

# TYNE AND WEAR FIRE AND RESCUE AUTHORITY

## NARRATIVE STATEMENT – 2021/2022



### Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.147 million<sup>1</sup> 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 Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's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.

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<sup>1</sup> Source – ONS 2021 mid-year estimate

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 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](http://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 2021/2022 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 2021/2022, the Service carried out 11,993 Safe and Well visits (4,888 in 2020/2021) and attended a total of 17,894 incidents (15,142 in 2020/2021). The number of Safe and Well visits in 2021/2022 continued to be 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:

|   | 2019/2020 | 2020/2021 | 2021/2022 |
|---|-----------|-----------|-----------|
| <b>Performance Indicator</b>  |           |           |           |
| Average Response time of all incidents (mins)                                       | 5.50      | 6.00      | 5.53      |
| Number of fatalities from all fires   | 9         | 1         | 2         |
| Number of fatalities in accidental dwelling fires                                   | 7         | 0         | 2         |
| Number of injuries from accidental dwelling fires (excluding precautionary checks)  | 36        | 38        | 26        |
| Number of accidental fires in dwellings   | 511       | 501       | 463       |
| Number of false alarms due to automatic fire detection from non-domestic properties | 1,569     | 1,371     | 1,461     |
| Number of primary fires   | 1,867     | 1,632     | 1,738     |
| Number of deliberate fires  | 5,243     | 4,362     | 6,211     |

The Authority has a long track record of reducing fires but, sadly, in 2021/2022 there were two deaths attributed to fire. On a pleasing note, average response times reduced slightly and the service had the fastest response times of all fire authorities.

The service will continue to strive to work towards the reduction of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2021/2022. Over the past ten years, however there has been a number of significant performance achievements, including a 10% reduction in the number of primary fires attended, 19% reduction in the number of accidental fires in dwellings and a 53% 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 2021/2022 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 of £4.711m in 2021/22 which helps balance the budget and can also be re-invested into priority areas of the Service identified by the IRMP process.

The resources position for the Authority for 2022/2023 has shown some degree of improvement and 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 2022, the Government confirmed the Local Government finance settlement for 2022/2023. The Authority's Core Spending Power (CSP) has increased by 5.61%, slightly above the national average increase for all standalone Fire and Rescue Authorities of 4.7%. This is largely as a result of the new one-off Service Delivery Grant for 2022/2023. Whilst this additional funding of £1.072m is welcomed, if this grant is not maintained in future years, the real underlying Core Spending Power increase for 2022/2023 remains a lot lower at 3.47% and will mean the Authority having to fund this resource gap in future years as this is in effect a cost pressure from 2023/2024.

The Government retained the threshold council tax limit to hold a referendum at 2% for 2022/2023 and assumed annual growth to council tax income, with an expectation in the Settlement that the Authority can grow Council Tax alone by 2.77% 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 Government have assumed that there will be no Business Rates detriment to the income yield expected in 2022/2023 despite the continued adverse and devastating impact of COVID-19 in businesses. The assumption is that income will remain at £4.088m for 2022/2023.

The key elements of the Authority's settlement for 2022/2023 are:

- An increase in the Government's Core Spending Power of £2.812m or 5.61%;
- An increase in the Settlement Funding Assessment (SFA) of £0.274m or 1.12%; 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 improved position however needs to be taken in the context of past settlements as there are still funding inequities in the current system which still need to be addressed. It is disappointing that these will not be amended as part of the government's proposed changes to the funding system. The fact that this is a further one year Finance Settlement with one-off funding included also means that it will make budget planning more difficult compared to a clear and transparent three year settlement that would have been much more helpful to the Authority in planning its services.

The Authority published a revised Medium Term Financial Strategy (MTFS), covering the period 2022/2023 to 2025/2026 and this can be found on the Authority's website (14 February 2022 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 2025/2026.

This MTFS projects a funding gap of £2.342m by the end of the four year period. The current financial climate over the medium term remains unclear as only another one year 2022/2023 financial settlement was provided by the government even though we have received the outcome of the Comprehensive Spending Review 2021 (CSR21) which indicated that public sector resources generally were improving up until 2024/2025.

Despite this more optimistic projection for public sector resources is the fact that inflation is at its highest level for more than a decade, the war in the Ukraine and the continuing economic implications from Covid and EU exit are having an adverse impact on the economy, which may affect the economic recovery. The Authority is also facing not only the uncertainty of its level of resources but concerns over both price and wage inflation, as costs are increasing significantly above the government's projections used in the CSR21.

The medium term resource position has, because of all of these reasons, seen an increase in its projected deficit position to 2025/2026 from almost a broadly neutral position (£0.3m) to one of a £2.3m funding shortfall. The financial aim of the Authority therefore continues to be one of remaining sustainable so that it can continue to work effectively and efficiently and to collaborate with partners, other blue light and public sector organisations, residents and communities to deliver positive outcomes on its key service priorities to the communities it serves and will always manage service capacity within its available resources.

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 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.

## **COVID-19 Pandemic**

During 2021/2022, the COVID-19 pandemic unsurprisingly continued to have a significant impact on Service activity and no area was left unaffected with some of the implications continuing into 2022/2023 especially with regards to delivery lead times and extensive delays in some of the planned Capital Works.

As the Authority moves in to the recovery phase, new ways of working have been adopted by many departments and more agile ways of working will continue to be a feature of a flexible approach to providing services in the future.

## **Financial Performance of the Fire Authority 2021/2022**

### **Revenue Expenditure and Income Summary**

The estimated net revenue expenditure for 2021/2022 to be met from Government Grants and local taxpayers was approved by the Authority at £48.542million\*. 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 £85.64 for 2021/2022. 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:

|   | 2021/2022<br>Original<br>Estimate<br>£'000 | 2021/2022<br>Revised<br>Estimate<br>£'000 | 2021/2022<br>Actual<br>Outturn<br>£'000 | 2020/2021<br>Actual<br>Outturn<br>£'000 |
|---|--|---|---|---|
| Community Safety  | 5,091                                      | 6,107                                     | 4,604                                   | 3,031                                   |
| Fire Fighting and Rescue Operations                             | 45,312                                     | 44,079                                    | 30,609                                  | 27,463                                  |
| Corporate and Democratic Core                                   | 212  | 212                                       | 139                                     | 188                                     |
| Non Distributed Costs   | (491)                                      | (491)                                     | 12                                      | 201                                     |
| <b>Net Cost of Services</b>                                     | <b>50,124</b>                              | <b>49,907</b>                             | <b>35,364</b>                           | <b>30,883</b>                           |
| Gains/(Losses) on Disposal of Non Current Assets                | 0  | 0   | 0                                       | 8                                       |
| Interest Payable  | 290  | 290                                       | 1,860                                   | 2,183                                   |
| Contingencies   | 1,700                                      | 557                                       | 0                                       | 0                                       |
| Interest on Balances  | (5)  | (5)                                       | (59)                                    | (36)                                    |
| Pension Interest Cost and Expected Return on Pension Assets     | (20)                                       | (20)                                      | 19,230                                  | 19,460                                  |
| <b>Net Operating Expenditure</b>                                | <b>52,089</b>                              | <b>50,729</b>                             | <b>56,395</b>                           | <b>52,498</b>                           |
| Capital Financing:  |  |   |   |   |
| Reversal of Capital Charges and Impairments                     | (4,479)                                    | (4,479)                                   | (3,651)                                 | (3,682)                                 |
| Minimum Revenue Provision                                       | 1,592                                      | 1,592                                     | 1,570                                   | 1,737                                   |
| Revenue Contribution to Capital Outlay                          | 250  | 254                                       | 2,784                                   | 3,471                                   |
| Reversal of Loss on Disposal of Fixed Assets                    | 0  | 0   | 0                                       | (230)                                   |
| <b>Total Net Operating Expenditure</b>                          | <b>49,452</b>                              | <b>48,096</b>                             | <b>57,098</b>                           | <b>53,794</b>                           |
| Contribution to/(from) IAS 19 Pension Reserve                   | (375)                                      | (375)                                     | (7,520)                                 | (5,250)                                 |
| Contribution to/(from) Collection Fund Account                  | 0  | 0   | 119                                     | (2,583)                                 |
| Contribution to/(from) Accumulated Absences Account             | 0  | 0   | 129                                     | (10)                                    |
| Contribution to/(from) Earmarked Reserves                       | (535)                                      | 821                                       | 170                                     | 4,968                                   |
| <b>Net Budget Resources:</b>                                    | <b>48,542</b>                              | <b>48,542</b>                             | <b>49,996</b>                           | <b>50,919</b>                           |
| Revenue Support Grant and General Grants                        | (8,989)                                    | (8,989)                                   | (8,989)                                 | (8,939)                                 |
| Top Up Grant  | (11,457)                                   | (11,457)                                  | (11,457)                                | (11,457)                                |
| Business Rates and Collection Fund Precepts and Collection Fund | (2,566)                                    | (2,566)                                   | (3,256)                                 | (4,248)                                 |
| Local Council Tax Support Scheme Grant                          | (24,704)                                   | (24,704)                                  | (25,334)                                | (24,691)                                |
| Section 31 Non-Specific Grants                                  | (826)                                      | (826)                                     | (826)                                   | 0                                       |
|   | 0  | 0   | (134)                                   | (1,584)                                 |
| <b>Total Resources</b>  | <b>48,542</b>                              | <b>48,542</b>                             | <b>49,996</b>                           | <b>(50,919)</b>                         |
| (Increase) / Reduction to General Balances in year              | 0  | 0   | 0                                       | 0                                       |
| <b>Opening General Fund Balance</b>                             | <b>(3,943)</b>                             | <b>(3,943)</b>                            | <b>(3,943)</b>                          | <b>(3,943)</b>                          |
| <b>Closing General Fund Balance</b>                             | <b>(3,943)</b>                             | <b>(3,943)</b>                            | <b>(4,089)</b>                          | <b>(3,943)</b>                          |

\* In the accounts, the Net Budget Requirement for 2021/2022 of £49.996m is made up of Total Resources of £48.542m, as set out in the estimates in the above table, adjusted for a difference in government Settlement Funding Assessment (SFA) grant funding of (£0.304m), an amendment required under the Code in respect of the Collection Fund Account of (£0.119m), section 31 non-specific grant income of (£0.133m) for COVID-19, and a debtor for section 31 non-specific grant income of (£0.898m) to fund the deficit on the Business Rates Collection Fund Account caused predominantly by the pandemic's continuing impact on businesses.

The variances between the Estimates and Actual Outturn 2021/2022 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 2021/2022, continuing the Authority's sound track record in this regard.

The Revenue Budget Outturn position for 2021/2022 was reported to the Fire Authority on 27 July 2022 and showed a net overall underspend of £0.272m, at £48.270m compared with an original budget of £48.542m. 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 achieving net savings of £0.098m across the full service. I would like to thank Budget holders across the service for their efforts in continuing to manage their budgets effectively, and identify and release revenue savings in year;
- Employee budgets are set based on assumptions relating to staff turnover and vacancy levels, firefighter pension scheme membership and the numbers of operational staff who are at the development stage in their roles. As the year progresses, employee costs reflect the actual position on all of these factors which, in reality, vary against the budget assumptions made. Members will recall at second review stage realised savings of £0.575m were confirmed and transferred to reserves. Further changes in staffing numbers and those in development and pension memberships have continued to vary significantly from the prudent estimates used, with the consequence of a further underspend of £0.489m. The staffing and pension information available in December 2021 was used to inform the assumptions applied in setting the budget for 2022/2023, therefore it is becoming less likely that there will be such a significant underspend in the new year budget;
- Members will be aware that during the 2021/2022 financial year, two further Trainee courses were completed bringing 53 additional staff into operational crews. This has reduced overtime costs, particularly over the last quarter of this financial year, and has contributed towards the additional underspend on the overall employee budgets highlighted; and
- All aspects of the Authority's finances continue to be reviewed and a more commercially based approach to income generation is carefully and sensibly applied where appropriate to ensure Value for Money 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. This improved direction of travel has been reflected in the 2022/2023 Revenue Budget.

These summaries help to show members that all areas of the budget continue to be monitored, challenged and proactively managed to ensure the Authority achieves Best Value from its limited resources and helps the revenue budget become more sustainable.

The table below shows the actual outturn for 2021/2022 as compared with the original and revised budget positions as reported to the Fire Authority in July 2022.

|                              | <b>Original<br/>Estimate<br/>(For<br/>Information)</b> | <b>Revised<br/>Budget</b> | <b>Outturn</b>  | <b>Variance to<br/>Revised<br/>Budget</b> |
|------------------------------|--|---------------------------|-----------------|---|
|                              | <b>£'000</b>   | <b>£'000</b>              | <b>£'000</b>    | <b>£'000</b>                              |
| <b>Expenditure</b>           |  |                           |                 |   |
| Employees                    | 43,240   | 43,748                    | 43,338          | 410                                       |
| Premises                     | 2,570  | 2,583                     | 2,661           | (78)                                      |
| Transport                    | 1,028  | 1,076                     | 1,000           | 76  |
| Supplies and Services        | 8,603  | 8,472                     | 8,475           | (3)                                       |
| Contingencies                | 1,700  | 510                       | 0               | 510                                       |
| Support Services             | 15,060   | 15,053                    | 15,057          | (4)                                       |
| Capital Financing            | 989  | 993                       | 994             | (1)                                       |
| Other reserve appropriations | (535)  | 626                       | 1,296           | (670)                                     |
| <b>Total Expenditure</b>     | <b>72,655</b>  | <b>73,061</b>             | <b>72,821</b>   | <b>240</b>                                |
| <b>Income</b>                |  |                           |                 |   |
| Grants and Contributions     | (8,063)  | (8,293)                   | (8,224)         | (69)                                      |
| Receipts                     | (163)  | (350)                     | (379)           | 29  |
| Fees and Charges             | (1,146)  | (1,132)                   | (1,128)         | (4)                                       |
| Interest Earned              | (5)  | (5)                       | (59)            | 54  |
| Recharge Income              | (14,736)   | (14,739)                  | (14,761)        | 22  |
| <b>Total Income</b>          | <b>(24,113)</b>  | <b>(24,519)</b>           | <b>(24,551)</b> | <b>32</b>                                 |
| <b>NET BUDGET</b>            | <b>48,542</b>  | <b>48,542</b>             | <b>48,270</b>   | <b>272</b>                                |

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 2021/2022 is fully reflected within the Statement of Accounts.

The main budget variations are detailed below:

- Employee costs (£0.410m net underspend) – the main reason for the underspend relates to the operational and corporate vacancy levels and the numbers of operational staff in development. 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. Overtime continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate.

- Premises (£0.078m net overspend) – the overspend is from energy charges and the significant increase in electricity and gas tariffs. This has been accommodated within the budgets for 2022/2023 but the extent of the increase remains uncertain. The increased bills have been partially offset by savings on water and rates for the year and the previous considerable investment in lower energy lighting across the service.
- Transport (£0.076m net underspend) – further savings have been made on car allowances and travel expenses due to changes in the ways of working and more remote access to services. This is in addition to a saving on the annual transport insurance premium.
- Supplies and Services (£0.003m net overspend) – budgets have been closely monitored and reallocated during the year to achieve this almost neutral position.
- Contingencies (£0.510m underspend) – as indicated at the Third Review stage a full review of the remaining contingency provision has been carried out resulting in a one-off saving of £0.510m, largely due to the strategic contingency budget not being required in 2021/2022, although it will be required in 2022/2023.
- Support Services and Recharges (£0.018m net underspend) – there has been an in year change to the staffing model recharges for the USAR National Resilience responsibilities.
- Income (£0.044m underachieved) – the year end position shows a reduction in total income received against the revised budget. Reductions in income from Princes Trust Courses, Contract Income from Primary Authority Scheme arrangements and rechargeable COMAH work, and under-recovery of catering income due to reduced sales have been partially offset by additional income from training courses, a one-off PFI Authority Support repayment, additional apprenticeship income, and refunds relating to prior year energy and rates. In addition, there is an overall net increase of Section 31 Grants made up of Pension Admin Grant and NHS COVID-19 Grant, and a reduction in the Firelink Grant allocation.
- Interest Received (£0.054m over budget) – the budget was significantly reduced in 2021/2022 due to a drop in interest rates during the pandemic. Actual interest received is more than budgeted due to a rise in rates during the year. The budget set for 2022/2023 reflects the improved interest rate position.
- Reserves and Provisions Appropriations (£0.670m increase) – underspends against budget have reduced the need to draw down from Reserves in year. In addition, appropriations into the Revenue Budget Carry Forward Reserve have been made for known future requirements, including transfer of additional Fire Safety Grant, NHS Covid-19 Grant and Pension Administration Grant to be used in 2022/2023. Adjustments have also been made to reflect the IFRS Employee Benefit accounting entry and the Council Tax and Business Rates Collection Fund balance required for 2021/2022.

Members agreed to appropriate the surplus funds of £0.272m to the Transformation and Reform Reserve. However, additional funding of £0.376m meant the net transfer to the Transformation and Reform Reserve was actually £0.648m. The costs of the TWFRS 2025 Programme are unknown at this time; this will help to ensure the Authority is fully resourced to meet the ambitious plans ahead.

The total resources at the end of the financial year included within the Authority's Statement of Accounts was £49.996m, £1.454m more than that set out in the budget of £48.542m for 2021/2022:

- As part of the finance settlement, the Authority received more government grant funding of £0.304m and section 31 grant of £0.133m, and a year-end accounting adjustment of £0.119m was required to the Collection Fund, resulting in an increase in overall resources of £0.556m compared to the budget figures for 2021/2022.
- 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 £0.898m in total and a debtor for this grant funding has been raised in the accounts. When setting the budget for 2022/2023 the Authority anticipated this Section 31 Grant to compensate for the in year deficit and therefore the budget gap was funded from earmarked reserves temporarily to achieve a balanced budget. Confirmation of this funding has allowed transfer of the one-off Local Council Tax Support Scheme Grant of £0.826m to the Medium Term Planning Reserve to address temporary future deficits in the MTFS until efficiencies are realised.

### 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<br>as at 31<br>March<br>2021<br>£'000 | Net<br>Transfer<br>*<br>£'000 | Balance<br>as at 31<br>March<br>2022<br>£'000 | Balance<br>as at 31<br>March<br>2021<br>£'000 | Net<br>Transfer<br>*<br>£'000 | Balance<br>as at 31<br>March<br>2022<br>£'000 |
| Capital<br>Developments<br>Reserve   | 5,457   | (875)                         | 4,582   | 9,026   | (1,125)                       | 7,901   |
| Transformation and<br>Reform Reserve | 6,523   | 3,157                         | 9,680   | 10,093  | 2,907                         | 13,000  |
| Injury Pension<br>Adjustment         | 0   | 0                             | 0   | (7,139)                                       | 500                           | (6,639)                                       |
|                                      | <b>11,980</b>                                 | <b>2,282</b>                  | <b>14,262</b>                                 | <b>11,980</b>                                 | <b>2,282</b>                  | <b>14,262</b>                                 |

### 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 2022, in particular allowing for service accrued between 1 April 2020 and 31 March 2022 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 2022 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 2022, 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<br>March 2021 | Balance at 31<br>March 2022 |
|--------------------------------------|-----------------------------|-----------------------------|
|                                      | £'000                       | £'000                       |
| Non-current assets                   | 80,993                      | 86,568                      |
| Net current assets                   | 43,107                      | 43,109                      |
| Long term liabilities and provisions | (1,000,327)                 | (996,960)                   |
| <b>Net Assets / (Liabilities)</b>    | <b>(876,227)</b>            | <b>(867,283)</b>            |
| <b>Represented by:</b>               |                             |                             |
| Usable reserves                      | 40,739                      | 40,908                      |
| Unusable reserves                    | (916,966)                   | (908,191)                   |
|                                      | <b>(876,227)</b>            | <b>(867,283)</b>            |

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 £867.283m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £965.540m 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 £98.257m. The Authority also has assets worth £86.568m and cash backed reserves of £40.908m 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 2021, the Authority approved a capital programme for 2021/2022 of £13.225m which was subsequently revised to £17.501m during the year.

Actual capital expenditure at the end of the financial year was £2.863m, financed from a combination of revenue contributions of £0.250m, earmarked reserves of £2.453m, external contribution of £0.133m and Section 31 grant of £0.027m. The main reasons for the variation in spending of £14.638m have arisen due to the following:

- Expenditure on a number of projects planned for 2021/2022 of £13.909m slipped in to 2022/2023 largely due to the impact of the pandemic:
  - Delays in commencing the genous security system but a contract is now agreed and will be complete by autumn of 2022/2023;
  - Delayed progress on the PFI element of the security upgrade programme;
  - Delayed stock condition survey works due to restricted access to buildings and availability of contractors and materials;
  - Late additional requirements to the MRU development delayed completion;
  - BTC atrium was a late addition to the Programme and will be progressed in 2022/2023;
  - Full planning application now issued for Hebburn Station and works will progress in 2022/2023;
  - Small budget remaining for replacement hardware slipped for additional equipment;
  - Delayed installation of Information Screens due to COVID-19 and other priorities;
  - Delayed delivery of fireground radios due to an increased lead time;
  - Late addition of DCS/LifeX to the Programme will be progressed in 2022/2023;
  - Delays in installation of the decontamination washing machine at the Training Centre;
  - New quotation is required for Miquet;
  - Continued delays on the national government led Emergency Services Mobile Communications Project in to future years;
  - Scope of the fire behavior units is under consideration and will be progressed in 2022/2023;
  - Delivery of the community safety programme has been impacted by COVID-19, slipped some smoke detector budget that will be needed in 2022/2023;
  - Delayed replacement of the small fleet pending further consideration of options; and
  - Delivery of the remaining ten appliances is planned towards the end of 2022/2023.
- Net underspend of £0.169m across a number of schemes completed during 2021/2022.
- Addition required to the Security Upgrade Programme of £0.055m and a new project to upgrade to Dispatch Communication Server (DCS) costing £0.235m.
- Members will recall that the Capital Programme for 2021/2022 was set with an additional £0.850m for a number of business critical, invest to save schemes, that were slipped from 2020/2021. Plans for the two projects, repairs to Barmston Mere Training Centre and relocation of Safetyworks have continued to be impacted by the COVID-19 pandemic and as a result the £0.850m funding for these schemes will need to be carried forward in to the Capital Programme for 2022/2023.

### **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 2021/2022 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 2021/2022 of £43.468 million;

- Operational Boundary for External Debt for 2021/2022 of £38.468 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 2021/2022. The highest level of external debt incurred by the Authority during 2021/2022 was £35.306m on 1 April 2021. This includes borrowing debt of £11.227m, injury pension liability of £7.139m, and £16.940m 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 2 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 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."

A second full inspection of the Fire Service took place in tranche 2 from 25 October to 3 December 2021. The Authority is currently awaiting the outcome of this inspection expected in July.

### **Financial Statements**

The Statement of Accounts shows the Authority's final accounts for 2021/2022. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022' 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: 29th July 2022