

Narrative Statement – 2020/2021

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.147 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 Tyne and Wear area is comparable to that of other Metropolitan areas of the country, (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 mass. The area covered by the Service is 538 square kilometres and borders with the Counties of Durham to the south and west, Northumberland to the north and with the North Sea coast line to its eastern boundary.

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 35 years, giving rise to a changing risk profile, and changes 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 Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's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, Nestle and Barbour & Sons.

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 2020 mid-year 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. It is also important to note that the Service remained effective and fully operational throughout the pandemic although some of our key performance indicators were affected. More detail about the work the service carried out to help our communities during 2020/2021 is also set out later in this summary for information.

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, or Safe and Well visits, 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 2020/2021, the Service carried out 4,888 Safe and Well visits (26,608 HSC's in 2019/2020) and attended a total of 15,142 incidents (16,763 in 2019/2020).² The number of Safe and Well visits in 2020/2021 was significantly restricted by the COVID-19 pandemic.

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 2019/2020 are the final numbers of home safety checks and incidents attended. The figures shown in the 2020/2021 Narrative Statement (4,888 and 15,142 respectively) are the latest available figures at the time the 2020/2021 Statement was prepared.

	2018/2019	2019/2020	2020/2021
Performance Indicator			
Average Response time of all incidents (mins)	6.12	5.50	6.00
Number of fatalities from all fires	4	9	1
Number of fatalities in accidental dwelling fires	4	7	0
Number of injuries from accidental dwelling fires (excluding precautionary checks)	47	36	38
Number of accidental fires in dwellings	545	511	501
Number of false alarms due to automatic fire detection from non-domestic properties	1,717	1,569	1,371
Number of primary fires	1,870	1,867	1,632
Number of deliberate fires	5,713	5,243	4,362

The Authority has a long track record of reducing fires but, sadly, in 2020/2021 there was one death attributed to fire. However it is pleasing to report there were no fire deaths in accidental dwelling fires despite people having to spend more time in their homes during the pandemic. Average response times increased slightly because of the way the fire stations had to be crewed to remain effective but the service had the fastest response times of all fire authorities.

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 2020/2021. Over the past ten years, however there has been a number of significant performance achievements, including a 18% reduction in the number of fire calls attended, 24% reduction in the number of primary fires attended, 23% reduction in the number of accidental fires in dwellings, 28% reduction in the number of deliberate fires and a 60% reduction in the number of false alarms due to automatic fire detection from non-domestic properties. More detail on our performance can be found on the Authority's website.

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 and the Integrated Risk Management Plan (IRMP)

Following the end of the Four Year Grant Funding Settlement covering 2016/2017 to 2019/2020, the Authority had no formal requirement in 2020/2021 to produce an efficiency plan in order to secure Government funding. The principles that were used to develop the Efficiency Plan which set out the Authority's detailed approach to the delivery of savings needed to address the reductions in funding over this four year period, have however continued to be followed to allow the Authority to make further efficiency savings that are to be re-invested into priority areas of the Service identified by the IRMP process.

The Authority's Medium Term Financial Strategy (MTFS) 2020/2021 to 2023/2024 reported to and approved by members in February 2020 included the remaining full year effect of the savings arising from the final approved action from the IRMP 2017-2020, and following a further review, actions to address emerging priorities were identified and presented to members as proposals to

pilot new actions ahead of the full IRMP process covering 2021-2024, which is now currently out for public consultation. Due to the savings accrued and efficiencies made by the Authority, the pilots to introduce a second appliance at West Denton Community Fire Station and to primary staff the Aerial Ladder Platform (ALP) at Marley Park Community Fire Station, were accommodated in the 2020/2021 Revenue budget.

The resources position for the Authority for 2021/2022 has shown some degree of improvement and, as demonstrated above, the focus of future IRMPs is being adjusted to redirect efficiencies into the planned investment into the key service priority areas of the service.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2021, the Government confirmed the Local Government finance settlement for 2021/2022. The Authority's Core Spending Power (CSP) increase of 2.21%, although welcomed, was much lower than the national average increase of 4.5% for all local authorities, and was also yet again below the 2.7% average increase for standalone fire authorities. The net increase in resources showed that the Fire Authority continued to see its resources eroded by more than the national average by a further 2.3% and is also 0.5% below the average increase for the fire service. This means that the Authority, despite incurring significant and disproportionate funding reductions from 2010/2011 to 2020/2021, is still receiving a one year Finance Settlement much lower than most other authorities which continues to have an impact on 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 retained the threshold council tax limit to hold a referendum at 2% for 2021/2022 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 funding of Local Government services directly on to the council tax payer through assumed annual council tax increases.

The key elements of the Authority's settlement for 2021/2022 are:

- An increase in the Government's Core Spending Power of £1.095m or 2.21%;
- A marginal increase in the Settlement Funding Assessment (SFA) of £0.049m or 0.20%; and
- Confirmation of the Revenue Support Grant (RSG) element of the settlement at £8.989m. This includes core revenue grant funding allocations of Formula Grant and previous Council Tax Freeze Grants. This funding was increased, as set out in the Chancellors Spending Round for 2021/2022, by 0.55% in line with inflation which continues the government's policy of providing at least inflationary increases for public sector services but does not represent real terms growth in resources.

The Authority published a revised Medium Term Financial Strategy (MTFS), covering the period 2021/2022 to 2024/2025 and this can be found on the Authority's website (15 February 2021 Authority meeting; Item 5). 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 2024/2025.

This MTFS projects a modest funding gap of just under £0.315m by the end of the four year period. There are, however, further factors which could impact on the actual financial position for the Authority which will not be clear until the outcome of the Comprehensive Spending Review, now due to be carried out later in 2021, is known and where a multi-year funding settlement may be put in place by the Government which takes into account the impact of both the current coronavirus pandemic and any realisation of the impact of BREXIT. It is expected that an updated MTFS will be provided in the Autumn reflecting the impact of these issues.

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.

Although the financial context continues to be challenging and uncertain the Authority has a proven and strong track record of meeting its financial obligations and maintaining its financial sustainability. Over the past ten years at least the Authority has always delivered an outturn (actual position) within its original budget. An Authority wide approach to the budget, which is service priority driven and set over a medium-term planning horizon, ensures that this continues to be the case. A report to the Governance Committee on 24 May 2021 and to Authority on 14 June 2021 provided detailed analysis of the challenges and the resources and mechanisms at the Authority's disposal to address these key factors and confirmed the Authority's status as a going concern.

COVID-19 Pandemic

During 2020/2021, the COVID-19 pandemic unsurprisingly had a significant impact on Service activity and no area was left unaffected with some of the implications continuing into 2021/2022. The summaries below help to provide details of how the service responded to the pandemic and the impact this has had on our communities during this very challenging period.

Provision of Services

The Authority's Health and Safety team provided revised risk assessments to enable safe systems of work to ensure services continued to be delivered to the community, whilst adapting to new ways of working jointly agreed with representative bodies. These included such tasks as dead body movement and recovery as part of the LRF 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. 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.

Logistics Cell

In March 2020 a Logistics Cell was established to support the community response to the Covid-19 pandemic. The purpose of the Cell was to manage requests for support from our own departments and to work closely with the Local Resilience Forum where we took the lead role on the Tactical Coordinating Group (TCG) for the Northumbria LRF region.

The tasks carried out by the Logistics Cell evolved throughout the course of the pandemic and included:

- Coordination and logistical support to vaccination sites across Tyne and Wear;
- Administering vaccinations to the public;
- Delivery of Personal Protective Equipment;
- Lateral Flow testing;
- Supporting requests for Surge Testing in the community; and
- Delivery of supplies to support vulnerable members of the community.

From 24 March 2020 to 29 March 2021 TWFRS staff volunteers:

- Administered 3,000 lateral flow tests;
- Carried out 5,189 vaccinations;
- Made 456 deliveries of PPE and Medical Supplies to NHS and Care Facilities;
- Carried out 3,890 deliveries of essential items and 724 food packages to vulnerable persons. All of these deliveries included fire safety information leaflets to help keep our vulnerable people safe; and
- Supported the movement of 47 bodies as part of the area's response to mass casualties.

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 three cohorts of Trainee Firefighters who have completed their initial training during the pandemic. Instructors worked tirelessly to ensure a safe learning environment for themselves and the new recruits so that the course could be completed safely which very few other Fire services attempted to do.

All of the work outlined above has enabled the Authority to move into the recovery phase of our response to the pandemic and new more agile ways of working will continue to be a feature of a flexible approach to providing our services in the future.

Financial Implications

The financial implications were closely monitored throughout the year with the Authority receiving additional government grant funding of £1.483m, the final instalment of £0.228m from the Home Office COVID-19 contingency funding being announced on 16 March 2021. As at 31 March 2021, the Authority had used £1.256m of this total funding. Of the remaining £0.227m unspent grant that has been transferred into the COVID Reserve in line with the Fire Authority decision at the June

2021 meeting, there are firm commitments of £0.124m, and the balance of £0.103m will be held to meet any further COVID related costs.

The Authority continues to keep a close track of all additional costs and lost income in respect of the impact of the virus with a view to recovering any additional funds from central government should that be necessary. Should there be a shortfall in Government Grant to fund any additional costs, alternative sources of funding will be considered, and as a last resort, earmarked reserves would need to be used.

Financial Performance of the Fire Authority 2020/2021

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2020/2021 to be met from Government Grants and local taxpayers was approved by the Authority at £49.961million*. 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 £83.97 for 2020/2021. This represented a 1.99% increase in Band D, below the Government's 2% referendum threshold level. The following table summarises the financial position for the year:

	2020/2021 Original Estimate £'000	2020/2021 Revised Estimate £'000	2020/2021 Actual Outturn £'000	2019/2020 Actual Outturn £'000
Community Safety	5,720	6,085	3,031	4,293
Fire Fighting and Rescue Operations	43,343	44,156	27,463	25,442
Corporate and Democratic Core	196	196	188	175
Non Distributed Costs	(491)	(491)	201	741
Net Cost of Services	48,768	49,946	30,883	30,651
Gains/(Losses) on Disposal of Non Current Assets	0	0	8	187
Interest Payable	360	360	2,183	2,271
Contingencies	2,663	1,305	0	0
Interest on Balances	(265)	(265)	(36)	(253)
Pension Interest Cost and Expected Return on Pension Assets	(20)	(20)	19,460	23,140
Net Operating Expenditure	51,506	51,326	52,498	55,996
Capital Financing:				
Reversal of Capital Charges and Impairments	(4,479)	(4,479)	(3,682)	(3,363)
Minimum Revenue Provision	1,611	1,611	1,737	1,584
Revenue Contribution to Capital Outlay	1,650	1,930	3,471	1,980
Government Capital Grant Applied	0	0	0	(16)
Reversal of Loss on Disposal of Fixed Assets	0	0	(230)	(1,306)
Total Net Operating Expenditure	50,288	50,388	53,794	54,875
Contribution to/(from) IAS 19 Pension Reserve	(375)	(375)	(5,250)	9,340
Contribution to/(from) Collection Fund Account	0	0	(2,583) *	(615)
Contribution to/(from) Accumulated Absences Account	0	0	(10)	(6)
Contribution to/(from) Earmarked Reserves	48	(52)	4,968	3,777
Net Budget Resources:	49,961	49,961	50,919	49,921
Revenue Support Grant and General Grants	(8,939)	(8,939)	(8,939) *	(8,796)
Top Up Grant	(11,457)	(11,457)	(11,457) *	(11,274)
Business Rates and Collection Fund Precepts and Collection Fund	(4,630)	(4,630)	(4,248) *	(4,429)
Section 31 Non-Specific Grants	(24,935)	(24,935)	(24,691) *	(24,752)
	0	0	(1,584)	(670)
Total Resources	(49,961)	(49,961)	(50,919)	(49,921)
(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 2020/2021 of £50.919m is made up of Total Resources of £49.961m, as set out in the estimates in the above table, adjusted for a difference in government Settlement Funding Assessment (SFA) grant funding of (£0.151m), an amendment required under the Code in respect of the Collection Fund Account of (£2.583m), section 31 non-specific grant income of £1.584m for COVID-19 and Business Rates Relief, and a debtor for section 31 non-specific grant income of £2.108m to fund the deficit on the Business Rates Collection Fund Account caused predominantly by the pandemic's devastating impact on businesses.

The variances between the Estimates and Actual Outturn 2020/2021 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 explained above mainly relates to the adjustments required in the Collection Fund and for Section 31 government grant income in respect of COVID-19 funding.

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 includes a review of certain other key financial items, including Treasury Management and Prudential Indicators. Again, this process reflects strong and robust financial management in 2020/2021, continuing the Authority's sound track record in this regard.

The Revenue Budget Outturn position for 2020/2021 was reported to the Fire Authority on 12 July 2021 and showed a net overall underspend of £0.965m, at £48.996m compared with an original budget of £49.961m. The Authority has made a huge positive drive during the year to achieve this level of saving with a number of significant initiatives:

- Improved financial management is embedded throughout the Authority, with increased financial awareness and tighter budgetary control, this achieved savings of £0.209m across the full service. Expenditure in these areas has also been significantly impacted by COVID.
- Insurance services provided by the Lead Authority have been reviewed and a new approach adopted by Sunderland City Council (SCC), whereby all policies are separately tendered to ensure best value. This has led to a further year end saving on premiums of £0.132m across employee and transport related insurances;
- The IRMP actions to pilot the introduction of a second appliance at West Denton Fire Station and primary staffing of the Aerial Ladder Platform (ALP) at Marley Park Fire Station added 28 additional operational posts into the establishment, and the completion of two further Trainee courses brought 41 additional staff into operational crews, all combined reduced overtime costs and contributed to the underspend on employee budgets; 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.

The table below shows the actual outturn for 2020/21 as compared with the original and revised budget positions as reported to the Fire Authority in July 2021.

	Original Estimate (For Information)	Revised Budget	Outturn	Variance to Revised Budget
	£'000	£'000	£'000	£'000
Expenditure				
Employees	42,182	42,940	42,246	(694)
Premises	2,541	2,595	2,621	26
Transport	999	899	801	(98)
Supplies and Services	8,205	8,272	8,200	(72)
Contingencies	2,663	58	0	(58)
Support Services	15,056	15,004	15,023	19
Capital Financing	2,478	2,805	1,594	(1,211)
Other reserve appropriations	48	3,188	4,533	1,345
Total Expenditure	74,172	75,761	75,018	(743)
Income				
Grants and Contributions	(7,900)	(9,469)	(9,943)	(474)
Receipts	(153)	(257)	(296)	(39)
Fees and Charges	(1,169)	(1,072)	(1,026)	46
Interest Earned	(265)	(265)	(36)	229
Recharge Income	(14,724)	(14,737)	(14,721)	16
Total Income	(24,211)	(25,800)	(26,022)	(222)
NET BUDGET	49,961	49,961	48,996	(965)

While the budget figures above are presented on a cash basis, the Statement of Accounts is prepared on an accruals basis, which also has to comply with statutory requirements and International Accounting Standards. This is the main reason why the two sets of figures differ, as the information is presented on two different bases, however the financial underspend compared to the budget reported to members for 2020/2021 is fully reflected within the Statement of Accounts.

The main budget variations are detailed below:

- Employee costs – a net underspend of £0.694m largely due to the operational and corporate vacancy levels and the numbers of operational staff in development. Operational vacancy levels have continued to be at a higher level than assumed for budget purposes, generating a saving of £0.490m, and £0.271m of the saving resulting from an additional 60 staff being in development. Since the Second Review, there has been an average of 12 corporate vacancies, resulting in a further saving of £0.188m. Along with these, savings have been 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 continue to be a significant budget pressure, particularly working with increased vacancy levels. The savings in salaries and pensions have accommodated these increased costs.

- Premises – a net overspend of £0.026m from a combination of increased cleaning costs due to COVID-19 which have been funded from the Government’s COVID-19 Grant, increased water costs due to some backdated supply issues and increased premises related insurance premiums. These have been partially offset by savings as a result of reduced electricity and gas consumption across the estate due to the ongoing COVID-19 pandemic arrangements.
- Transport - a net underspend of £0.098m largely from further savings of £70,000 on fuel from continued reduced usage and extended access to free fuel from BP. This is in addition to the realised savings of £90,000 reported to Members at Second Review. There have also been additional savings on car allowances, travel expenses and the annual transport insurance premium. These underspends have been reduced by essential costs on repairs and running expenses relating to the older vehicles in the Service’s fleet.
- Supplies and Services – a net underspend of £0.072m from savings made on subsistence due to a reduction in travel, catering provisions due to a reduced service in the SHQ canteen, and uniforms due to a reduction in demand during the financial year.
- Contingencies – an underspend of £0.058m remained after a full review of the remaining contingency provision. This follows a transfer of £0.880m of the contingency underspend to the Transformation and Reform Reserve to fund TWFRS 2025 and £0.108m earmarked for department restructures planned in 2021/2022.
- Support Services and Recharges – an overspend of £0.035m due to an in year change to the staffing model recharges for the USAR National Resilience responsibilities.
- Income – a net over achievement of income of £0.467m largely due to net additional Section 31 Grants, additional income in relation to the Authority’s Training provider status for Firefighter Apprentices, and refunds relating to prior year energy, water and PFI Insurances. Some of these have been offset by net reductions in income from Princes Trust courses, contract income from Primary Authority Scheme arrangements and rechargeable COMAH work, which have in turn been partially offset by COVID-19 related Lost Income Compensation Grant successfully applied for and received from MHCLG.
- Interest Received - £0.229m under budget resulting from a reduction in the mid year interest rates due to COVID-19 causing the interest received on balances to be significantly under budget.
- Capital Financing - £1.211m under budget due to a number of Capital Projects to be funded from the revenue budget (Revenue Contributions to Capital outlay – RCCO) slipping into 2021/2022, thereby reducing the in year Capital Financing Charge. Savings have also been made on debt charges and reflect the lower debt charge interest applied during the year.
- Reserves and Provisions Appropriations – an increase of £1.345m predominantly due to underspends against budget reducing the need to draw from Reserves in year. In addition, appropriations into the Revenue Budget Carry Forward Reserve have been made for known future requirements, including RCCO and transfer of a number of Fire Safety Grants and Pension Administration Grant to be used in 2021/2022. Adjustments have also been made to reflect the IFRS Employee Benefit accounting entry and the Collection Fund balance required for 2020/2021.

Members agreed to appropriate the surplus funds of £0.965m to the Transformation and Reform Reserve. However, lower Section 31 grant funding of £0.151m meant the net transfer to the Transformation and Reform Reserve was actually £0.814m.

The total resources at the end of the financial year included within the Authority's Statement of Accounts was £50.919m, £0.958m more than that set out in the budget of £49.961m for 2020/2021:

- The Authority received two additional section 31 non-specific grants totalling £1.584m for COVID-19 and Business Rates Relief. The COVID-19 grant has been required during the year to fund additional costs of COVID related revenue and capital activity and the Business Rates Relief grant has been transferred to the Development Reserve.
- As part of the finance settlement, the Authority received less government grant funding of £0.151m and a year-end accounting adjustment of £2.583m was required to the Collection Fund, resulting in a reduction in overall resources of £2.734m compared to the budget figures for 2020/21.
- The year end NNDR returns from the District Councils notified the Authority that its share of section 31 grant from Government to finance the large deficit on the Business Rates Collection Fund will be £2.108m in total and a debtor for this grant funding has been raised in the accounts. When setting the budget for 2021/2022 the Authority anticipated this Section 31 Grant to compensate for the large deficit at the time and therefore the budget gap was funded from earmarked reserves temporarily to achieve a balanced budget. The £2.108m grant has thus been transferred back into the Medium Term Planning Reserve to replenish this resource.

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 2020 £'000	Net Transfer * £'000	Balance as at 31 March 2021 £'000	Balance as at 31 March 2020 £'000	Net Transfer * £'000	Balance as at 31 March 2021 £'000
Capital Developments Reserve	5,506	(49)	5,457	9,325	(299)	9,026
Transformation and Reform Reserve	4,515	2,008	6,523	8,335	1,758	10,093
Injury Pension Adjustment	0	0	0	(7,639)	500	(7,139)
	10,021	1,959	11,980	10,021	1,959	11,980

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 2020. This has been rolled forward to reflect the position as at 31 March 2021, in particular allowing for service accrued between 1 April 2020 and 31 March 2021 and known pension and salary increases that would have applied.

A triennial 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 2021 as the next full actuarial valuation will be carried out in March 2022.

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 for this very complex area of the accounts.

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 2021, 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 1 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 2020	Balance at 31 March 2021
	£'000	£'000
Non-current assets	77,161	80,993
Net current assets	41,037	43,107
Long term liabilities and provisions	(908,088)	(1,000,327)
Net Assets / (Liabilities)	(789,890)	(876,227)
Represented by:		
Usable reserves	35,771	40,739
Unusable reserves	(825,661)	(916,966)
	(789,890)	(876,227)

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. Full details of the Authority's Reserves and their specified use are outlined in the Reserves Policy published on the TWFRS website. 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.

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of £876.227m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £966.910m 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 £90.683m. The Authority also has assets worth £80.993m and cash backed reserves of £40.739m 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 2020, the Authority approved a capital programme for 2020/2021 of £9.794m which was subsequently revised to £8.133m during the year.

Actual capital expenditure at the end of the financial year was £3.563m, financed from a combination of revenue contributions of £0.535m, earmarked reserves of £1.713m, capital receipts applied of £0.966m and Section 31 grant of £0.349m. The main reasons for the variation in spending of £4.570m have arisen due to the following:

- Expenditure on a number of projects planned for 2020/2021 of £4.452m slipped in to 2021/2022 mainly due to the impact of the pandemic:
 - Delays in procuring and commencing the genous security system due to a re-tender exercise;
 - Delayed progress on the security upgrade programme due to COVID-19 restricting site access;
 - Completion of the Network and Wireless Infrastructure delayed due to COVID-19 impacting on suppliers;
 - Delayed installation of Information Screens due to COVID-19 and other priorities;
 - Purchase of a new drone delayed due to late addition to the Capital Programme and lead time;
 - Planned PPE Replacement postponed to early 2021/2022;
 - Delivery of the decontamination washing machines delayed due to longer lead times;
 - Continued delays on the national government led Emergency Services Mobile Communications Project in to future years;
 - Outstanding works on the Command and Control System technical refresh delayed in to 2021/2022;
 - Delivery of the remaining Fit for Life equipment due early in 2021/2022;
 - Consideration of an alternative framework has delayed the work on a new rubble pile training environment for USAR;
 - Delayed replacement of the small fleet pending further consideration of options;
 - Work to complete and deliver the next ten fire appliances expected by the end of the financial year delayed into 2021/2022 due to COVID-19; and
 - Delivery of a number of components for the Rigid Inflatable Boat delayed due to COVID-19.

- Net underspend of £0.117m across a number of schemes completed during 2020/2021.

Disposals

A review of the property portfolio by Finance and Estates identified a number of surplus assets. The sale of the former Technical Services Centre at Saltmeadows Road has been completed in this financial year, generating a net capital receipt of £0.222m and realising approximately £42,000 per annum in future revenue budget savings, which is a very notable achievement. The Authority now has very limited surplus assets and is continuing to maximise the use of its existing property portfolio 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 15 February 2021, which detailed the 2020/2021 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 2020/2021 of £48.352 million;
- Operational Boundary for External Debt for 2020/2021 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 2020/2021. The highest level of external debt incurred by the Authority during 2020/2021 was £37.543m on 1 April 2020. This includes borrowing debt of £11.695m, injury pension liability of £7.639m, and £18.209m 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, The Army, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, The Princes Trust and Northumbria Blood Bikes, and a number of other smaller third party partners 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.

The full report is available on our website, and during 2020/21, the Authority has worked on areas that were identified for improvement during the 2019 Inspection.

In August 2020, HMICFRS were commissioned by the Home Secretary to inspect and report on how FRS's in England were responding to the COVID-19 pandemic. In his letter of 22 January 2021 to the Chief Fire Officer and the Chair of the Fire Authority, Matt Parr CB on behalf of HMICFRS highlighted:

"In summary, the service continued to meet all its statutory duties as well as extra demands placed on it to support partner agencies and the local community. The service prepared itself well in anticipating the challenges presented by COVID-19 and the national measures to reduce the spread of the virus. Measures taken included changes to planning, staffing, training, communication and the provision of technology. New ways of working were introduced in the service and with the Local Resilience Forum (LRF) and the Fire and Rescue Authority."

Preparations for the next round of Inspections by HMICFRS have now begun, with this Authority due to be inspected in tranche 2 in the Autumn of 2021.

Financial Statements

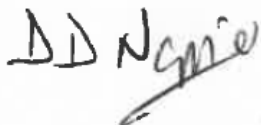
The Statement of Accounts shows the Authority's final accounts for 2020/2021. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021' and are based on International Financial Reporting Standards (IFRS), known more commonly as the 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.



Dennis Napier
Finance Director

Dated: 29 November 2021