

Narrative Statement – 2019/2020

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.136 million¹ spread across five districts of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland in the North East of England. The population density of the area is comparable to that of other Metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, West Midlands and West Yorkshire), and accounts for 43% of the North East's population in just 6% of the total land area. The area covered by the Service covers 538 square kilometres and borders with the Counties of Durham to the south and Northumberland to the north.

In addition to Tyne and Wear's two major cities, Newcastle and Sunderland, the area boasts two large football stadiums, numerous museums and art galleries, three universities and a number of higher education colleges. The county has a range of well-developed transport links including the Metro light railway system, the UK's eleventh busiest international airport, an international ferry terminal, two major ports, and Newcastle Central Railway Station which acts as a major staging point on the east coast mainline railway and cross country networks.

Traditional employment areas of shipbuilding, coal mining and heavy industries have declined significantly over the last 25 years, giving rise to a changing risk profile, and transitions in unemployment rates. Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's GDP). Some of the largest employers in the area include Nissan Motor Manufacturing (UK) Ltd, Virgin Money, Greggs, Proctor & Gamble, The Sage Group and Komatsu.

Vision and Purpose

The Vision Statement of Tyne and Wear Fire and Rescue Authority '**Creating the Safest Community**' is reflected by its Mission Statement '**To save life, reduce risk, provide humanitarian services and protect the environment**'.

To achieve this Vision, the Fire and Rescue services provided must:

- be **well managed** - employees are expected to manage the areas for which they are responsible within budget;
- aim for **excellence in service provision** taking account of stakeholders' views; and
- work **in effective partnership** with the communities we represent, and external organisations.

The Authority also recognises that all employees need to have a clear understanding about the working practices and the core values required for long term success. Everyone within the Authority has a responsibility for ensuring these values are implemented and upheld.

The Authority publishes an Annual Report to highlight its successes over the previous 12 months, including its performance against national indicators and the opinions of external inspectors, as

¹ Source – ONS mid 2018 estimate

well as outlining details of the improvements introduced to meet the Authority's vision of "Creating the Safest Community".

The latest Annual Report includes a summary of the Statement of Accounts, designed to encourage more people to take an interest in the Authority's financial position in an easy to read format. Further details can be found on the Authority's website at www.twfire.gov.uk.

Performance

The Fire Authority is responsible for Tyne and Wear Fire and Rescue Service and is required by law to publish certain performance indicators annually in the local press. These show the statistical performance of the service but cannot provide any indication of the true quality or scope of the service delivered every day to the citizens of Tyne and Wear.

Summary of Performance

The Authority's key strategic priority is to prevent fires, deaths and injuries from fires and other emergencies. In order to achieve this goal, wide ranging community safety services, legislative fire safety services and operational response services are provided to the public of Tyne and Wear. The primary focus is to prevent fires and other emergencies from occurring, whilst also ensuring that if they do occur, every attempt is made to limit their impact.

The primary mechanism for achieving this is through the Authority's Strategic Community Safety Plan, which is focused on improving overall community safety through more effective and efficient use of resources to drive down incidents and respond to them more effectively.

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is targeted home safety checks, which involve Community Firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and practical support, such as installing smoke detectors. During 2019/2020, the Service carried out 33,484 home safety checks (28,343 in 2018/2019) and attended a total of 16,763 incidents (17,330 in 2018/2019).²

Service Led Priorities

Service led priorities, as defined by the Government, are no longer required to be reported nationally but allow continuity of performance reporting. The table below sets out the performance over the last three years:

² Comparative figures for 2018/19 are the final numbers of home safety checks and incidents attended. The figures shown in the 2018/19 Narrative Statement (28,267 and 17,328 respectively) were the latest available figures at the time the 2018/19 Statement was prepared.

Performance Indicator

Number of fatalities from all fires	4	4	9
Number of injuries from accidental dwelling fires (excluding precautionary checks)	37	47	36
Number of accidental fires in dwellings	531	545	511
Number of false alarms due to automatic fire detection from non-domestic properties	1,745	1,717	1,569
Number of primary fires	1,797	1,870	1,867
Number of deliberate fires	5,586	5,713	5,243

The Authority has a long track record of reducing fires but, sadly, in 2019/2020 there were nine deaths attributed to fire. The service will continue to strive to work towards the target of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2019/2020. Over the past ten years, there has been a number of significant performance achievements, including a 16% reduction in the number of fire calls attended, 22% reduction in the number of primary fires attended, 28% reduction in the number of accidental fires in dwellings, 18% reduction in the number of deliberate fires and a 55% reduction in the number of false alarms due to automatic fire detection from non-domestic properties.

Performance Improvement

Through the delivery of goals, priorities, strategies and plans, the Service is able to ensure that front line services work towards the overall Vision and Mission of the Authority. Frameworks and processes allow the services provided to be monitored and scrutinised to provide continuous improvement.

Performance Action Groups (PAG) address performance at a district and service level and continue to meet to monitor performance and identify areas for improvement by directing resources and establishing priorities with effective delivery of initiatives and projects.

Efficiency Plan and Implications

The Authority published its Efficiency Plan covering the four financial years 2016/2017 to 2019/2020 in September 2016, this being a requirement of the Government to allow the Authority to accept the Four Year Grant Funding Settlement it was offering to all authorities. The Government reviewed the plan and approved this, without any issues being raised, in Autumn 2016. The Efficiency Plan set out the Authority's detailed approach to the delivery of savings necessary to address the reductions in funding over this four year period.

The Efficiency Plan identified savings totalling £8.248m to be achieved over the four year period, based on the Authority's Medium Term Financial Strategy (MTFS) 2016/2017 to 2019/2020 reported to members in February 2016. More detailed information on the Efficiency Plan can be found at www.twfire.gov.uk/about-us/finance.

The table below shows, in summary, the total planned savings each year and how the Authority proposed to achieve these through a combination of Revenue Budget Efficiencies and planned actions from the Authority's Integrated Risk Management Plan (IRMP), a fully costed Plan which sets out separate, much wider major reviews of service areas to achieve savings.

	Published 4 Year Efficiency Plan	Actuals Achieved*
	£'000	£'000
2016/17 – Budget Efficiencies	1,323	1,323
IRMP Actions	1,184	1,184
2017/18 – Budget Efficiencies	1,394	1,441
IRMP Actions	1,773	2,267
2018/19 – Budget Efficiencies	4	948
IRMP Actions	1,081	923
2019/20 – Budget Efficiencies	0	346
IRMP Actions	1,489	855
Total as at 31 March 2020	8,248	9,287

*It is pleasing to report that the actual efficiencies achieved show that the Authority generated just over £1m of additional savings compared to those set out in the original Efficiency Plan submitted to the Government. The Authority achieved Total Budget Efficiencies of £4.058m and Total IRMP Actions of £5.229m over the four year period. It is noteworthy that the Authority achieved £1.337m of additional savings through Budget Efficiencies than it had set out in its Efficiency Plan and almost reached its planned IRMP Actions target of £5.527m. It is also important to understand that during the four year period covered by the Efficiency Plan, whilst the Government's funding position remained as expected, other resources such as Council Tax and Business Rates yields varied compared to those predicted by Government. These changes, in addition to the impact of higher pay awards in 2018/2019 and 2019/2020, inflation and other internal budget pressures meant that additional Budget Efficiencies were required, particularly in the latter years of the Plan, to enable these budget pressures to be met.

Should the resources position improve for the Authority (as the government has indicated austerity is over) then the focus of future Integrated Risk Management Plans (IRMP) will be adjusted to redirect efficiencies into key service priority areas.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2020, the Government announced the Local Government finance settlement for 2020/2021. The Authority's Core Spending Power (CSP) increase of 2.8% was much lower than the national average increase of 6.4% for all local authorities. The net increase in resources showed that the Fire Authority has continued to see its resources eroded by more than the national average of a 3.6% difference in its increase. This means that the Authority, despite incurring significant and disproportionate funding reductions from 2010/2011 to 2019/2020, is still receiving a one year Finance Settlement worse than the national average position which continues to have a detrimental impact on the funding for the service. This position is unfortunately set to continue unless there is a review of the way fire service resources are allocated and distributed by the Government.

The Government reduced the threshold council tax limit to hold a referendum from 3% in 2019/20 back to 2% for 2020/2021 and in addition assumed annual growth to both business rates and council tax income. For example there is an expectation within the Settlement that the Authority can grow Council Tax alone by 3.51% through a combination of increases in the council tax base and precept. This continues the Government's policy of shifting some of the cuts to Local Government services directly on to the council tax payer through anticipated annual council tax increases.

The key elements of the Authority's settlement for 2020/2021 are:

- An increase in the Government's Core Spending Power of £1.350m or 2.79%;
- An increase in the Settlement Funding Assessment (SFA) of £0.393m or 1.63%; and
- Confirmation of the Revenue Support Grant (RSG) element of the settlement. This includes core revenue grant funding allocations of Formula Grant and previous Council Tax Freeze Grants. This funding will increase by 1.63% in line with inflation which is the first time this has happened since austerity began in 2010/2011.

The Authority published a revised Medium Term Financial Strategy (MTFS), covering the period 2020/2021 to 2023/2024 and this can be found on the Authority's website (17 February 2020 Authority meeting; Item 7). This aims to:

- provide an analysis of the financial position likely to face the Authority over the medium term taking into account the National Economic context, the potential local funding position, internal spending pressures and commitments and the revenue implications of the capital programme; and
- set out the medium term financial position which the Authority is likely to face and to update the Budget Planning Framework for the preparation of future Revenue and Capital Budgets in the next four year period to 2023/2024.

A revised and updated MTFS was reported to Members in October 2020 which shows three potential funding positions reflecting a more positive position based on current knowledge and the assumption that austerity is over. In the models illustrated, a modest gap is projected in only the worst case scenario. However, the financial position for the Authority will not be clear until the outcome of the Spending Review, now due to be carried out in 2021, is known and a multi-year funding settlement is put in place by the Government which takes into account the impact of both the current coronavirus pandemic and BREXIT planned for later this year.

A further uncertainty on the Authority's financial resources is the unknown impact of the Government's planned changes to how Local Government resources are to be distributed, under the 'self-sufficiency' agenda which have been further delayed to 2022/2023. It is clear is that planning for the fire service remains very difficult in these very unique and challenging circumstances, but the Authority maintains its four year MTFS to aid financial planning and to ensure the Authority adapts its revenue budget accordingly each year to achieve a balanced and sustainable budget.

COVID-19 Financial Implications

The COVID-19 pandemic is having, and will continue to have an impact on Service activity. The financial implications are being closely monitored throughout 2020/2021 as this will have far wider financial repercussions on the Authority than just on the 2020/2021 financial year.

It has been estimated that income from Council Tax and Business Rates is expected to reduce nationally by 2.88% and 4.54% respectively. Based on these projections this will effectively reduce the income that the Authority can expect to receive from the district councils by an estimated £0.885million. A further factor that will affect the resources to fund the 2020/2021 budget is the actual value of the Council Tax and Business Rate surplus for 2019/2020 which was taken into account at the time of setting the budget for 2020/2021. In February (prior to the coronavirus) the district councils estimated that our share of their collection fund surpluses would provide income totalling £0.489m. From updated information received, this estimate has now been reduced to £0.172m, resulting in a further potential budget pressure of £0.317m in 2020/2021.

The total budget pressure relating to these two factors for 2020/2021 is therefore estimated to be £1.202m. As outlined below, provision has been made by transferring the 2019/2020 budget underspend in to a new COVID-19 Reserve for this potential loss of income if the Government does not intervene, and to meet other COVID-19 related budget pressures.

In recognition of the operational and budget pressures that the COVID-19 pandemic is having on public sector organisations, the Government has allocated additional grant funding to help meet this financial burden. The Authority has to date received £1.121m with £0.624m spent by the end of October and the remainder committed to be spent by the end of the financial year.

Financial Performance of the Fire Authority 2019/2020

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2019/2020 to be met from Government Grants and local taxpayers was approved by the Authority at £48.615million*. This meant that the precept, at the Band D level of Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates receipts, was set at £82.33 for 2019/2020. This represented a 2.99% increase in Band D, below the Government's 3% referendum threshold level. The following table summarises the financial position for the year:

	2019/2020 Original Estimate £'000	2019/2020 Revised Estimate £'000	2019/2020 Actual Outturn £'000	2018/2019 Actual Outturn £'000
Community Safety	5,226	6,028	4,293	3,912
Fire Fighting and Rescue Operations	43,483	43,107	25,442	22,669
Corporate and Democratic Core	241	241	175	209
Non Distributed Costs	(124)	(124)	741	(48)
Exceptional Item – Pension Past Service Cost	0	0	0	37,240
Net Cost of Services	48,826	49,252	30,651	63,982
Gains/(Losses) on Disposal of Non Current Assets	0	0	187	0
Interest Payable	432	432	2,271	2,346
Contingencies	2,001	1,656	0	192
Interest on Balances	(135)	(135)	(253)	(221)
Pension Interest Cost and Expected Return on Pension Assets	(20)	(20)	23,140	22,370
Net Operating Expenditure	51,104	51,185	55,996	88,669
Capital Financing:				
Reversal of Capital Charges and Impairments	(3,597)	(3,597)	(3,363)	(3,586)
Minimum Revenue Provision	1,555	1,555	1,584	1,484
Revenue Contribution to Capital Outlay	750	750	1,980	1,104
Government Capital Grant Applied	0	0	(16)	(145)
Reversal of Loss on Disposal of Fixed Assets	0	0	(1,306)	0
Total Net Operating Expenditure	49,812	49,893	54,875	87,526
Contribution to/(from) IAS 19 Pension Reserve	(391)	(391)	(9,340)	(42,404)
Contribution to/(from) Collection Fund Account	0	0	615	(73)
Contribution to/(from) Accumulated Absences Account	0	0	(6)	(55)
Contribution to/(from) Earmarked Reserves	(806)	(887)	3,777	3,365
Net Budget	48,615	48,615	49,921	48,359
Resources:				
Revenue Support Grant and General Grants	(8,796)	(8,796)	(8,796)	(9,620)
Top Up Grant	(11,274)	(11,274)	(11,274)	(11,031)
Business Rates and Collection Fund Precepts and Collection Fund	(3,893)	(3,893)	(4,429)	(4,589)
Section 31 Non-Specific Grants	(24,652)	(24,652)	(24,752)	(23,119)
	0	0	(670)	0
Total Resources	(48,615)	(48,615)	(49,921)	(48,359)
(Increase) / Reduction to General Balances in year	0	0	0	0
Opening General Fund Balance	(3,943)	(3,943)	(3,943)	(3,943)
Closing General Fund Balance	(3,943)	(3,943)	(3,943)	(3,943)

* In the accounts, the Net Budget Requirement for 2019/2020 of £49.921m is made up of Total Resources of £48.615m, as set out in the estimates in the above table, adjusted for a small difference in section 31 grant funding of £0.021m, an amendment required under the Code in respect of the Collection Fund Account of £0.615m, and section 31 non-specific grant income of 0.670m for COVID-19 and Business Rates Relief.

The variances between the Estimates and Actual Outturn 2019/2020 on Firefighting and Rescue Operations and the Return on Pensions Assets are compensating variances arising from the actuarial valuations on the Pensions Assets which can and invariably do change between budget and outturn stages. The key comparator for actual expenditure against budget in the above statement is the "Net Budget" figure which, as can be seen, displays only a minor variance.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the full Authority. These reports detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also include a review of certain other key financial items, including Treasury Management and Prudential Indicators. Again, this reflects strong and robust financial management in 2019/2020, continuing the Authority's strong track record in this regard.

The Revenue Budget Outturn position for 2019/2020 was reported to the Fire Authority on 13th July and showed net expenditure of £47.941m. Actions and initiatives taken during the year meant that the anticipated drawdown from Reserves of £0.841m when the net budget requirement was set at £48.615m was no longer needed. The total net underspend against the Revenue budget for the year was therefore £1.515m. The Authority made a huge positive drive during the year to achieve this level of saving with a number of important initiatives:

- Improved financial management across the service, resulted in increased financial awareness and tighter budgetary control, which achieved savings across most service areas;
- A significant saving of £0.880m was identified from a mid-year review of the contingency budget to streamline the resource for this and future years to make the revenue budget more sustainable;
- Implementation of the IRMP action to dynamically adjust the distribution and availability of appliances based on risk and demand from 2nd April 2019, resulted in an in year saving in 2019/2020 of £0.746m on the operational employee cost budget. This has additionally had a positive impact on helping to reduce overtime during this period; and
- All aspects of the Authority's finances continue to be reviewed and a more commercially based approach to income generation has been carefully and sensibly applied where appropriate, to ensure Best Value is achieved for the Authority. Increases in income above budget during the year help to show this is continuing to be a success and income generation is expected to increase in future years as a result of this new impetus.

The main budget variations are detailed below:

- Employee costs – a net underspend of £1.473m largely due to operational and corporate vacancy levels and the numbers of operational staff in development. Operational vacancy levels assumed to be 5% for budget purposes actually averaged 11%, generating a saving of £0.770m, and £0.166m resulted from an additional 34 staff being in development. During the year there was an average of ten corporate vacancies, resulting in a further saving of £0.323m. Savings were also made on employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme altogether. Operational overtime costs

continued to be a significant budget pressure, particularly working with a reduced establishment. The savings in salaries and pensions have accommodated these increased costs;

- Premises – a net overspend of £0.038m due to a new electricity contract with a higher unit cost than budgeted;
- Transport – a net underspend of £0.014m largely due to a reduced demand for transport repairs and maintenance from Northumberland Fire and Rescue Service (NFRS) through the Service Level Agreement (SLA). This is matched off by reduced income from NFRS, resulting in a neutral impact on the overall budget position. Savings were also achieved in reduced travelling expenses and have absorbed an overspend of £0.034m on fuel, due to in year fuel price rises before the price fall and free fuel offer at the beginning of the COVID pandemic in March, as well as the strategic decision to front load supplies in case of fuel supply issues caused by BREXIT;
- Supplies and Services – almost neutral with a small net overspend of £0.001m. There were a number of minor over and underspends against various budgets, including postage, ICT and PPE budgets;
- Contingencies – an underspend of £0.198m as the strategic contingency and provision for pay awards which remained in the budget were no longer required, or were delayed in part due to the impact of the coronavirus;
- Support Services and Recharges – an underspend of £0.049m due to an in year saving on the SLA with the Lead Authority after changes were made once the budget was set;
- Income – a net overachievement of £0.406m, largely due to one-off income for courses and Trauma Support, additional secondment income, over-recovery from sales of vehicles and equipment, insurance reimbursement and additional rental income. The Authority have also received new grant allocations for New Risks and COVID-19 and increased allocation of Pension Grant. These have been partially offset by under-recovery of income from NFRS due to reduced demand on the SLA and reduced allocation of section 31 Business Rates grant;
- Interest received - £0.118m over budget as increases to cash flow levels and a steady base rate have resulted in more interest received on the Authority's cash working balances during the year;
- Capital Financing – an underspend of £0.146m from savings on debt charges due to a lower debt charge interest applied during the year and the use of revenue to finance the capital programme; and
- Appropriation to / (from) Reserves and Provisions – An appropriation to reserves of £0.850m predominantly due to underspends against budget negating the need to draw down from Reserves in year, along with agreed appropriations to the Revenue Budget Carry Forward Reserve for known future requirements. This includes the transfer of unspent COVID-19 grant and New Risks funding for demands in 2020/2021. Year-end adjustments were also made to reflect the IFRS Employee Benefit accounting entry and the Collection Fund balance required for 2019/2020. This is in contrast to the 2019/20 budget position when it was first approved by the Authority as it was expected that an appropriation from reserves of £0.841m would be required to help fund the revenue budget.

Members agreed to appropriate the surplus funds of £1.515m to a newly created COVID-19 Reserve temporarily established to meet the financial implications of the COVID-19 pandemic, including the reduction in Council Tax and Business Rates resources, if no Government resources

are forthcoming. This Reserve is expected to remain in place until March 2021, when it will be fully reviewed.

The total resources at the end of the financial year were £49.921m, £1.306m more than in the budget set for 2019/2020. As part of the finance settlement, the Authority received additional Government grant funding of £0.004m from the annual business rates reconciliation exercise and a debtor of £0.017m was raised for small business rates grant due from the Districts. In addition to this, a year end adjustment of £0.615m was required to the Collection Fund, resulting in a net increase in resources of £0.636m. The additional grant funding of £0.021m has been transferred to the Transformation and Reform Reserve. The Authority also received two section 31 non-specific grants totalling £0.670m for COVID-19 and Business Rates Relief. These have been transferred to the COVID-19 Reserve as part of the underspend.

Injury Pension Grant Repayment (Firefighter Pension Scheme)

The long term pension liability of £8.639m is being repaid at £0.500m a year. The table below reconciles the position shown in the statutory accounts and the true position as shown in the reserves statement:

	Statutory Accounts			True Reserve Position		
	Balance as at 31 March 2019	Net Transfer *	Balance as at 31 March 2020	Balance as at 31 March 2019	Net Transfer *	Balance as at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Developments Reserve	4,860	646	5,506	8,929	396	9,325
Transformation and Reform Reserve	2,474	2,041	4,515	6,544	1,791	8,335
Injury Pension Adjustment				(8,139)	500	(7,639)
	7,334	2,687	10,021	7,334	2,687	10,021

Accounting for Pensions

International Accounting Standard 19 (IAS19)

The Authority's accounts continue to be compliant with International Accounting Standard 19 which is a complex accounting standard. It is based on a simple principle, however, namely that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. Inclusion of the pension fund assets and liabilities in the accounts does not mean that the legal title or obligation has passed from the Pension Fund Administrator to the employer. Instead, it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (through reduced contributions) from a surplus in the Pension Fund.

The last actuarial valuation of the Firefighter's Pension Scheme (FPS) was at 31 March 2016. This has been rolled forward to reflect the position as at 31 March 2020, in particular allowing for service accrued between 1 April 2016 and 31 March 2020 and known pension and salary increases that would have applied.

An actuarial valuation of the Local Government Pension Scheme (LGPS) was carried out at 31 March 2019. This has been rolled forward to reflect the position as at 31 March 2020.

The Authority continues to comply fully with this Standard and the Accounting Policy 1.10 in the Statement of Accounts and the Notes to Core Financial Statements provide more details of the necessary disclosures required.

The net overall impact of IAS19 accounting entries is resource neutral in the accounts and, in reality, as the Authority is making the necessary pension deficiency payments to address any assessed shortfall in the pension fund by the Actuary over time, the Balance Sheet net worth is in effect being distorted by future years' deficits which are being fully addressed by the Authority.

The financial health of the Authority is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit, as assessed by the Actuary as at 31 March 2020, is being addressed by the Authority in line with Government regulations. The Authority can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

Arrangements for Funding and Accounting for Firefighter Pensions

From 1st April 2006, revised arrangements came into effect for funding firefighter pensions, with Fire and Rescue Authorities administering and paying firefighters' pensions through a local firefighters' pension fund. Together, employee and employer contributions meet the accruing pension liabilities of currently serving firefighters, meaning that Fire and Rescue Authorities meet all of the costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them.

Ill-health retirement costs are paid by the Authority from its pension fund. Employer payments towards the future cost of ill-health retirements come from a combination of a flat rate employer contribution applicable to all authorities and from an individual charge payable by the relevant Authority where an ill-health retirement occurs. The Authority has invested in health awareness and intervention measures through its Occupational Health Unit and it is pleasing to report that there have been only three firefighter ill health retirements since 2009/2010 to date.

Employee and employer contributions are paid into the pension fund each year, with the fund being topped up by annual Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus is recouped by the Government. The pension fund is ring-fenced to ensure accounting clarity. As such, a Pensions Fund Account and Net Assets Statement are reported as separate supplementary financial statements within the Authority's Statement of Accounts.

Balance Sheet Position

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority. The following table summarises the balance sheet position:

	Balance at 31 March 2019	Balance at 31 March 2020
	£'000	£'000
Non-current assets	79,436	77,161
Net current assets	37,518	41,144
Long term liabilities and provisions	(988,741)	(908,195)
Net Assets / (Liabilities)	(871,787)	(789,890)
Represented by:		
Usable reserves	31,993	35,771
Unusable reserves	(903,780)	(825,661)
	(871,787)	(789,890)

Assets are items of worth measurable in terms of money (value). Non-current assets are fixed assets that yield benefit to the Authority and the services it provides for a period of more than one year. Current assets are those that may change in value on a day-to-day basis.

Liabilities are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date and are included in 'net current assets' above.

Provisions are sums set aside to meet liabilities or losses which it is anticipated will be incurred but the amount and / or the timing of such costs are uncertain.

Reserves are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred. Not all reserves can be used to fund services and these are reported in two groups; 'usable' and 'unusable' reserves. Usable reserves, such as the General Fund and earmarked reserves, are those where members will be involved in deciding on the levels maintained and their use. Unusable reserves, such as the Revaluation Reserve and the Capital Adjustment Account, are technical accounting requirements and are therefore not cash reserves, which is why they are classified as unusable to reflect this fact.

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of £789.890m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £872.590m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

The fact that all pension costs would never be incurred in one year (as implied by IAS19), coupled with the fact that the Authority is addressing this potential deficiency in accordance with pension regulatory requirements by making additional annual pension deficiency payments, means the Balance Sheet Net Worth is effectively being distorted by this reporting standard.

If this element is removed, the Authority has a 'real' net worth of £82.700m. The Authority also has assets worth £77.161m and cash backed reserves of £35.771m which support the view that the Authority's Balance Sheet and finances are in fact healthier than implied by the published accounts.

Capital Expenditure and Income and Major Acquisitions, Capital Works and Disposals

Capital Expenditure

In February 2019, the Authority approved a capital programme for 2019/2020 of £10.810m which was subsequently revised to £10.099m during the year.

Actual capital expenditure at the end of the financial year was £2.109m, financed from a combination of revenue contributions of £0.260m, earmarked reserves of £0.111m, deferred grant funding of £0.016m, capital receipts applied of £1.426m and Home Office Section 31 grant of £0.296m.

A large part of the variation in spending is due to delayed replacement of Hebburn Station and related slippage of £5.250m in to 2020/2021. The remaining variation of £2.740m has arisen due to the following:

- Expenditure on a number of projects planned for 2019/2020 of £2.677m slipped in to 2020/2021:
 - Two estates projects, genous security system and security upgrade are 18 month programmes extended over into 2020/2021;
 - Completion of the Integrated Data System delayed into 2020/2021 due to COVID-19;
 - Delayed delivery of operational equipment, namely ladders, peli lighting and stabfast equipment into early 2020/2021 due to COVID-19;
 - Delayed stores issues of rope rescue equipment requiring a small amount to be slipped;
 - Outstanding ENGIE installation costs for the new intelligent chargers will be completed and paid in 2020/2021;
 - Re-schedule of the national Government led Emergency Services Mobile Communications Project (ESMCP) with subsequent re-profiling over future years;
 - Outstanding works on the Command and Control Technical Refresh delayed into 2020/2021;
 - Delivery of additional Fit For Life training equipment will be early 2020/2021 and a suitable stowage solution will then be procured;
 - Delayed replacement of the small fleet pending the outcome of the updated small fleet review and realignment of the budget in 2020/2021;
 - Work to complete and deliver the four fire appliances expected by 31 March delayed into 2020/2021 and the third stage payment withheld. Due to COVID-19 the supplier was closed for build activities in line with Government instructions and production was delayed, however at the time of writing, production has now resumed and delivery is imminent.
- Net underspend of £0.073m across a number of schemes completed during 2019/2020; and
- Additional spend of £0.010m for purchase of smoke detectors as part of the IRMP initiative to ensure risk reduction.

Disposals

A review of the property portfolio by Finance and Estates identified a number of surplus assets. The sale of Fulwell Fire Station and land to the rear of Tynemouth Fire Station have both been completed in this financial year, generating much needed capital receipts of over £1.1m and revenue budget savings have also been achieved as a result.

Authority's Current Borrowing and Capital Borrowing Provision

The Capital Programme report, incorporating the Prudential Indicators and the Treasury Management Strategy, was submitted to the Authority meeting on 18 February 2019, which detailed the 2019/2020 borrowing limits for the Authority. All borrowing is undertaken by the Lead Authority (Sunderland City Council) on the Authority's behalf.

The specific borrowing limits set each year relate to two of the Prudential Indicators required under the Prudential Code, which was introduced from 1 April 2004.

- Authorised Limit for External Debt for 2019/2020 of £48.352 million;
- Operational Boundary for External Debt for 2019/2020 of £43.352 million.

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP). The above two statutorily required Prudential Indicators are monitored on a daily basis and neither limit has been exceeded during 2019/2020. The highest level of external debt incurred by the Authority during 2019/2020 was £39.627m on 1 April 2019. This includes borrowing debt of £12.182m, injury pension liability of £8.139m, and £19.306m in relation to the Authority's long term liabilities (consisting of its PFI Schemes commitments and finance leases) which forms part of both borrowing limits in order to comply with IFRS accounting requirements.

Private Finance Initiative (PFI)

The Authority entered into a contract on 28 March 2003 to provide facilities at six new Community Fire Stations, a Service Headquarters and a new Technical Services Centre. These PFI facilities are located on more effective sites, designed and located to meet the Authority's strategic objectives. Improved community outcomes are being delivered through better engagement with communities through these facilities and the scheme has enabled a major redesign of service delivery. The contract expires on 2nd May 2029 when all of the facilities will become the assets of the Authority.

In June 2009 the Authority also entered into a separate and collaborative PFI contract with Northumberland FRA and Durham and Darlington FRA to provide a new Community Fire Station at Tynemouth. The North East Fire and Rescue Authority (NEFRA) contract expires in May 2035.

The Authority's costs of both schemes are included within its financial statements and are regularly reviewed, challenged and monitored to achieve the lowest unitary charge cost possible to the Authority.

Estates and Facilities Asset Plan

The Authority is delivering the current Estates and Facilities Asset Plan in conjunction with the Lead Authority and its external service providers.

The key activities are:

- Continue to implement the findings and recommendations of a service wide Access Audit using a prioritised phased approach to ensure all our buildings and facilities comply with The Equalities Act 2010 and are accessible to all.
- Commissioned a comprehensive Stock Condition Survey (SCS) to inform and drive future capital investment.
- Completed a detailed service wide building and asset review that is resulting in the disposal/remodelling of surplus assets and the generation of both capital receipts and

revenue savings. The review has primarily focussed on the identification of surplus assets, leases and license reviews and a re-evaluation of all third party business arrangements within the premises portfolio.

- Continue to explore collaborative and co-location opportunities with partner agencies. To date we have North East Ambulance Service (NEAS), Northumbria Police, Great North Air Ambulance Service, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, The Princes Trust and Northumbria Blood Bikes operating from our locations.

The Authority has limited earmarked reserves to assist in implementing the Estates and Facilities Asset Plan over the medium to long term.

Her Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS)

- In June 2019, as a result of the first inspection carried out by HMICFRS, during which it looked at how effectively and efficiently the Service prevents and protects the public from, and responds to, fires and other emergencies, as well as examining how well we look after our people, TWFRS was graded as "Good" in all three key areas listed below:
 - How effective we are in keeping people safe from fire and other risks;
 - How efficient we are in keeping people safe from fire and other risks;
 - How well we look after our people.

HM Inspector of Fire and Rescue Services Phil Gormley said "I am pleased with the results of this inspection, which show that Tyne and Wear Fire and Rescue Service is providing a good service to its local community."

The full report is available on our website.

Coronavirus (COVID-19) highlight of Service Activity

The Authority has been at the forefront in supporting the LRF Response to the COVID-19 pandemic in the North East Region.

The Service's ability to respond with partners to the pandemic has been enabled based on a combination of strong industrial relationships with our representative bodies and the unequivocal flexibility of our serving and retired staff members having a resilient 'can do' approach. Support service departments also have worked tirelessly to enable the Service to function effectively in these unprecedented times.

Provision of Services

The Authority's Health and Safety team have provided revised risk assessments to enable safe systems of work to ensure services continue to be delivered to the community, whilst adapting to new ways of working jointly agreed with representative bodies. These include such tasks as dead body movement and recovery as part of the Local Resilience Forum and Excess Deaths work. The risk assessments have been recognised as best practice on a national basis and have been shared amongst the National Fire Chief's Council to be adopted by other Fire and Rescue Services.

Prevention and Education Teams have continued to protect and support the most vulnerable in the community throughout lockdown. The department has carried out 455 home visits with 575 smoke alarms fitted. Multiple pieces of safety equipment have also been issued to households of the most vulnerable. Fire Safety continue to support business by undertaking virtual meetings with a Fire Safety Inspector through Microsoft Teams. This has enabled the Service to support the Business Economy during re-opening post COVID-19 closures.

Despite working remotely, Financial Services have operated successfully to ensure that all staff and suppliers are paid as normal, and Procurement and Stores teams have worked in extremely challenging conditions to ensure the resilience of supply chains of key PPE and consumables is maintained.

New ways of working have been adopted by many departments, none more than the Estates and Facilities Department who have dealt with the increased need for additional and specialist deep cleaning to ensure that all premises have remained operative throughout the period of the pandemic.

Our Fire Safety Engineers worked with NHS colleagues and provided support and challenge to the design and layout of the Nightingale Hospital at Washington to ensure that a safe design outcome was achieved.

Logistics Cell

The Service set up a Logistics Cell in March 2020 to support the Service's response to the COVID-19 pandemic and to manage all internal and external requests for support.

The Chief Fire Officer asked all corporate staff to volunteer if they were able, as well as former employees including firefighters who retired less than five years ago. At the start of June, 207 people had registered on our volunteer database: 139 staff and 68 former staff.

At the end of May, there had been 1,757 requests for support using a total of 77 volunteers totalling approximately 686.5 'operational' hours. Initially, the majority of requests were to support delivery of PPE to hospitals, care homes and medical facilities, via the Strategic Co-ordinating Group of the LRF.

To ensure that TWFRS supported all partners in the community and that the most vulnerable were being assisted, the Service proactively reached out to our local partners and charities to offer assistance. This offer was positively embraced, and led us to providing support to, and enhancing our relationships with community groups who work with the most vulnerable people in Tyne and Wear. Organisations included Changing Lives, the Salvation Army and Pallion Action Group. There were 600 food parcels and care packages delivered to vulnerable people / families as a result. We also took the opportunity to include fire safety leaflets with deliveries to share safety messages with these vulnerable people.

Workforce

The accelerated implementation of new technology and provision of equipment and software by the ICT department has equipped the Service with the systems and tools to work remotely and effectively throughout the pandemic, ensuring the majority of the workforce have remained productive. From an absence management point of view, attendance levels across the Service have remained exceedingly high and well above the service average. This is testament to the flexible approach of the workforce in supporting the organisation throughout the pandemic.

It is also worthy to note that the Service has continued to grow as an organisation throughout the pandemic with several new employees being recruited successfully by using Microsoft Teams for interviews. The Service has also continued to adapt and develop new training procedures for the latest cohort of Trainee Firefighters who have recently completed their initial training during the pandemic. Instructors worked tirelessly to ensure a safe learning environment for themselves and the Trainees so that the course could be completed safely which very few other Fire services attempted to do.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2019/2020. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020' and are based on International Financial Reporting Standards (IFRS), known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989.

Certain financial statements are required to be prepared under the Code of Practice as follows:

1. **Statement of Responsibilities**

This discloses the respective responsibilities of the Authority and the Finance Officer.

2. **Movement in Reserves Statement (MiRS)**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other non-usable reserves.

3. **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

4. **Balance Sheet**

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets / (liabilities) of the Authority (assets less liabilities) are matched by reserves held by the Authority.

5. **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

6. **Notes (including a summary of significant accounting policies and other explanatory information)**

The Notes to the financial statements have three significant roles. They:

- Present information about the basis of preparation of the financial statements and the specific accounting policies used;
- Disclose information that is required by the Code that is not presented elsewhere in the financial statements; and
- Disclose information that is not presented elsewhere in the financial statements but is relevant to an understanding of them.

7. **Supplementary Statements**

Firefighters' Pensions – Fund Account, Net Assets Statement and Notes

These statements summarise the transactions and the net assets relating to the Firefighters' Pension Fund, which are required to be reported separately within the Statement of Accounts for the Authority.

A handwritten signature in black ink, appearing to read 'DD Napier', with a long horizontal stroke extending from the end of the name.

Dennis Napier
Finance Director

Dated: 30 November 2020