongoing. There are currently no matters which we wish to bring to your attention at this stage. We will issue our Audit Strategy document later in the year. Based on our initial planning work we have set out what we expect to be areas of focus in our audit. We also detail the planned timescales for the audit which we intend to deliver ahead of the February 2025 backstop deadline.

# Your audit team

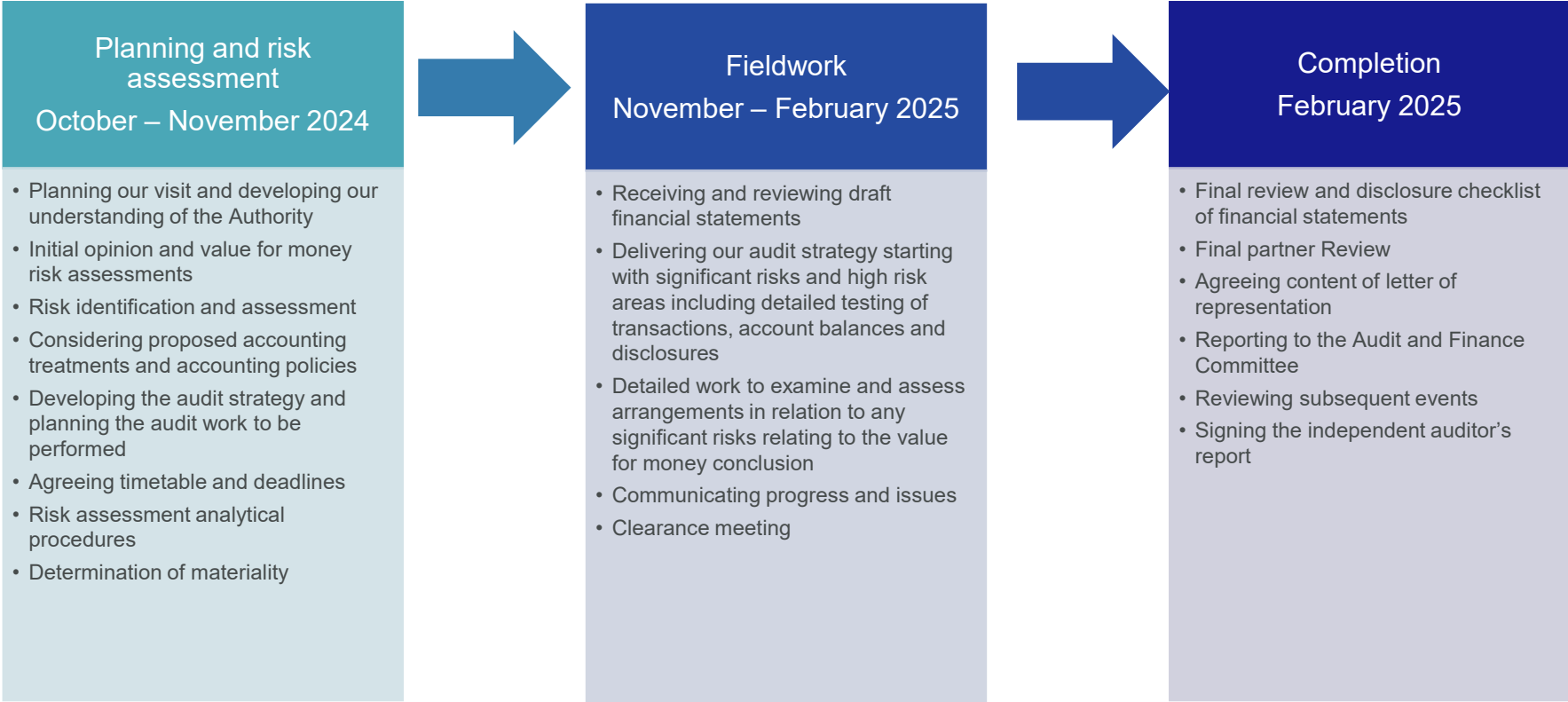
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# Audit scope, approach, and timeline

## Audit timeline

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# Expected Significant risks

Based on our audit work to date we would expect the following to be significant risks in the coming audit.

## Significant risks

	Description
1	<p><b>Management override of controls</b>            This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
2	<p><b>Net defined benefit liability valuation</b></p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
3	<p><b>Valuation of property, plant and equipment</b></p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.</p>

## Publications and Other Updates

# 05

# National publications

	Publication/update	Key points
<b>National Audit Office (NAO)</b>		
1	NAO report: Support for children and young people with special educational needs	The NAO has published its report Support for children and young people with special educational needs.
2	Draft Code of Audit Practice laid in Parliament	A draft of the new Code of Audit Practice was laid in Parliament on 9 September 2024 and has now been published on the NAO website. Subject to Parliament's approval, the Code will come into force in late autumn 2024.
3	Local Audit Reset and Recovery Implementation Guidance	The NAO has published the Local Audit Reset and Recovery Implementation Guidance on its Code and guidance pages Guidance and information for auditors - National Audit Office (NAO).
4	NAO report: Improving educational outcomes for disadvantaged children	The NAO has published its report Improving educational outcomes for disadvantaged children which examines whether the Department for Education (DfE) is achieving value for money through its funding to support the attainment of disadvantaged children in educational settings in England.
5	NAO report: The effectiveness of government in tackling homelessness	The NAO has published its report The effectiveness of government in tackling homelessness.
6	NAO report: DWP customer service	The NAO has published its report DWP customer service which examines whether the Department for Work & Pensions (DWP) has an effective approach to customer service.
7	NAO report: The condition and maintenance of local roads in England	The NAO has published its report The condition and maintenance of local roads in England which examines whether the Department for Transport (DfT) is ensuring value for money through its funding provision for local road maintenance.

### 1. NAO report: Support for children and young people with special educational needs

The NAO has published its report Support for children and young people with special educational needs. This report assesses how well the current system is delivering for children and young people (from birth to 25 years) in England identified as having SEN. It also looks at DfE's progress in addressing the underlying challenges to providing a sustainable system that achieves positive outcomes for children. This report:

- describes the support available, outcomes achieved for those with SEN, DfE funding, and DfE's strategic approach;
- examines DfE's actions to restore confidence and create a sustainable system.

[Support for children and young people with special educational needs - NAO report](#)

# National publications and other updates

## NAO Publications

### 2. Draft Code of Audit Practice laid in Parliament

A draft of the new Code of Audit Practice was laid in Parliament on 9 September 2024 and has now been published on the NAO website, as required by Schedule 6 of the Local Audit and Accountability Act 2014. Subject to Parliament's approval, the Code will come into force in late autumn 2024.

<https://www.nao.org.uk/wp-content/uploads/2024/09/code-of-audit-practice-draft.pdf>

The new Code was developed following a consultation in February/March 2024. It is intended to support measures taken by the Ministry of Housing, Communities & Local Government (MHCLG) to address the current backlog of local government audits. MHCLG has also laid regulations to introduce statutory deadlines for publication of audited accounts, which is intended to work alongside the draft Code.

### 3. Local Audit Reset and Recovery Implementation Guidance

The NAO has published the Local Audit Reset and Recovery Implementation Guidance on its Code and guidance pages Guidance and information for auditors - National Audit Office (NAO). Local Audit Reset and Recovery Implementation Guidance notes (LARRIGs) are prepared and published by the NAO on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014 (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

LARRIG guidance has been issued by the C&AG and published by the NAO to enable auditors (and preparers of accounts) to begin planning its implementation. The guidance will come into effect as statutory guidance to auditors as soon as the relevant legislation underpinning the guidance comes into force, subject to Parliamentary approval. For the purposes of these LARRIGs, these are the Accounts and Audit (Amendment) Regulations 2024, and the 2024 Code of Audit Practice.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

# National publications and other updates

## 4 NAO report: Improving educational outcomes for disadvantaged children

The NAO has published its report Improving educational outcomes for disadvantaged children which examines whether the Department for Education (DfE) is achieving value for money through its funding to support the attainment of disadvantaged children in educational settings in England, from early years to the end of key stage 4 (the end of compulsory schooling). It assesses:

- whether DfE has a coherent approach to support the attainment of disadvantaged children, and its progress against its objectives;
- how DfE understands the attainment of children and how it evaluates what works to effectively allocate resources; and
- the accountability arrangements and support DfE provides schools and early years providers to ensure value for money.

The report concludes that each year, DfE spends around £60 billion to support all children across schools and early years settings. For 2023-24, this included an estimated £9.2 billion focused on supporting disadvantaged children and narrowing the attainment gap between them and their peers, with half of this comprising disadvantage elements of its core funding for schools.

Despite this investment, disadvantaged children performed less well than their peers across all areas and school phases in 2022/23. The gap in children's attainment had been narrowing before the COVID-19 pandemic, which then had a detrimental impact. The gap continues to widen for key stage 4, which is when children leave school, and, while the attainment gap for those finishing primary school narrowed slightly in the past year, it remains wider than it was a decade ago.

DfE has evidence to support some of its interventions and uses this to help schools and early years providers to make decisions. However, it does not yet understand the outcomes resulting from a significant proportion of its expenditure on disadvantaged children. It also does not have a fully integrated view of its interventions, or milestones to assess progress and when more may need to be done.

This, and the lack of sustained progress reducing the disadvantage attainment gap since 2010/11, means that DfE cannot demonstrate it is achieving value for money. To make progress, and secure value for money, it should build more evidence of what works, look strategically across its interventions and how it allocates its funding, and work effectively across government to address the wider factors to make progress on this complex issue.

[Improving educational outcomes for disadvantaged children](#)

# National publications and other updates

## 5. NAO report: The effectiveness of government in tackling homelessness

The NAO has published its report *The effectiveness of government in tackling homelessness*. Note: On 9 July 2024, the Department for Levelling Up, Housing & Communities (DLUHC) was renamed the Ministry of Housing, Communities & Local Government (MHCLG). The report refers to DLUHC throughout, as that was the name in use at the time of fieldwork.

This report follows on the NAO's last report on homelessness in 2017 – around six months before Homelessness Reduction Act (HRA) 2017 came into force. The report assesses value for money in terms of whether DLUHC is working with government departments and local authorities in a way that maximises government's ability to tackle homelessness. Specifically, it looks to establish whether DLUHC: has a good understanding of the nature of homelessness; is delivering appropriate system leadership; and supports local authorities well.

The report concludes that homelessness is a highly complex issue affected by a wide range of social and economic factors, and by government policy in areas such as housing, welfare and asylum. Statutory homelessness has increased significantly in recent years, meaning that more people are finding themselves either with no stable place to live or in temporary accommodation provided by their local authority.

Providing temporary accommodation alone cost local authorities over £1.6 billion in 2022-23, but it varies in quality and there are gaps in regulation, while some of it – such as B&Bs being used for households with children – is unsuitable. Dealing with homelessness is creating unsustainable financial pressure for some local authorities.

The situation has worsened since the NAO last examined the issue in 2017. Despite the introduction of HRA 2017, homelessness numbers are at a record level and expected to increase. While DLUHC has developed much better homelessness data and stronger links with local authorities, the government still has no strategy or public targets for reducing statutory homelessness, and DLUHC is falling behind on key programmes to improve housing supply. Funding remains fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

Until these factors are addressed across government, DLUHC will not be able to demonstrate that it is delivering optimal value for money from its efforts to tackle homelessness.

[The effectiveness of government in tackling homelessness](#)

# National publications and other updates

## 6 NAO report: DWP customer service

The NAO has published its report DWP customer service which examines whether the Department for Work & Pensions (DWP) has an effective approach to customer service. The evaluative criteria used to assess value for money included whether DWP:

- has a clear framework for monitoring customer service, such as clear objectives, measures and performance reporting;
- has provided good customer service over recent years in relation to four key areas – satisfaction, payment accuracy, payment timeliness and telephony; and
- has clear plans to improve customer service

The report concludes that DWP has a responsibility to provide good customer service, not least because its customers cannot switch to an alternative welfare provider if they are unhappy with the service they receive. Its customers include some of the most vulnerable in society, who rely on DWP for the accurate and timely payment of the benefits to which they are entitled.

Faced with growing demand and a challenging operational context, DWP's customer service has fallen short of the expected standards over recent years, particularly for certain benefits, such as Personal Independence Payment (PIP). It is generally not meeting its performance benchmarks or standards for customer satisfaction, payment timeliness and answering calls to its in-house telephone lines.

There are some areas of strong performance with, for example, the proportion of State Pension customers satisfied with the service they receive consistently above DWP's benchmark of 85%, and Universal Credit performing well on payment timeliness and telephony.

But there are also areas of poor performance, in particular payment timeliness for PIP with only 52% of claims processed in line with the 75-day standard in 2023-24 – although this represents a considerable improvement compared with previous years.

DWP recognises that it needs to transform its services to be a customer-focused organisation. Its modernisation plans are based on a good understanding of the issues that need to be addressed and are necessarily ambitious. However, the scale and complexity of the plans mean delivery is risky, and DWP is unlikely to achieve in the short term the improvements that are needed.

DWP must now set out how it will assess whether its actions to improve customer service are working and how it will track progress towards its goals. This will provide assurance on value for money and help DWP keep its plans on track so that it can consistently provide a good service to those people who rely on it.

[DWP customer service](#)



# National publications and other updates

## 7. NAO report: The condition and maintenance of local roads in England

The NAO has published its report The condition and maintenance of local roads in England which examines whether the Department for Transport (DfT) is ensuring value for money through its funding provision for local road maintenance, and whether it is effectively fulfilling its role in supporting local authorities to deliver local road maintenance. The NAO has assessed whether:

- DfT understands the condition of local roads in England;
- DfT is using its data and information to inform its funding decisions; and
- DfT is supporting local authorities effectively through providing guidance on asset maintenance.

The report concludes that local roads are a vital part of local transport infrastructure, used every day by millions of people. Despite their importance, the condition of local roads is declining and the backlog to return them to a good state of repair is increasing.

DfT has provided between £1.1 and £1.6 billion of capital funding each year to local authorities and has set out plans for additional funding through to 2034. Given the fiscal constraints, it is essential that DfT secures maximum value from the funding it has available.

However, at present DfT does not have a good enough understanding of the condition of local roads and does not use the limited data it does have to allocate its funding as effectively as possible. It does not know whether the funds it allocates are delivering improvements in road condition, and has not updated its guidance to local authorities, to share good practice and help them make the most of their limited funds, for some years.

Managing the local road network is becoming increasingly complex – for example, as climate change and autonomous vehicles demand more from it – and the additional funding that DfT has secured provides an opportunity to equip local authorities to better meet these challenges.

If DfT is able to address the issues in its current approach it will be much better placed to improve the value for money of funding in this area and secure an improved and more resilient local roads network.

<https://www.nao.org.uk/reports/the-condition-and-maintenance-of-local-roads-in-england/>

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