

GOVERNANCE COMMITTEE

Meeting of the GOVERNANCE
COMMITTEE to be held in the Fire
Authority Rooms at the Fire and Rescue
Service Headquarters, Nissan Way,
Barmston Mere, Sunderland on **MONDAY**
24 SEPTEMBER 2018 at 10.30 am

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Report of the Strategic Finance Manager (copy attached).

CHRIS LOWTHER
Chief Fire Officer/Chief Executive (Clerk to the Authority)

13 September 2018

Item No. 3

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 30 JULY 2018 at
10.30 a.m.

Present:

Mr G. N. Cook in the Chair

Councillors Dodds, Flynn, Woodwark and Miss G Goodwill.

In Attendance:

Gavin Barker (Mazars LLP)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Burdis and Kilgour and also Mark Kirkham (Mazars LLP) and Mr. M. Knowles.

Declarations of Interest

There were no declarations of interest.

Minutes

1. RESOLVED that the minutes of the meeting of the Governance Committee held on 26 March 2018 be confirmed and signed as a correct record.

Internal Audit Report 2017/2018

The Head of Internal Audit submitted a report to consider the performance of Internal Audit for 2017/2018, areas of work undertaken and the internal audit opinion regarding the adequacy of the over system of internal control within the Service.

Members were referred to Appendix 1 of the report and were asked to note that all KPI targets had been achieved.

The findings of the 2017/2018 audits had been taken together with the findings of audits from the previous two years to form an opinion on each of the identified key risk areas, and an opinion on the adequacy of the overall system of internal control for the Authority. Members referred to the detailed analysis at Appendix 2 of the report.

The number of actions agreed were as follows:-

High – 0
Significant – 2
Medium – 42
Low – 9

The Head of Internal audit explained that the 2 significant risk agreed actions related to an audit of the partnership arrangements with Impeller Assurance and Resilience Limited and Northumbria Police. These 2 actions had now been followed up with 1 action being fully implemented and the other action being no longer applicable.

Members were then advised that the number of medium risk actions had been higher than usual which was due to the audit relating to partnership arrangements with Impeller Assurance and Resilience Limited and Northumbria Police, and arrangements in place for the new General Data Protection Regulation (GDPR). These two audits accounted for 31 of the medium risk agreed actions. Follow up of both of these audits had confirmed that 22 of the 31 agreed actions had been fully implemented with a further 6 actions being partially implemented.

Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2017/2018, it was considered that overall throughout the Service there continued to be a good internal control environment.

Councillor Woodwork received an explanation in relation to the specific differences between high, medium and low risks. It was agreed that for ease of reference, that a 'traffic light' system would be included within future reports.

2. RESOLVED that the Internal Audit Annual report be noted and endorsed.

Treasury Management – Annual Review of Performance 2017/2018

The Strategic Finance Manager submitted a report on the Treasury Management performance of the Authority for 2017/2018 in line with best practice as prescribed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011).

Members were advised that the average rate of borrowing at 2.87% for the year compared very favourably when benchmarked against other local authorities and had helped to keep the revenue cost of the Authority's borrowing low in comparison to other authorities.

The Authority had benefited from the fact that its budgeted investment income had been maintained throughout the year at a rate of return of 0.41% in 2017/2018. The increase in the Bank of England Base Rate from 0.25% to 0.50% in November 2017 had little impact on investment rates available and the timing of the increase was further reflected in the benchmark rate for 2017/18 rising only slightly from 0.20% to 0.21% as a result. The 0.41% rate of return in the year therefore was almost double the benchmark rate which was a notable achievement.

The Strategic Finance Manager went on to say that the Authority had not exceeded any of its Treasury Management Prudential Indicators during 2017/2018. In addition, the Authorised Borrowing Limit for External Debt for the Authority which was a statutory limit which must be set each year under section 3(1) of the Local Government Act 2003 was not exceeded. This limit was set at £48.859m for 2017/2018 and the highest level reached by the Authority of £33.806m during the year was well below this limit.

3. RESOLVED that the Treasury Management performance of the Authority for 2017/2018 be noted.

Annual Governance Review 2017/2018

The Chief Fire Officer/Chief Executive (Clerk to the Authority), the Strategic Manager and the Personnel advisor to the Authority submitted a joint report to provide the findings of the 2017/2018 Annual Governance Review and note the report and separately to note the contents of the Annual Governance Statement, which was incorporated into the Statement of Accounts.

ACFO Baines advised Members that there were some changes to the core principles in 2016 within the Framework which saw the six previous principles increased to seven with some slight amendments and variations that were now more aligned to the Authority's values and behaviours.

ACFO Baines went on to describe the Annual Governance methodology and explained that a review had been undertaken by the Corporate Governance Steering Group (CGSG).

Functional Self Assessments and Area Manager Control Assurance Statements had been examined to ensure that all documents had been completed in full and to identify any issues of significance.

The group had also considered the Internal Audit Strategy Report March 2018 and overall it was considered that throughout the Authority there was substantial assurance regarding the internal control environment. There was one audit however, Partnership Working Arrangements, that provided a moderate assurance arising from the internal audits.

The Corporate Risk Register had been reviewed in April 2018 and the Chief Fire Officer had developed an Action Plan to manage and mitigate the risks identified.

Members were then advised that a questionnaire regarding Corporate Governance was issued to Members. Of those Members who responded (16), they were in agreement that the Authority clearly communicated its purpose and vision, and its intended outcomes for the community and service users and that the Authority conducted business in an open and transparent manner all / most of the time.

The CGSG also considered the Annual Audit Letter and Audit Completion Report prepared by Mazars covering 2016/2017 and it was considered that it gave reassurance that the Authority's overall governance and control arrangements were satisfactory.

ACFO Baines went on to say that an 'After the Incident Survey' was undertaken with customers which recorded a score of 100% overall user satisfaction with regards to the services provided.

Members were advised that the Annual Governance Statement had been drafted taking into account the findings of the review (attached at Appendix A of the report).

Based on the evidence examined, the Authority had robust and effective governance and internal control arrangements in place and the review had not identified any weaknesses that would need to be highlighted in the Authority's Annual Governance Statement.

A small number of actions had been identified to further develop governance and control arrangements in 2018/2019, as detailed within the action plan attached at Appendix C which also incorporated any actions from the previous plan (Appendix B) that were still being progressed.

A discussion ensued in relation to Member training and development whereby the Chairman encouraged all Members of the Committee to suggest and access any training they required.

4. RESOLVED that:-

- (i) the revised Code of Corporate Governance be noted;
- (ii) the Annual Governance Statement for 2017/2018 be noted; and
- (iii) the Corporate Governance Action Plan be noted.

Audited Statement of Accounts 2017/2018

- (i) Letter of Representation**
- (ii) Audit Completion Report**
- (iii) Audited Statement of Accounts**

The Strategic Finance Manager submitted a report to present the Letter of Representation for 2017/2018, to receive the Audit Completion Report received from Mazars LLP concerning the financial statements for 2017/2018 and which also provided their opinion on both the Authority's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money).

The report also provided an audited Statement of Accounts for 2017/2018. These had been revised to take into account the auditor's findings, for approval by members of the Committee. A complete list of the amendments was set out in Appendix A, for information.

Members were advised that the Authority's Statement of Accounts 2017/2018 (subject to audit) were produced by the statutory deadline of 31st May 2018, and copies were sent by e-mail to all members of the Committee at that time for information and to allow members to both digest and challenge any areas of the accounts they so wished. In accordance with the regulations the Statement of Accounts and the required supporting papers were also lodged on the Authority's website on 31st May 2018 to inform the public of their rights to inspect and challenge the published Statement of Accounts 2017/2018 subject to audit.

There was a planned Governance Committee meeting for 27th May 2018, however reluctantly this had to be cancelled as work was still ongoing with the Accounts to ensure the Authority could meet the statutory deadline of 31st May 2018.

The Strategic Finance Manager explained that the Letter of Representation set out the principles used in preparing the accounts and provided the external auditor with the necessary assurances required by the accounts and audit regulations (this was shown as Item i to the report).

In line with Auditing standards, Mazars LLP had produced an Audit Completion Report (Item ii), in which the external auditor's opinion was given on whether the financial statements gave a true and fair view of the financial position of the Authority as at 31st March 2018 and on its income and expenditure for the year then ended.

Gavin Barker (Mazars LLP) was then invited to explain the findings of Audit Completion Report which in summary showed that:-

- the external auditors proposed to issue an unqualified audit opinion on the financial statements;
- all misstatements identified during the audit had been amended by management;
- the external auditors had not identified any material weaknesses in the accounting and internal control systems;
- the external auditors had not identified any matters required by international auditing standards that should be communicated to Members;
- the external auditors had not identified any other relevant matters relating to the audit that needed to be brought to Members attention;
- the external auditors had reported that the Authority was also to receive an unqualified Value for Money Conclusion, which confirmed that the Authority had proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2018.

Gavin also referred the Committee to the update to the 2017/2018 Audit Completion Report which had been tabled and explained the findings.

Members were advised that testing and valuations were still in progress in relation to Property, Plant and Equipment and with regards to Pensions work, Mazars were still awaiting a response for the request for information from the Auditor of the Tyne and Wear Pension Fund. In addition to this, work on journals testing was still in progress.

An error had been identified in relation to the calculation of a new widow's pension, which was confirmed when it was checked and recalculated by Sunderland City Council. The widow had been underpaid pension of approximately £2,500 in a six month period. As a consequence, testing was undertaken and no errors were found in the additional new widows pensions tested in the year.

Gavin then advised that during the course of the audit they did not encounter any difficulties and that Mazars had the full co-operation of management. Gavin commented that the financial statements were very comprehensive and placed on record thanks to the Finance Team for the much valued excellent working relationship.

Members were then referred to the amended Statement of Accounts 2017/2018 (item iii) which had been circulated together with Appendix A which detailed the adjustments which had been identified during the audit.

Gavin explained that this was his last audit for the Authority and commented that it was an excellent service and wished both Members and Officers well.

5. RESOLVED that:-

- (i) The Letter of Representation (Item i) be approved;
- (ii) The Contents of the External Auditor's Audit Completion Report (Item ii) be noted; and
- (iii) The amended Audited Statement of Accounts for the Financial Year ended 31st March 2018 (Item iii) be approved.

Local Government (Access to Information) (Variation Order) 2006

At the instance of the Chairman, it was:-

6. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during consideration of the remaining business as it was considered to involve a likely disclosure of information relating to the financial or business affairs of any particular person (including the Authority holding that information) (Local Government Act 1972, Schedule 12A, Part I, Paragraph 3).

Minutes

7. RESOLVED that the minutes of the meeting of the Governance Committee held on 26 March 2018 Part II be confirmed and signed as a correct record.

(Signed) G. COOK,
Chairman

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No. 4

GOVERNANCE COMMITTEE

MEETING: 24th SEPTEMBER 2018

SUBJECT: INTERNAL AUDIT PROGRESS REPORT 2018/19

REPORT OF THE HEAD OF INTERNAL AUDIT

1. Introduction

- 1.1 This report sets out the performance of Internal Audit up to August 2018, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

2. Description of Decision

- 2.1 The Governance Committee is asked to consider the report.

3. Key Performance Indicators

- 3.1 Performance against the agreed KPIs to date is shown in Appendix 1. All of the KPI's are currently on target.

4. Summary of Internal Audit Work

- 4.1 Six audits are included in the 2018/19 plan.
- 4.2 To date the fieldwork has been completed for the audit of Cyber Security Arrangements and the draft report is being discussed with officers. An audit of the Authority's performance management arrangements has recently commenced.

- 4.3 The remaining planned audits are scheduled as follows:
- Information Governance – quarter 2;
 - Financial Management – quarter 3;
 - ICT – Business Continuity/Disaster Recovery – quarter 3;
 - Procurement and Contract Management – quarter 4.
- 4.4 The current overall opinion against each risk area, based on the last three years' audit work is shown in Appendix 2. As can be seen the position remains very positive.
- 4.5 It is anticipated that the agreed plan will be delivered in full by the year end.

5. Conclusions

- 5.1 This report provides information regarding progress against the planned audit work for the year and performance targets.
- 5.2 It remains the opinion of Internal Audit that, overall throughout the Authority, there continues to be an adequate system of internal control.

6. Recommendations

- 6.1 Members are asked to consider the report.

Background Papers

Internal Audit Operational Plan for 2018/2019
Governance Committee, 26th March 2018

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2018/19			
Efficiency and Effectiveness			
Objectives	KPI's	Targets	Progress
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified.	1) All key risk areas covered over a 3 year period	On target
	2) Percentage of draft reports issued within 15 days of the end of fieldwork.	2) 90%	On target - 100%
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	3) 82%	On target - 100%
	4) Cost per £m Turnover	Lower than average within CIPFA Benchmarking Club	On target - £417 v £569 average
Quality			
Objectives	KPI's	Targets	Progress
1) To maintain an effective system of Quality Assurance.	1) Opinion of External Auditor	1) Satisfactory opinion	Achieved
2) To ensure recommendations made by the service are agreed and implemented.	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented.	2) 100% for high and significant. 90% for medium risk	High and significant – On target (100%) Medium – On target at 96%
Client Satisfaction			
Objectives	KPI's	Targets	Progress
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)	On target – current average score is 1.0
	2) Results of other Questionnaires	2) Results classed as 'Good'	None carried out
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	None in year to date

Internal Audit Coverage

Key Risk Area	Level of Assurance from audits undertaken 2015/16	Level of Assurance from audits undertaken 2016/17	Level of Assurance from audits undertaken 2017/18	Level of Assurance from audits undertaken 2018/19	Scope of Planned Audits 2018/19	Overall opinion
Corporate Governance		Review of Compliance with new Standing Orders – Substantial			No audit work planned	Substantial
Service / Business Planning, IRMP	MTFP - Substantial		Human Resource Management - Substantial		No audit work planned.	Substantial
Financial Management	Charging and Income Collection – Substantial	Financial Transactions Testing – Substantial	Financial Transactions Testing - Substantial	Financial Transactions Testing	Financial Transactions Testing on Payroll and Accounts Payable.	Substantial
	Financial Transactions Testing - Substantial	Capital programme – Substantial				
		Pension Arrangements – Substantial				
		Performance and Financial Management – Substantial				
Risk Management		Risk Management Arrangements - Substantial			No audit work planned	Substantial

Appendix 2

Key Risk Area	Level of Assurance from audits undertaken 2015/16	Level of Assurance from audits undertaken 2016/17	Level of Assurance from audits undertaken 2017/18	Level of Assurance from audits undertaken 2018/19	Scope of Planned Audits 2018/19	Overall opinion
Procurement and Contract Management			Partnership Working Arrangements – Moderate	Contract Management Arrangements	Review of the contract management arrangements for a sample of keys contracts	Moderate
Human Resource Management			Human Resource Management – Substantial		No audit work planned.	Substantial
Asset Management		Capital Programme – Substantial			No audit work planned	Substantial
ICT	Review of Information Governance Arrangements – Substantial		General Data Protection Regulation - Substantial	Cyber Security – Moderate	Review of the cyber security arrangements in place for the Service.	Substantial
				ICT Business Continuity/Disaster Recovery	Review of the business continuity/disaster recovery arrangements in place for the Service.	
Fraud and Corruption	Financial Transactions – Substantial	Financial Transactions – Substantial	Financial Transactions – Substantial	Financial Transactions	Financial Transactions Testing on Payroll and Accounts Payable.	Substantial
			Fuel – Moderate			
Information Governance	Review of Information Governance		General Data Protection Regulation –	General Data Protection Regulation	Review the arrangements in place to ensure compliance with GDPR requirements	Substantial

Appendix 2

Key Risk Area	Level of Assurance from audits undertaken 2015/16	Level of Assurance from audits undertaken 2016/17	Level of Assurance from audits undertaken 2017/18	Level of Assurance from audits undertaken 2018/19	Scope of Planned Audits 2018/19	Overall opinion
	Arrangements – Substantial		Substantial			
Business Continuity and Contingency Planning	Review of response to strike action. Review of external assessment – Substantial			ICT Business Continuity/Disaster Recovery	Review of the business continuity/disaster recovery arrangements in place for the Service.	Substantial
Performance Management		Performance and Financial Management - Substantial	Performance Management Arrangements (Deferred to 2018/19)	Performance Management Arrangements	Review of process for gathering performance data and reporting on performance.	Substantial
Payroll	Financial Transaction Testing - Substantial	Financial Transaction Testing – Substantial	Financial Transaction Testing - Substantial	Financial Transaction Testing	Financial Transactions Testing on Payroll	Substantial
Partnership Working	Review of partnership working arrangements – Substantial		Partnership Working Arrangements - Moderate		No audit work planned.	Moderate
Project Management			Project Management Arrangements – Moderate		No audit work planned.	Moderate

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No. 5

MEETING: 24th SEPTEMBER 2018

SUBJECT: ANNUAL AUDIT LETTER 2017/2018

**REPORT OF THE CHIEF FIRE OFFICER/CHIEF EXECUTIVE (CLERK TO THE
AUTHORITY) AND THE STRATEGIC FINANCE MANAGER**

1. PURPOSE OF THE REPORT

- 1.1 The report details the Annual Audit Letter for 2017/2018 issued by the External Auditors, Mazars LLP. A copy of the Letter, is attached to this report at Appendix A.

2. INTRODUCTION

- 2.1 Government regulations require the Annual Audit Letter (AAL) to be considered by those charged with governance and also that the AAL is also made public by the Authority. In addition to publication and consideration as part of the agenda for both the Authority's Governance Committee and Fire Authority itself, the full report must also be placed on the Tyne and Wear Fire and Rescue Authority website.

3. BACKGROUND INFORMATION

- 3.1 The Code of Audit Practice requires auditors to prepare an Annual Audit Letter (AAL) and issue it to each audited body. The purpose of preparing and issuing an AAL is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from the auditors' work, which auditors consider should be brought to the attention of the audited body.
- 3.2 The AAL provides the Authority with the findings of the 2017/2018 audit, which comprises two main elements:
- An audit of the Authority's financial statements;
 - An assessment of the Authority's arrangements to achieve Value for Money in the use of its resources.

4. SUMMARY

4.1 In summary, the AAL is very positive, providing a strong endorsement of the financial management and governance arrangements that are in place across the Authority.

4.2 The External Auditor issued an unqualified opinion on the Authority's Financial Statements and an unqualified Value for Money Conclusion, details of which were included in their detailed Audit Completion Report issued on 31st July 2018.

The Annual Audit Letter confirms that the Authority:

- Produced unqualified Financial Statements for 2017/18 that gave a true and fair view of the Authority's financial position and its financial performance as at 31st March 2018 and that no objections to the published Financial Statements had been received;
- Published its Narrative Report with the Financial Statements, as statutorily required, and that the details were found to be consistent with those Financial Statements;
- Had provided an Annual Governance Statement that was found to accurately reflect the Authority's governance arrangements and that these followed the requirements of the 'Delivering Good Governance in Local government Framework 2016';
- Had no matters identified that required a report in the public interest or from other powers available to the auditor under the 2014 Act;
- Had proper arrangements in place to secure economy, efficiency and effectiveness in its use of Resources and received an unqualified Value for Money Conclusion.

4.3 Gavin Barker, Senior Manager at Mazars will be in attendance to present their report in more detail and to address any questions members may have.

5. FINANCIAL IMPLICATIONS

5.1 There are no financial implications in respect of this report.

6. RISK MANAGEMENT IMPLICATIONS

6.1 There are no Risk Management implications in respect of this report.

7. HEALTH AND SAFETY IMPLICATIONS

7.1 There are no Health and Safety implications in respect of this report.

8. EQUALITY AND DIVERSITY

8.1 There are no Equality and Diversity implications in respect of this report.

9. RECOMMENDATION

9.1 Members are recommended to note the report.

Annual Audit Letter

Tyne and Wear Fire and Rescue Authority
Year ending 31 March 2018





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Tyne and Wear Fire and Rescue Authority (the Authority) for the year ended 31 March 2018. Although this letter is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our report issued on 31 July 2018 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Authority's financial position as at 31 March 2018 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
Other information published alongside the audited financial statements	<p>Our report included our opinion that the other information in the Statement of Accounts is consistent with the audited financial statements.</p>
Value for money conclusion	<p>Our report concluded that we are satisfied that in all significant respects, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.</p>
Reporting to the group auditor	<p>On 31 July 2018 we reported that your activity was below the threshold set by the NAO, meaning we were not required to review the Whole of Government Accounts return.</p>
Statutory reporting	<p>Our report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Authority.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements	Unqualified
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The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority’s financial position as at 31 March 2018 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Governance Committee. We call this our trivial threshold.

The table below provides details of the overall materiality levels applied in the audit of the Authority’s financial statements for the year ended 31 March 2018.

Financial statement materiality	Our financial statement materiality is based on 2% of gross operating expenditure.	£758k
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£21k

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks and key areas of management judgement

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Authority’s financial statements that required special audit consideration. We reported significant risks and key areas of management judgement identified at the planning stage to the Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks and judgements, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a significant risk on all audits.	We addressed this risk by performing audit work in respect of: <ul style="list-style-type: none">accounting estimates impacting on amounts included in the financial statements;significant transactions outside the normal course of business; andjournals recorded in the general ledger and other adjustments made in preparation of the financial statements.	Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We found no indication of management override of controls.
Defined benefit liability valuation The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	We obtained explanations to support any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary’s output, referring to an expert’s report on all actuaries nationally which is commissioned annually by PSAA Ltd.	Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We found no indication of material estimation error in respect of pensions.
Property, plant and equipment (PPE) valuation(s) The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority’s holding of PPE. Although the Authority employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with PPE valuations because of the significant judgements and number of variables involved. We have therefore identified the valuation of PPE to be an area of risk.	We considered the Authority’s arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Authority’s valuer. We also assessed the competence, skills and experience of the valuer. We also performed further audit procedures on individual assets to ensure that the basis and level of revaluation was appropriate.	Our work provided the assurance we sought. Our audit work identified that fire stations were materially understated and therefore required amendment. This was due to a significant increase in the underlying indices used to value them.

2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

One deficiency was identified in internal control during the audit.

Error identified in the calculation of a widow's pension
<p>Description of deficiency</p> <p>We reviewed the calculation of a new widow's pension as part of our work testing pension payments in the Firefighters' Pension Fund Account. We identified an error in the calculation, and this was confirmed when it was checked and recalculated by Sunderland City Council which had administered the firefighters' pension scheme in 2017/18. The widow had been underpaid pension of approximately £2.5k in a six month period. As a consequence of this we received assurances that this was a one-off error, and to test this assertion we extended our sample. We did not find any errors in the additional new widows pensions we tested in the year.</p>
<p>Potential effects</p> <p>Ensuring correct pension payments is essential to support those who have worked for the Authority and their dependents.</p>
<p>Recommendation</p> <p>The Authority must ensure that all widows pensions are calculated accurately.</p>
<p>Management response</p> <p>The Authority has recently changed its administrator for firefighters' pensions, and the Finance Manager has asked the new provider to review the calculations of all widows pensions.</p>

3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified
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Our audit approach

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision-making;
- sustainable resource deployment; and
- working with partners and other third parties.

Our auditor's report (supplemented by our follow-up letter), issued to the Authority on 31 July 2018, stated that, in all significant respects, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Sub-criteria	Commentary	Arrangements in place?
Informed decision-making	<p>The Authority is governed by a Constitution including all of the normal features of an effective governance framework in local government and related bodies.</p> <p>The Authority uses its Integrated Risk Management Plan (IRMP) to deliver significant changes to the service. In recent years, this has helped the Authority manage the challenges of public sector austerity, where significant savings have had to be delivered in light of reduced government funding.</p> <p>In January 2018 the Authority considered an IRMP Action Plan Update for 2017/20. This reported on progress against the current priorities including the actions agreed to review response relative to risk, collaborative measures with emergency services and other partners, and opportunities for further efficiency and effectiveness.</p> <p>There is evidence of financial reporting being used effectively to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas and addressing issues such as those identified in the IRMP.</p> <p>The Authority's Annual Governance Statement includes a balanced assessment of the effectiveness of the Authority's governance arrangements and identifies appropriate areas for further improvement. The 2017/18 Annual Governance Statement provides an update on the issue reported last year in relation to overpaid fire injury pensions from 2006/07 to 2011/12 of £10.5m. The Authority has now agreed to repay this amount over a period of 17 years to the Home Office., with £1.8m being paid in 2017/18.</p>	Yes



3. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.</p> <p>In the 2017/18 outturn, the Authority delivered a £1.273m underspend against budget. This reflected a range of predominantly one-off savings and reflects an increased focus on financial management and effective budgetary control.</p> <p>In the 2018/19 budget, the Authority identified that over the medium-term of 2018/19 to 2021/22 it faced a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap of £3.6m so that it can be funded over this period. In the meantime, various work streams linked to the IRMP are in place seeking to deliver further savings and improvement. It is important to identify measures that deliver an annual reduction in the base budget and this is the focus of the efforts that are being undertaken.</p> <p>Subsequent to the setting of the 2018/19 budget, the Authority also concluded its negotiations with the Home Office over the repayment of the £10.5m historic overpayment of fire injury pensions. £1.8m was paid in 2017/18 utilising the reserve that had been established for this purpose. The remaining £8.7m is to be repaid over a period of 17 years at the rate of £500k per annum. Whilst this settlement has enabled the Authority to replenish its reserves which were initially utilised to provide for repayment in full, the settlement creates an additional annual budget pressure of £500k against which further annual savings will need to be delivered.</p>	Yes
Working with partners and other third parties	<p>The Authority works with a range of partners and third parties. The Government's Policing and Crime Act includes a statutory duty on all three emergency services to collaborate with each other to improve efficiency and effectiveness. It also seeks to enable Police and Crime Commissioners to take on fire and rescue responsibilities in their area where a local case is made.</p> <p>There are already good examples of the Authority working with the other emergency services, seeking to make best use of its assets, for example, through co-location with Northumbria Police and the North East Ambulance Service.</p> <p>The Authority has entered into a formal non-binding Statement of Intent with Northumbria Police which signals the intent to work together in a range of areas including sharing information, service delivery, estate and asset integration, control room, back office functions, training and development, risk assessment, public engagement and accountability and finance and procurement. The Police and Crime Commissioner is also now a member of the Fire Authority.</p> <p>The Authority is developing a more commercial approach to income generation. One area which the Authority is reviewing is its partnership arrangements with Impeller Services. This is an area which needs to be closely monitored by the Authority.</p>	Yes

3. VALUE FOR MONEY CONCLUSION

Significant audit risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk- responding to financial pressures

The work we carried out in relation to the significant risk is outlined below.

Significant risk: Responding to financial pressures

Risk: our audit work in previous years has concluded that the Authority has arrangements in place for managing its financial position. The Authority, however, continues to face financial pressure in the coming years. In addition, £10.5m of overpaid fire injury pensions are being recovered from the Authority by the Home Office.

We need to ensure our knowledge of the Authority’s medium-term financial strategy (MTFS) arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct conclusion.

Work undertaken

Building on our work in previous years, we have reviewed the Authority’s updated MTFS to ensure it reflects the latest funding position and reviewed and updated our knowledge of the arrangements the Authority has in place to monitor progress against its savings plans and income projections that underpin the MTFS.

In addition, we have assessed the impact of the final position for repayment of fire injury pensions on financial sustainability.

Conclusion

In the 2018/19 budget, the Authority identified that over the medium-term of 2018/19 to 2021/22 it faced a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap of £3.6m so that it can be funded over this period. In the meantime, various work streams linked to the IRMP are in place seeking to deliver further savings and improvement.

It is important to identify measures that deliver an annual reduction in the base budget and this is the focus of the efforts that are being undertaken.

Subsequent to the setting of the 2018/19 budget, the Authority also concluded its negotiations with the Home Office over the repayment of the £10.5m historic overpayment of fire injury pensions. £1.8m was paid in 2017/18 utilising the reserve that had been established for this purpose. The remaining £8.7m is to be repaid over a period of 17 years at the rate of £500k per annum.

Whilst this settlement has enabled the Authority to replenish its reserves which were initially utilised to provide for repayment in full, the settlement creates an additional annual budget pressure of £500k against which further annual savings will need to be delivered.

The Authority has managed a difficult financial position well, but now needs to deliver further savings in the base budget to balance the budget over the medium to long term and secure the financial sustainability of the service. It is clear that this is an important priority for the Authority.

Overall we obtained sufficient assurance to mitigate the audit risk.



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of NAO group audit reporting requirements	Below reporting threshold
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Authority's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make a referral to the Secretary of State where we believe that a decision has led to, or would lead to, unlawful expenditure, or an action has been, or would be unlawful and likely to cause a loss or deficiency; and
- make written recommendations to the Authority which must be responded to publically.

We have not exercised any of these statutory reporting powers.

Reporting to the NAO in respect of Whole of Government Accounts (WGA) consolidation data

On 31 July 2018 we reported that your activity was below the threshold set by the NAO, meaning we were not required to review the Whole of Government Accounts return.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Authority. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Governance Committee in March 2018.

Having completed our work for the 2017/18 financial year, we can confirm that our final fees are as follows:

Area of work	2017/18 proposed fee	2017/18 final fee
Delivery of audit work under the NAO Code of Audit Practice	£30,636	£30,636

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

6. FORWARD LOOK

Financial outlook

The Authority has continued to make good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.

In the 2018/19 budget, the Authority identified that over the medium-term of 2018/19 to 2021/22 it faced a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap of £3.6m so that it can be funded over this period. In the meantime, various work streams linked to the IRMP are in place seeking to deliver further savings and improvement.

Subsequent to the setting of the 2018/19 budget, the Authority also concluded its negotiations with the Home Office over the repayment of the £10.5m historic overpayment of fire injury pensions. £1.8m was paid in 2017/18 utilising the reserve that had been established for this purpose. The remaining £8.7m is to be repaid over a period of 17 years at the rate of £500k per annum. Whilst this settlement has enabled the Authority to replenish its reserves which were initially utilised to provide for repayment in full, the settlement creates an additional annual budget pressure of £500k against which further annual savings will need to be delivered.

To bridge the savings gap, Members will once again face the need for difficult decisions to balance the budget over the medium term. Looking forward to 2020/21, the Authority is facing major uncertainties in relation to business rates retention and the fair funding review.

Operational and strategic challenges

As set out above, the key areas of focus for the Authority will be continued strong budget management given the continued financial pressures, as well as the challenge of maintaining and improving service delivery in the face of delivering further savings. Against a backdrop of continued reductions in funding and future uncertainty, the Authority will require organisational capacity, continued good governance and strong risk and project management arrangements. The Authority will need to ensure operational and financial plans deliver statutory duties within available resources.

How we will work with the Authority

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise. A key focus in the coming year will be the adoption of IFRS 9 Financial Instruments, a new standard for 2018/19, which changes the approach to financial assets and accounting for impairment. Looking further ahead, IFRS 16 Leases is a new standard to be adopted from 2019/20, which establishes a new model for lessees and removes existing classifications of operating and finance leases. It is anticipated that the impact on the accounts of this could be material.

We will continue to offer accounting workshops to finance officers and the audit team will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

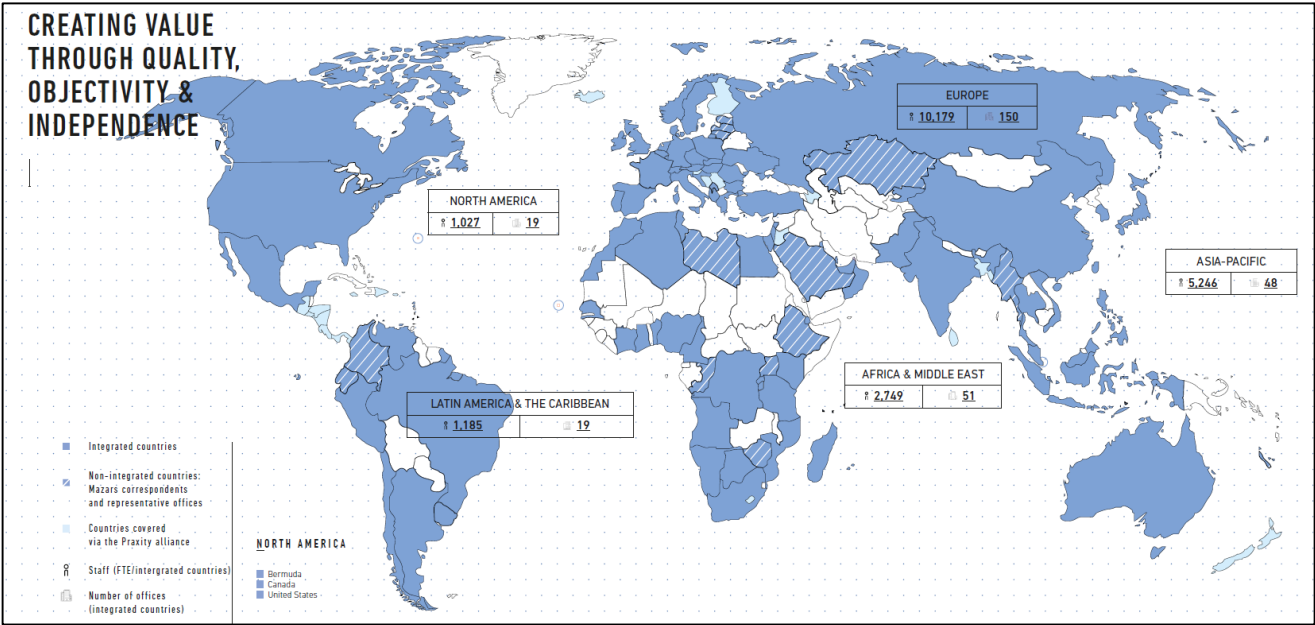


MAZARS AT A GLANCE

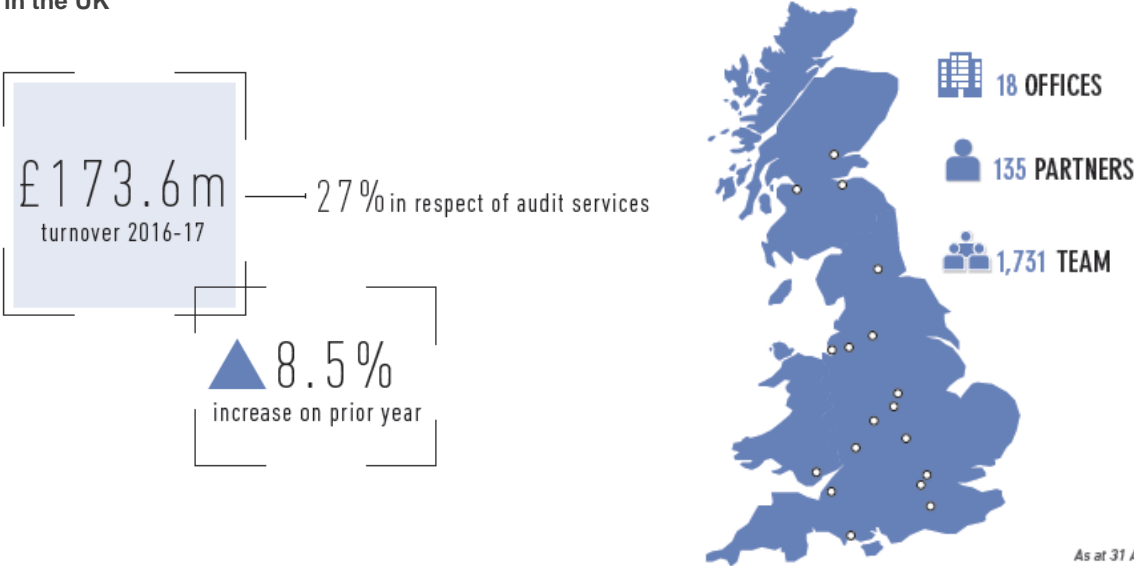
Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



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TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No. 6

MEETING: GOVERNANCE COMMITTEE 24 SEPTEMBER 2018

SUBJECT: STATEMENT OF ASSURANCE AND ANNUAL REPORT (SOAAR)

**JOINT REPORT OF THE STRATEGIC FINANCE MANAGER AND THE ASSISTANT
CHIEF FIRE OFFICER ORGANISATIONAL DEVELOPMENT**

1 INTRODUCTION

- 1.1 The purpose of this paper is to present the Statement of Assurance and Annual Report 2017/18 (Appendix A) to members for information. The Statement of Assurance and Annual Report was approved by Fire Authority on 10 September 2018.

2 BACKGROUND

- 2.1 The purpose of the Statement of Assurance and Annual Report is to inform the Authority's stakeholders how Tyne and Wear Fire and Rescue Authority performed during 2017/18, how much was spent and what it was spent on. This document also meets the requirements placed on us by Government as part of the Fire and Rescue National Framework 2012, to prepare an annual Statement of Assurance:

'Fire and rescue authorities must provide annual assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their integrated risk management plan and the requirements included in the Framework. To provide assurance, fire and rescue authorities must publish an annual statement of assurance'.

- 2.2 One of the principal aims of the Statement of Assurance is to provide an accessible way in which communities, Government, local authorities and our partners may make a valid assessment of the Authority's performance.
- 2.3 The revised Fire and Rescue National Framework 2018 came into effect on 1 June 2018, and will be fully considered and embedded into the 2018/19 SOAAR.

3 STATEMENT OF ASSURANCE

- 3.1 The guidance states that “*the Statement of Assurance will be used as a source of information on which to base the Secretary of State’s biennial report under section 25 of the Fire and Rescue Services Act 2004*”.
- 3.2 The contents of the document should include as a minimum;
- The statement of accounts
 - An annual governance statement
 - Details of how the Authority meets the requirements of the National Framework
 - Details of consultation on strategic plans including the IRMP
 - Assurance regarding operational competence
 - Consideration to the principles of transparency (set out in the Code of Recommended Practice for Local Authorities on Data Transparency).
- 3.3 Where relevant information is already set out in a clear, accessible and user friendly way within existing documents, it is acceptable to include extracts or links to these documents within the Statement of Assurance. This is the approach the Authority have taken.

4 HOW TWFRA PERFORMED

- 4.1 The Authority sets targets to enable performance management, helping us to achieve our vision of ‘creating the safest community’. By monitoring performance, the Authority is able to see how it is progressing towards achieving the organisation’s strategic goals. The Statement of Assurance and Annual Report notes that performance is monitored quarterly by the Executive Leadership Team and by the Policy and Performance Committee. The Service Delivery Performance Action Group keeps performance under constant review.
- 4.2 The Statement of Assurance and Annual Report contains a summary of our performance for 2017/18. Over 17,000 incidents were attended in 2017/18 with an average response time of 5 minutes 22 seconds. Based on the latest Home Office figures (2016/17) we responded to dwelling fires faster than any other Metropolitan Authority and were second fastest compared to all FRS in the country. Comparator figures are not yet available for 2017/18 but with a quicker response time for 2017/18 we expect to be amongst the fastest again for 2017/18.
- 4.3 Under the Government’s Spending Review the Authority continues to face financial pressures which creates a huge challenge in continuing to tackle community risk. Notwithstanding these pressures, the committed workforce will continue to work jointly with our partners to deliver positive outcomes for the communities of Tyne and Wear.

5 CONSULTATION

- 5.1 The draft Statement of Assurance and Annual Report was shared with Mazars, the Authority's external auditor, who provided positive comment and raised no significant issues. Mazars will attend when the Committee considers the report.
- 5.2 The Authority's internal auditors, will also attend committee and similarly, did not raise any issues.

6 RISK MANAGEMENT

- 6.1 There are no risks associated with publishing the Statement of Assurance and Annual Report. We have worked closely with internal and external audit throughout the year on our financial and governance positions.

7 FINANCIAL IMPLICATIONS

- 7.1 This report has no direct financial implications. The Statement of Assurance and Annual Report contains a retrospective picture of expenditure in 2017/18.

8 EQUALITY AND FAIRNESS IMPLICATIONS

There are no equality and fairness implications in respect of this report.

8.1 HEALTH AND SAFETY IMPLICATIONS

There are no health and safety implications in respect of this report.

9 RECOMMENDATIONS

- 9.1 The Committee is recommended to
- a) Note the content of this report and the Statement of Assurance and Annual Report.

BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:

- 30 July 2018 - Governance Committee Audited Statement of Accounts
- 18 June 2018 - Fire Authority Annual Governance Review 2017/2018



Statement of Assurance and Annual Report

2017 / 2018



**Tyne and Wear Fire
and Rescue Authority**
Creating the Safest Community



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1 Introduction

Welcome to our Statement of Assurance and Annual Report for 2017/18.

This report shares our performance in 2017/2018 and the work we are delivering to meet our vision of 'creating the safest community' across Tyne and Wear.

This has been another high-achieving year for us. The professionalism, skills and dedication of our operational staff have continued to protect our communities and prevent harm through our community and fire safety initiatives. We have also worked collaboratively with local and national partners, to share best practice, maximise our resources and deliver greater benefits for the people of Tyne and Wear.

Our non-operational teams have helped to deliver an effective, accountable, forward-thinking organisation, which has maintained robust financial management and governance.

We have continued to operate within a tight financial settlement – which has provided its own challenges and required difficult decisions – such as changing the number of firefighters within a crew, from 5 to 4. Our team has responded with both innovation and flexibility in the delivery of its responsibilities, and has continued to participate and shape national fire service debate on a range of key areas – from diversity in the workforce to trauma support.

There is no doubt that last year was overshadowed by the tragedy of the Grenfell Tower fire, in London. It brought into sharp focus the appalling consequences of fire, and the devastation it brings to communities. It also highlighted the incredible bravery of firefighters – especially when faced with the unimaginable. The impact of Grenfell Tower was felt throughout the world, as we learned about the death and injury of loved ones and the devastation of homes.

We continue to work with other fire and rescue services and partners to share best practice, ensuring the highest standards of safety for communities. We await the findings of the Grenfell Tower Inquiry with great interest.



TWFRS Chair
Councillor Barry Curran

Welcome

The period of this report covers my first full year as Chief Fire Officer. It has been a year when we have continued to demonstrate commitment and innovation to deliver the highest standards of Prevention, Protection, Response and Resilience.

This has been a year when events outside Tyne and Wear have influenced our work. The terrorist attacks in Manchester and London – which led to the national terror level being raised twice to Critical – yet again confirmed our commitment to participating in multi-agency training exercises. These allow us to test and challenge our resilience capabilities and strengthen our partnership working with other key players.

Following the appalling fire at Grenfell Tower, we quickly undertook significant work both with property owners and with residents to bring reassurance at a time when safety concerns for people living in high rise buildings was at its height. In addition, we also supported our colleagues at London Fire Brigade when our trauma support team spent time with firefighters and control room staff who had been – understandably – affected by the fire.

We have also addressed significant financial challenges, including managing negotiations with government on a financial settlement linked to a £10.5 million pension issue. However, through greater financial stewardship we have improved efficiency and financial awareness which contributed to a £1.273 million underspend.

Within Tyne and Wear we saw an alarming increase in the number of attacks on firefighters, one of which led to a successful prosecution. These attacks are not tolerable. Our firefighters should not have to face assault and injury in the course of their work.

We continue to have an enviable performance record, and it is still something on which we strive to both maintain and improve for the communities of Tyne and Wear. In 2017/18 we attended over 17,000 incidents. Our average response travel time to an incident was 5 minutes 22 seconds when excluding Targeted Response Vehicles (TRV's) and specialist appliances. Based on the latest Home Office figures we have the fastest response rate of any metropolitan fire services to dwelling fires.

I would like to thank all our employees for the great work they do – and the challenges they overcome in both the operational and non-operational fields. None of the achievements that we share with you in the coming pages could have happened without each and every one of them not just doing their job, but doing it exceptionally well.



Chief Fire Officer
Chris Lowther

2 Our Vision and Purpose

Our vision for the community will be achieved by providing the people of Tyne and Wear with the services they need, to the highest possible standard.

Our vision statement is:

Creating the Safest Community.

Our mission is:

To save life, reduce risk, provide humanitarian services and protect the environment.

The vision and mission are underpinned by priorities which are aligned to the needs of our communities.

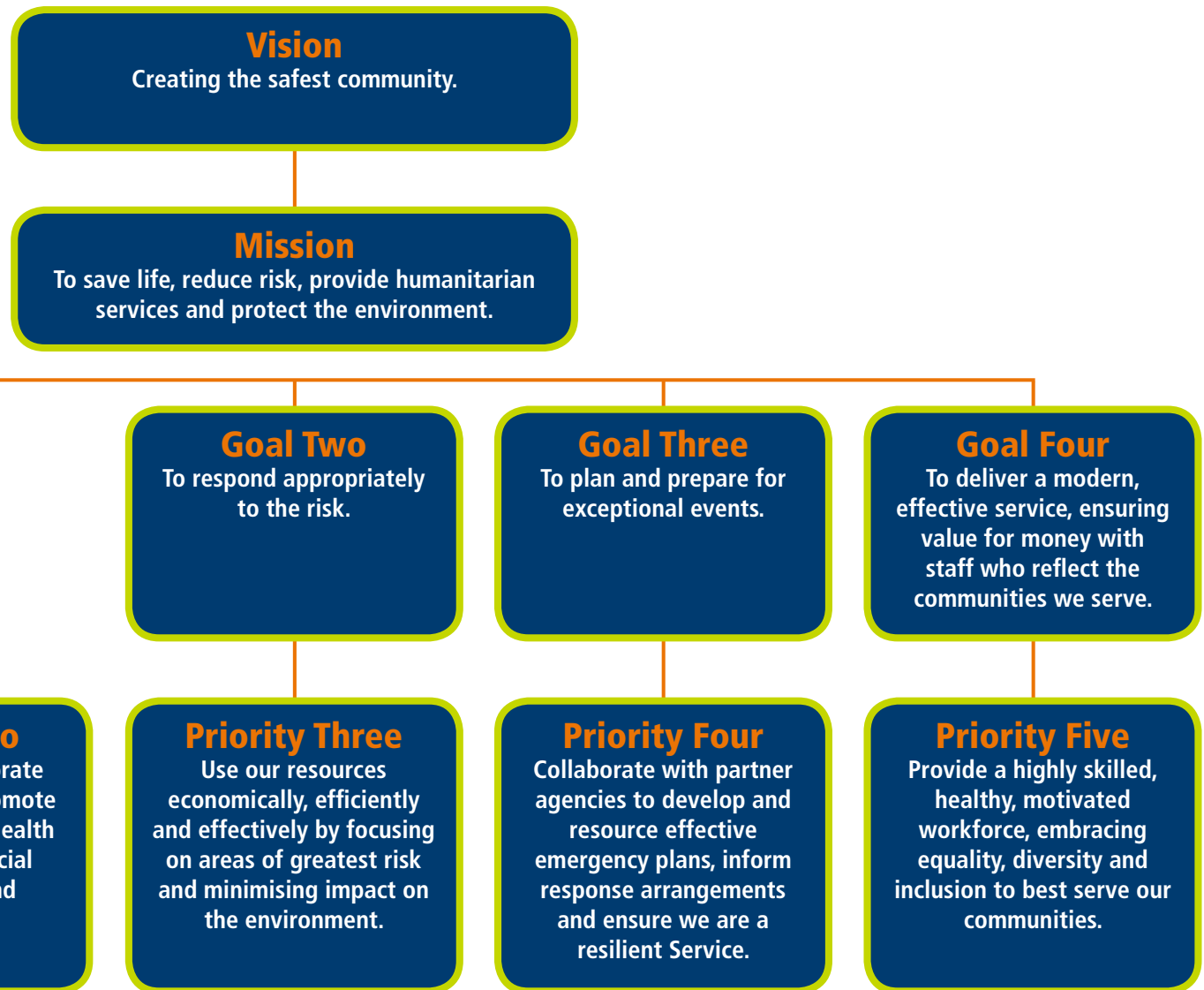
We also recognise that all employees need to have a clear understanding about our working practices, and the core values required for long term success. Everyone has a responsibility for ensuring these values are implemented and upheld.

We strive to ensure equality and diversity is embedded across the organisation by continuously promoting its principles to our employees and to our communities within Tyne and Wear.

We work hard to eliminate inequalities, discrimination, harassment and victimisation. We are committed to promoting equality of opportunity and positive working relations to our workforce and in our local communities. We want to ensure that the service we provide is accessible to everyone and that we have a workforce that reflects the diversity of our communities.

We have recently been reaccredited with an 'Excellent' award for the Fire and Rescue Services Equality Framework. This recognises our commitment to supporting our diverse community, employing a diverse workforce and promoting the Service as an employer of choice.

The following diagrams demonstrate the link from our vision to our goals and priorities, including our core values.



Our Values



We value service to the community by:

- working with all groups to reduce risk
- treating everyone fairly and with respect
- being answerable to those we serve
- striving for excellence.



We value all our employees by practising and promoting:

- fairness and respect
- recognition of merit
- honesty, integrity and mutual trust
- personal development
- co-operative and inclusive working.



We value diversity in the Service and community by:

- treating everyone fairly and with respect
- providing varying solutions for different needs and expectations
- promoting equal opportunities in employment within the Service
- challenging prejudice and discrimination.



We value improvement at all levels of the Service by:

- accepting responsibility for our performance
- being open minded
- considering criticism thoughtfully
- learning from our experience
- consulting others.

Our Strategic Community Safety Plan 2017-20 (SCSP) sits at the heart of our revised and streamlined strategic planning framework. The plan aims to:

- Encourage leadership and innovation by all
- Promote collaborative working
- Strive for continuous improvement
- Further embed equality, diversity and inclusion in all that we do
- Remove duplication.

By providing high quality services to our communities and stakeholders, we have built on our strong partnership approach to ensure we remain one of the safest, most inclusive and high performing public services.



The SCSP is underpinned by three strategies: the Community Safety Strategy, Organisational Development Strategy and Medium Term Financial Strategy. For more details please visit our website: www.twfire.gov.uk

Consulting on our Plans

We recognise the need to seek the views, opinions and involvement of others in the delivery of our services. Where appropriate, this includes employees, Authority Members, members of the public, other stakeholders and community groups.

Our formal Consultation Policy sets out how we will engage with our stakeholders and consult on the issues which affect them. This will provide us with information at the beginning of the decision making process, enabling this information to influence our plans and strategies.



3 Services to our community

Every day we protect 1.1 million people across Tyne and Wear. We ensure community safety by prioritising areas that focus on:

Protection - our protection work reduces the risk and impact of fire on the business community. We support economic growth through intelligence led proportionate regulation.

Prevention - this is at the forefront of our proactive approach to prevent incidents from happening, through education, advice and intervention. Through understanding our community and working with partners we identify and support those who are at most risk.

Response - making a timely and appropriate response to fire and rescue incidents to reduce the loss of life, injuries and damage to property. We offer an excellent service to the community of Tyne and Wear supported by being the fastest metropolitan service to respond to dwelling fires.

Resilience - protects the national infrastructure in the event of catastrophic incidents. We have specialist teams who enhance our ability to respond to major emergencies such as terrorist attacks, industrial and domestic accidents and natural disasters.



1.12
million
residents



1
international
airport



2.42 million
m² retail floor
space



512,000
dwellings



73,000
students, and
3 universities



2 major cities
and 28,000
business sites



5 local
authority
areas



High levels
of deprivation



60 Metro
stations

Protection

Our fire safety work covers all premises other than single private dwellings.

We enforce the provisions of the Regulatory Reform (Fire Safety) Order 2005. This legislation is commonly known as the Fire Safety Order (FSO) and places the duty on 'the Responsible Person' to ensure a safe property. Throughout the year we:

- Conducted 1,976 Fire Safety audits.
- Issued 635 informal notifications – where we educate and inform people through verbal or informal written advice, about their duties under the FSO.
- Issued 2 Alteration Notices, 10 Enforcement Notices and 18 Prohibition Notices.
- Conducted 2 Prosecutions of Offences under the FSO

We meet our statutory duty by carrying out a risk-based inspection programme of all premises covered by FSO throughout our five local authority areas. This ensures that premises presenting the highest risk and lowest compliance are audited and inspected more frequently than those considered to be of lower risk and higher compliance.

We also provide fire safety advice in the workplace to assist employers in complying with the legislation and achieving a safe building for employees and visitors.

Following a fire in the basement laundry room of the 11 storey Sandman Signature Hotel in Newcastle upon Tyne we received the following comment:

Mitch Gaglardi, owner of the Sandman Signature Hotel said:

"Our staff worked admirably under pressure in conjunction with the Fire Service whom I would like to commend. Sandman Signature Hotels specify sprinkler systems in all of our properties for this exact scenario to ensure guest safety."

We continue to carry out targeted and timely engagements following large scale incidents to improve fire safety awareness within the business community and promote safer commercial buildings.

We fully support and promote economic growth through better regulation. Were businesses fail to comply with fire safety legislation, we will use appropriate, proportionate enforcement action, including prosecution to ensure compliance and public safety.

Our Primary Authority Scheme (PAS) continues to grow in strength with new partners continuing to join us from a wide variety of sectors, from care providers to large retailers.

Prosecutions

We have taken proportionate action against the most serious breaches of fire safety. We have had several successful prosecutions for a wide range of offences; from failure to comply with the investigative process to wide spread breaches of the Fire Safety Order in industrial and entertainment premises.

Fireworks seizure

Our Fire Safety Inspectors stopped the risk of a major explosion in the West End of Newcastle by seizing just under 500Kg Net Mass (NM) of fireworks from two premises owned by the same person – one where the licensee was only permitted to store 75Kg NM and the other wasn't licenced at all.

The fireworks were stored in such a dangerous manner located near propane cylinders, petrol and live unsecured electrical wires that they were immediately seized to ensure public safety. Had there been a fire or a spark, the quantity and storage conditions would have led to a major incident that would have devastated the lives, property and homes of those nearby.

Whilst the Service endeavours to work with owners to make buildings safe, this case demonstrates that we will not hesitate to take action when required.

Anyone convicted of storing fireworks without a licence, or not storing them safely, could face an unlimited fine and/or be imprisoned for up to 2 years.

We continue to promote firework safety with our partners, using our social media channels to highlight the legislation around the licencing and sale of fireworks – particularly at retailers. The campaigns run prior to and during the Bonfire period, Christmas and New Year and Chinese New Year.

Prevention

The most effective way to save lives, minimise injuries and losses through fire and other emergencies is to reduce the number of incidents that occur. This is done by focusing on risk reduction for vulnerable people by means of our Home Safety Check (HSC) Targeting Policy and our Vulnerable Persons Strategy.

Our prevention and protection work is just as important as putting out fires. This has helped us to drive down the number of fires over a number of years, keeping our communities safer.

We work hard to understand community risk and this informs our day to day work (such as targeting HSCs at those most vulnerable), or when we make changes to the service through the Integrated Risk Management Plan (IRMP).

Accidental fires in the home are the main cause of fire deaths and we do all we can to reduce these fatalities. Our Prevention and Education teams work to educate people about how they can protect themselves from fire. We do this by:

- Delivering over 30,000 HSCs to provide tailored home fire safety advice and fitting 25,000 smoke alarms. The HSC also includes additional elements around health and wellbeing, focusing on a person-centred approach including falls prevention advice, where age appropriate.

- Partnership working with social housing, health and the police. This allows us to continually work closely with key partners to identify the most vulnerable and ensure that appropriate actions are taken to remove or mitigate their risk from fire. This includes the installation of Telecare, packages of care and the continued support for the installation of water suppression systems for those most at risk.
- Reducing fires started deliberately. We have specialist staff to tackle fire setting behaviour by young people by working on the Juvenile Firesetter Educational Programme and engage with schools located within identified hot spot areas delivering targeted educational messages.
- 14,199 people attended our multi-agency Safety centre Safetyworks!, this is an interactive safety centre based in Newcastle managed by us and working in partnership with Northumbria Police and Crime Commissioner, Northumbria Police, St Johns Ambulance, Nexus, Sainsbury's and the RNLI.

The centre also delivers key safety campaigns to targeted groups and communities aimed at improving safety and reducing the impact of Anti-Social Behaviour (ASB) fires. To address deliberate fires and its association with ASB we work together with key partners to deliver a multi-agency approach to reducing fire related crime.

- Delivering youth diversionary activities that include Fire Cadets, Phoenix Project and the Prince's Trust Team programme. 167 people successfully completed the Phoenix Project activities and 89 people successfully completed Prince's Trust. As well as personal development, the aim of these programmes is to provide young people with key advice around home fire safety and personal safety and also an understanding of the impact and consequences of hoax calls and deliberate fire setting.
- During our bonfire safety campaign we visited 32 secondary schools to talk about firework safety, delivering 93 assemblies, to over 17,000 students, across the three targeted year groups. We also led SafetyWorks! education talks, running 25 sessions delivered to 20 Special Educational Needs schools and 5 Pupil Referral Units, to 388 students. As part of the campaign our social media campaign delivered key messages to over 400k people.

We have used campaigns such as Facing Consequences, which included the 'Ryan's Regret' film to highlight the dangers of fireworks.

During the year we worked successfully with Public Health, Newcastle to pilot Safe and Well visits - with almost 1000 visits made in the 12 months of the trial. As a result, using the Newcastle project as best practice, the delivery of the Safe and Well visits was rolled out across the other four local authority areas working with partners including Public Health, Clinical Commissioning Group and Adult Social Care. From December 2017 until 31st March 2018 there have been 1444 visits across Tyne and Wear.

Further developments to enhance our current HSC's have also been undertaken resulting in the addition of health and wellbeing related questions. These questions support the better identification of a person's risk from fire e.g. smoking, alcohol and substance misuse, social isolation.



Response

To create the safest community we have specialist equipment and resources to respond to incidents. Our highly effective Control function managed over 27,000 calls, a 13% increase on the previous year.

We operate front line appliances ranging from standard fire engines through to specialist appliances for specific situations. Each fire engine carries a crew of up to four firefighters and is equipped with the latest radio and computer technology, providing the vital communication link between operational crews and fire control. We also provide Targeted Response Vehicles to provide a risk based response to low level incident types.

"Thank you so much for attending my property tonight as a cable had fallen into the water under my house and caught fire. I couldn't be more thankful for your speedy response from the operator who took my 999 call to the crew that attended. I really appreciate it". (Source: Tyne and Wear resident)

The primary operational response is to emergency incidents that include fires, road traffic incidents, chemical spills and rescues from water, in addition to a wide range of other incidents. Examples of our services include:

- Responding to fires to protect the public, property and the environment we ensure we respond with the right staff, who have had the right training and use the right equipment, at the right time, every time.
- Road traffic collisions form a major part of our work. The incidents we attend range from low speed single car accidents to high speed multi-vehicle crashes involving cars, lorries and buses, and the people within them.
- We have a high volume pump (HVP) that can be used to remove large quantities of flood water or provide large amounts of water for firefighting at larger incidents. The HVP is capable of pumping 7000 litres of water per minute across great distances using up to three kilometres of hose.
- Our highly trained employees use equipment that can limit the harmful effects of the release of hazardous materials. This is done through decontamination, which we can be carried out on a large scale.
- We have specialist rescue teams who are highly trained in the rescue of people from height, from swiftwater and river incidents and who deal with structural collapse and animal rescues.

"Would just like to say a massive big thank you to the guys from Blue watch at Hebburn fire station after they rescued my disabled aunty who was near collapse after being trapped in her home lift for over 4 hours x These guys are amazing thanks again x". (Source: Tyne and Wear resident)

Jarrow Auction Rooms

On 23rd November 2017 firefighters attended a fire at a former church on Bede Burn Road, Jarrow. The structure was adjoined to a residential building.

Due to the speed of fire development, firefighters acted quickly evacuating the residents and bringing the fire under control. The presence of several gas cylinders inside the building posed a serious risk.

Eight fire engines, the Command Unit and the Aerial Ladder Platform (ALP) were at the incident. We used our drone to obtain aerial footage to help in the assessment of the fire and structure of the building.

The fire was successfully brought under control after several hours with no injuries to members of the public or firefighters and limited damage to adjacent properties.

Grenfell Tower - a whole team approach

In response to the Grenfell Tower fire on June 14th 2017, we engaged with all local social housing providers, setting out responsibilities and providing options for future joint initiatives to continue to improve the safety of our residents. We also took a number of steps including:

- Visiting approximately 12,000 flats to provide reassurance and conduct safety checks.
- Conducting over 200 audits of high rise buildings which provided building owners and managers with the opportunity to ask advice and better assess the fire safety measures within their buildings. This also allowed our operational crews to gather vital risk information relating to each building to promote safety.
- Conducting high rise training in collaboration with partners utilising a local authority premises to ensure we respond effectively to high rise incidents.

We also provided reassurance to residents through a range of media releases; strengthened fire safety advice and interviews. We have also been working with housing providers to direct residents to information regarding HSC's.

We also engaged with hospitals, universities and other building owners where there was a potential increased risk due to cladding materials.

Residential gas explosion

On the 12th August 2017 a gas explosion destroyed a property in Ryhope, Sunderland and substantially damaged another house.

The blast occurred while the resident was still inside. Four fire engines and the Operational Support Unit (Rescue) attended the incident.

The Urban Search and Rescue (USAR) Tactical Adviser assessed the property and utilised our search and rescue dog to locate people trapped beneath the rubble.

Despite the destruction, the resident survived the blast and was pulled from the rubble by our firefighters. Remarkably, she was the only casualty following the explosion and was flown to the Royal Victoria Infirmary in Newcastle for treatment. Happily, she recovered from her injuries.



Resilience

The National Resilience programme is an essential part of government arrangements to protect the national infrastructure in the event of catastrophic incidents. It has provided us with a Mass Decontamination Module, a High Volume Pumping Unit, USAR and a Detection Identification and Monitoring capability, all of which enhance our ability to respond to major emergencies such as terrorist attacks, industrial and domestic accidents and natural disasters.

The threat of terrorist attacks is increasing and to ensure the safety of people in Tyne & Wear we led national exercises to test simulated terrorist attacks and subsequent plane crash, for instance Exercise Black Kite. Black Kite witnessed a huge multi-agency approach with responses from Scotland, down to Devon. The collaborative approach tested the USAR zone response across the North of England alongside air mobility from the Military.

We worked alongside NEAS and Northumbria Police to successfully test a terrorist attack in the Metrocentre Gateshead, May 2017. Exercise Custodian took place overnight and involved over 300 volunteers. Our specialist Warm Zone Response Team provided a response for a simulated armed terrorist attack.

We hosted a regional training day working alongside the Environment Agency (EA) in May, 2017.

The EA demonstrated the support they can provide and we also explained how the national Memorandum of Understanding will ensure we work together smoothly.

We also took part in a three day exercise which started in Scotland and ended in Northumberland. Our MTFA teams were deployed alongside NEAS, Police, and the military.

Our Resilience team also oversee the upper tier Control of Major Accident Hazards sites within Tyne and Wear. Exercise Jacksnipe in July 2017 successfully tested the site plans of International Paints and the emergency response of all three blue light services.

We engage with Northumbria Local Resilience Forum and work collaboratively with our partners on various areas of business continuity planning e.g. national fuel shortages, pandemic influenza, cyber attacks, severe weather.

Local resilience planning is also supported by the Government's National Resilience Programme through the National Resilience Assurance Team. This has enabled us to take an active role in national resilience exercise planning, be well informed and to be able to share and collaborate on National Resilience issues.



Collaboration with Partners

We continue to build partnerships and work in collaboration to improve community safety.

The Police and Crime Act 2017 placed a duty on fire, police and ambulance services to collaborate. The Act further enhanced the democratic accountability of fire and rescue services and police forces to improve the efficiency and effectiveness of emergency services through closer collaboration.

Our Strategic Collaboration Board with Northumbria Police, Northumberland Fire and Rescue Service and the Office of the Police and Crime Commissioner continues to work hard to drive efficiencies.

The public benefits from our collaboration and it can be seen in the community with the co-location with other emergency services at 11 of our 17 stations. Partners include Northumbria Police (NP), North East Ambulance Service (NEAS), Great North Air Ambulance, North of Tyne Mountain Rescue Team and Northumbria Blood Bikes.

We will continue to work with partners to find better ways of working together to ensure we keep our community safe, improve services and deliver value for money. Examples of how we improve outcomes for the community are highlighted as follows.

- Conducting schools education bonfire safety talks in partnership with Northumbria Police. This involved visiting 32 secondary schools, delivering 93 assemblies, to over 17,000 students, across the three targeted year groups.
- Deliver ground breaking schemes with partners to deliver HSC's. By working with housing providers, sprinkler systems are installed in over 1200 domestic properties, with over 850 being financed by partners.

We have also worked with partners to provide safeguarding messages and other interventions during HSC's.

- Working with Northumbria Police and NEAS to promote road safety through initiatives such as 'Operation Dragoon'.
- We successfully demonstrated our effectiveness by conducting regional and national multi agency incident response exercises. We hosted a national exercise called Black Kite which tested our response to Malicious Action Response Plan and USAR.
- We worked closely with the National Fire Chiefs Council and worked in partnership with South Tyneside Metropolitan Borough Council to provide invaluable high rise training for our firefighters.

We are working with partners to optimise multi-agency response and resilience, through enhanced working relationships, in line with the Joint Emergency Services Interoperability Programme.

We recognise that better joint working can deliver significant savings for taxpayers and improve services to the community. Better procurement, greater transparency and shared resources can only improve our efficiency.



Operational Assurance

Operational Assurance underpins the application of the Safe Person Concept and contributes towards 'Creating the Safest Community' and firefighter safety.

Responding to emergencies is core to the role of the fire and rescue service - where risk is at its highest – and our operational competence must be the very best. A person is operationally competent only when they can apply their skills, knowledge and understanding at operational incidents or in a realistic simulation.

Within the National Occupational Standards, there is a requirement to implement a quality assurance system. Such systems ensure:

- We deliver our services to a standard expected of the communities we serve.
- Our operational staff have the necessary skills, knowledge and understanding in order to fulfil the vast array of operational demands placed upon them.
- Continuous development of a safe, and competent operational workforce.
- Issues are managed and rectified in an appropriate and timely manner.

We implement Operational Assurance to ensure that an appropriate quality management system is in place for the operational arena.

To facilitate this, we undertake a regular review of all aspects of our operational performance. The process seeks to validate the information gathered on operational performance, at incidents and training events, to verify and measure the level of compliance with current standard operating procedures and incident management systems.

We also undertake a debrief process following operational incidents and large scale training events.

Following a performance and review, event or debrief, the information recorded is submitted onto the Risk Management and Assurance Database (RMAD). This is then assured to provide that there is consistency in how performance and review is recorded across the organisation.

On a quarterly basis, reports are submitted to the Operational Assurance Group (OAG) on good practice and performance. This is to ensure continuous improvement and development across the Service.



4 Performance

Performance Improvement

We recognise the benefits of change and are developing new and innovative ways of working.

To deliver our vision and our commitment to improve community safety we will continue to develop our approach to collaboration and continue to support the reform of the national fire and rescue service.

Fire Service Reform

The Home Office's responsibility for FRS and the emerging fire service reform will see the examination of the following three pillars throughout all UK Fire and Rescue Services over the next few years:

Efficiency and Collaboration

- Sharing of resources
- Multi-year financial settlements
- Embracing technology
- Cost effective procurement
- Evolving our intelligence led approach

Transparency and Accountability

- Independent standards setting body
- Independent inspectorate due to be fully operational in April 2018
- Governance opportunities for Police and Crime Commissioners involvement in fire
- Visible performance information

Workforce Reform

- Flexible crewing
- Greater use of retained firefighters
- Excellent leadership
- National Joint Council (NJC) reform
- Greater focus on equality, diversity and culture change.

The Government is ensuring greater joint working through the Policing and Crime Act's inclusion of a statutory duty to collaborate. Such collaborative working helps us to achieve the objectives of fire service reform.

Our organisational development strategy sets our approach to organisational design and how we lead our people and drive performance. This has been instrumental in developing our leaders of the future. We are rated Excellent under the Fire Service Equality Framework but there is more we can do. The diversity of our workforce and ensuring an inclusive approach in all that we do is an important focus for us.

We welcome the new professional standards being developed nationally and will support their development. The new inspectorate will provide further opportunities to benchmark our services against others and enable better sharing of learning between services.



Integrated Risk Management Plan (IRMP)

We have successfully utilised the IRMP process for more than 10 years to manage change, strengthen prevention, reduce costs and reduce the risk in our community. This process continues with IRMP 2017-20, which builds upon the achievements of previous reviews.

Over the last 5 years we have made over £13m of efficiencies, with many of the efficiency ideas coming from our own employees. However, we still need to address a projected gap in resources of approximately £3.6m by 2021/2022. The IRMP ensures the right decisions are made to balance risk and available resources.

We have created specialist working groups to review how we perform and respond to risk to ensure we achieve the best possible outcomes for our community. The areas being explored to improve efficiency and effectiveness include:

- Assess Operational Response to the community based on risk.
- Review Mobilisation to assess the effectiveness of our duty systems.
- Assess skills and technology to maximise our effectiveness.
- Explore further opportunities for collaborative working with stakeholders.
- Examine our ways of working and consider opportunities through a review of our policies and systems.

Key Achievements

Riding 4 - In December 2017, we approved changing the level of crewing on fire engines from 5 to 4 Firefighters at 9 stations. This was an essential decision in order for us to balance our available resources against risks to our firefighters and community. We are confident that this decision does not present further risk to our firefighters nor the professional and dedicated service that we provide to our community.

The implementation of the decision was phased with four stations riding 4 from 1st January 2018. The remaining phase of Riding 4 will be implemented in June 2018.

Estates - Dispose of selected surplus assets, this process is ongoing and should yield capital receipts in the next two years.

Supporting Health and Wellbeing - The number of older people within our communities is predicted to rise over the next decade reflecting a 19% increase from 2011 to 2021. This will generate increased demand on all public services for example; HSC's, Safe and Well visits and slips, trips and falls.

Our brand and the esteem in which we are held gives us access to people's homes that some organisations cannot achieve. This, alongside the successful reduction of fire risk through prevention, has led to a greater understanding that we can make a real difference to the wider health and wellbeing of our communities.

Our safe and well pilot resulted in a 7% reduction in hospital admissions by those aged over 65, as a result of a fall.

Awards and Accreditation

We have been successful in achieving several awards and accreditations including:

- Investors in People, Gold status retained in 2018.
- The Royal Society for the Prevention of Accidents (ROSPA), Gold award received in 2017.
- Inclusive Top 50 employers Award, achieved 4th place in November 2017.
- We were included in the top 100 Inclusive employers in Britain after being included in the Stonewall Workplace Equality Index. The annual list recognises organisations that have done outstanding work over the past year to make sure every Lesbian, Gay, Bi Sexual and Transgender employee is accepted without exception.

To align with The North East Better Health at Work there have been several campaigns to focus on healthy eating, work-life balance and managing stress.

Equality and diversity is part of our everyday lives. As an organisation we strive to provide equal access to our services and equality for all in the workplace. We embrace diversity by working with organisations to strengthen our service.



Efficiency Plan and Future Actions

In September 2016 we published our Efficiency Plan covering the four financial years 2016/2017 to 2019/2020. This was a requirement of the Government to allow the Fire Authority to accept the Four Year Grant Funding Settlement it offered to all authorities. The Government reviewed the plan and approved it in the autumn of 2016. The Efficiency Plan set out the Fire Authority's detailed approach to the delivery of savings necessary to address the reductions in funding over this four year period.

The Efficiency Plan identified savings of £8.248m to be achieved over the four year period, based on our Medium Term Financial Strategy 2016/2017 to 2019/2020, reported to members in February 2016. More detailed information on the Efficiency Plan can be found at www.twfire.gov.uk

	Published 4 Year Efficiency Plan £'000	Actual achieved £'000
2016/17 – Budget Efficiencies	1,323	1,323
IRMP Actions	1,184	1,184
2017/18 – Budget Efficiencies	1,394	1,441
IRMP Actions	1,773	2,267
Total as at 31st March 2018	5,674	6,215
Further Proposed Savings:		
2018/19 – Budget Efficiencies	4	948
IRMP Actions	1,081	923
2019/20 – Budget Efficiencies	0	(15)
IRMP Actions	1,489	106
Total	8,248	8,177

We have found savings of £6.215m by the end of 2017/2018, £0.541m more than that set out in the Efficiency Plan. We are not content with this position though as we have to deal with, not only grant funding reductions, but also spending pressures, such as significant inflationary cost increases and pay awards.

A further £2.574m has to be found in the remaining two years (2018/2019 to 2019/2020) of the four year Efficiency Plan, of which planned savings totalling £1.962m have been identified to date.

Spending Pressures and Commitments

In addition to funding changes, we must also plan for a range of spending pressures and commitments that are not funded by Government. We take these spending commitments into account in our Budget Planning Framework, reviewing and refining them throughout the budget setting process.

Our Performance Indicators

We aim to get to people who need us as fast as we can. We closely monitor our response times and review how we can remain amongst the fastest responders within our available resources. This is demonstrated by the fact we are the fastest metropolitan service in responding to dwelling fires.

Our targeted prevention work plays a major role in keeping people safe. Our HSC's and other extensive preventative work with partners, helps reduce the number of fires in the home. This can be seen in our performance at incidents within dwellings. We have the second lowest number of deaths from all fires (LI02) amongst all metropolitan FRS' along with the lowest number of injuries recorded from accidental dwelling fires (LI03) since 2009. This proactive work is also undertaken in our fire safety activity, risk based inspection programme and operational health checks. This is where we engage with the business sector to keep people safe in their working environment.

However, Tyne and Wear includes areas which are disproportionately high in deprivation and unemployment. Local authorities and blue light services have seen reductions in their budgets and many community activities are no longer available. This environment has also seen an increase in ASB and deliberate fires (LI16, LI18, LI33). We are working with partners to identify joint solutions to ASB and working with communities to raise awareness of fire prevention and safety.

This section of the report outlines the key performance areas that we measure and review to improve the safety of people in Tyne and Wear.

Deaths and injuries (LI01, LI02, LI03, LI05)

14% (6) fewer injuries from accidental dwelling fires (LI03)

4 fatalities (LI02)

Lowest number of injuries recorded since 2009/10

43% (16) of the victims who went to hospital were aged between 35 and 64 (LI03)

- 76% (28) of the incidents where a victim or victims attended hospital the room of origin of the fire was the kitchen (LI03).
- In 84% (31) of the injuries where the victim or victims attended hospital, the injuries appeared to be slight. (LI03).
- There has been a 2.3% (4) increase in the number of injuries from all fires (LI05).
- There were 181 victims from 143 fires where there were victim(s) involved (LI05).
- Where an occupancy type has been recorded, 49% (88) were 'Lone person/parent' (LI05).

Fire attendances (LI08, LI09, LI10, LI16, LI33, LI18, LI24, LI29)

5% (17) fewer accidental kitchen fires (LI09)

18% (1115) more fires attended (LI24)

28% (1053) increase in deliberate secondary fires (LI16)

6% (33) fewer accidental dwelling fires (LI08)

- 25% (450) of primary fires had a property type of 'Car' (LI29).
- 4% (26) increase in deliberate primary road vehicle fires (LI29).
- 27% (752) increase in deliberate refuse fires (LI18).
- 25% (1131) increase in deliberate fires (LI33).
- 7% (16) fewer accidental dwelling fires which did not start in the kitchen (LI10).
- Primary fires increased by 4.5% (77)(LI29).
- 46% (819) of primary fires were deliberate and 54% (977) were accidental or not known (LI29).

False alarms (LI22, LI23)

35% (616) of Automatic Fire Alarm calls to non domestic premises were due to faulty alarms (LI22)

3% (57) decrease to AFAs from a non domestic premises (LI22)

6% (150) increase to AFAs in domestic premises (LI23)

16% (59) reduction in false alarms to 'Hospitals and medical care' premises (LI22). Lowest recorded since 2009/10

- 21% (54) reduction in false alarms to 'Hospital' premises (LI22). This is the lowest recorded since 2009/10.
- 45% (1194) of domestic AFAs are due to cooking or burnt toast (LI23).
- 21% (365) of non domestic AFA calls are to an education premises (LI22).
- 39% (1035) of false alarms in domestic premises were to 'purpose built flat/maisonette – multiple occupancy' (LI23).
- 35% (913) of false alarms in domestic premises were to 'self contained sheltered housing' (LI23).

Local Indicators overview 2017/18

The chart below shows how we are performing against our Priority Indicators.

Priority 1 - those incidents with a high risk to life

Priority 2 - those incidents with a low/minimal risk to life

■ Target not achieved / not forecast to achieved

■ Target / forecast equal or within 2.5%

■ Within target / forecast

		Incidents							2017/18 Incidents
Indicator		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Target
Priority 1	LI01- Deaths from accidental dwelling fires	2	0	4	1	0	3	2	0
	LI02 - Deaths from all fires	3	1	5	3	2	4	4	0
	LI03 - Injuries from accidental dwelling fires (excl. precautionary check and first aid)	73	70	58	47	40	43	37	41
	LI05 - Injuries from all fires	241	227	219	220	170	177	181	177
	LI08 - Accidental dwelling fires	574	589	570	575	554	563	530	549
	LI09 - Accidental kitchen fires in dwellings	355	360	361	398	313	323	306	313
	LI10 - Accidental non kitchen fires in dwellings	219	229	209	177	241	240	224	240
Priority 2	LI16 - Deliberate secondary fires	5171	3159	4213	3444	3380	3718	4773	3627
	LI18 - Deliberate refuse fires	3795	2515	2825	2466	2392	2821	3575	2759
	LI22 - Alarm calls to AFA from non domestic premise	3096	2671	2456	2532	1816	1801	1745	1651
	LI23 - Alarm calls to AFA from domestic premise	2445	2671	2565	2566	2437	2489	2641	2437
	LI24 - Fire calls attended	7863	5315	6436	5600	5744	6080	7197	5893
	LI29 - Primary fires	1942	1701	1599	1575	1664	1719	1796	1642
	LI32 - Total number of incidents	17679	14772	15526	14501	14377	15459	17082	15065
	LI33 - Deliberate fires	6008	3807	4815	3989	4045	4461	5592	4318
	LI35 - Number of fires in a non domestic property	301	241	245	241	245	217	237	204



5 How we meet the requirements of the National Framework

This Statement of Assurance and Annual Report, along with other documents referred to and signposted within it, demonstrates how TWfRA meets the requirements of the Fire and Rescue National Framework. These are summarised within this section.



Requirement	How this is met
<p>Produce an IRMP that identifies and assesses all foreseeable risk.</p> <p>The Plan must demonstrate how prevention, protection and response will be used to mitigate the impact of risk.</p>	<ul style="list-style-type: none"> • Strategic Community Safety Plan (SCSP) and IRMP. • Medium Term Financial Strategy (MTFS). • Community Risk Profile (CRP). • Policies and procedures to implement the Plan, including targeting. • Specific IRMP reviews including evidence base. • Detailed risk data used in decision making e.g. Workload Modelling, MOSAIC. • Community Engagement Strategy. • Monitoring of performance by Performance Action Group and Policy and Performance Committee to ensure risk is being mitigated. • Improved mapping based on various data sources to provide a comprehensive picture of local risks and increase efficiency. • Ongoing Community Safety Education Programme. • Home Safety Check (HSC) Risk Based Inspection Programme. • Lighter Nights campaign. • Improved Mobile Data Terminal (MDT) risk information and maps. • Revised Learning & Organisational Development Policy. • Organisational Development Strategy. • Fire Safety Risk Based Inspection Programme (RBIP).
<p>Work with communities to identify and protect them from risk.</p>	<ul style="list-style-type: none"> • Delivery of HSCs. • The collaborative use of NHS (Exeter) Data. • Ongoing partnership working. • Use of shared data via multi agency groups. • Improved Workload Modeller. • Historical accidental dwelling fire data cross referenced with Mosaic to target most vulnerable for HSCs. • Partners for life. • Recruitment of volunteers. • Recruitment of Community Safety Advocates. • 100+ partners referring vulnerable people to TWFRS. • Introduction of Employee Advisory / Network Groups. • Attendance at local community events e.g. Mela and Pride. • Introduction and development of Social Media. • Formation of Risk Group.

Requirement	How this is met
	<ul style="list-style-type: none"> • Development of Risk Management Assurance Database (RMAD). • Safe and Well visits.
IRMP should set out the management strategy and risk based programme for enforcing the Regulatory Reform order.	<ul style="list-style-type: none"> • Introduction of Risk Based Inspection Programme (RBIP). • Development of Post Fire Audit guidance. • Collaboration with other Regulatory Bodies. • Primary Authority Scheme (PAS) with eight National Partners including Sainsbury's, Home Group and Intu.
Make provision to respond to incidents and reflect this in IRMP's.	<ul style="list-style-type: none"> • Improved incident performance. • Introduction of Day Crewing Close Call (DCCC) staffing. • Introduction of Emergency Call Management Policy. • Launch of new mobilising system. • Negotiated common command arrangements. • Undertake compatible training exercises e.g. Exercise Black Kite. • Introduction of Targeted Response Vehicles (TRVs). • Cross border response arrangements. • Introduction of Cobra cold cutting. • Collaboration with NEAS and Northumbria Police. • Contingency re Industrial Action. • Review of Operational Response. • Introduction of swap a shift. • Zero fire deaths in 2012/13. • Introduction of digital fire ground radios. • Automatic Fire Alarm (AFA) Policy change.

Requirement	How this is met
(Accountability) IRMP must be accessible, available, reflect consultation, cover a three year time span and be reviewed and revised as often as necessary; reflect up to date risk analysis and evaluation of community outcomes.	<ul style="list-style-type: none"> • Community Risk Profile. • IRMP Consultation Programme. • Sustainable change and increased efficiency. • MTFS. • SCSP / IRMP 2017/20. • IRMP specialist groups, Collaboration, Ways of Working and Response.
Have effective business continuity arrangements.	<ul style="list-style-type: none"> • Alignment with ISO22301. • Internal Audit accreditations. • Relevant BCP across the Service. • Maintained and tested on an ad-hoc basis.
Collaborate with other FRAs, other emergency services and Local Resilience Forum (LRF) to deliver interoperability.	<ul style="list-style-type: none"> • Mutual aid agreements. • Local Resilience Forum (structures, roles, plans, procedures and exercising records etc.). • Common systems for Command and Control with Northumberland FRA. • Further collaboration with Northumbria Police and NEAS. • Multi agency exercises. • Deployment of national assets e.g. USAR and HVP. • Mass decontamination resource. • DIM re CBRN and MTFA. • SafetyWorks! • Assisted other FRS re flooding incidents (Morpeth 2012, Somerset 2013, North Yorkshire 2015 and Carlisle 2015). • SLA with DDFRS re IOSH Training. • Developed USAR training to be shared with partners. • Joint exercises working group. • JESIP. • Shared fire dog with West Yorks FRS 2017/2018.

Requirement	How this is met
Engage with the Fire and Rescue Service Strategic Resilience Board (SRB) to support discussions and decision making on national resilience.	<ul style="list-style-type: none"> • Policies and procedures relating to local and national risks. • Engagement in National Fire Chiefs Council (NFCC) groups relating to resilience. • Ongoing development of USAR.
Risk assessments must include analysis of any gaps between existing capability and that needed for national resilience, and these must be highlighted to the SRB.	<ul style="list-style-type: none"> • NRAT multi capability assurance inspection. • Multi agency community risk register (LRF).
(Assurance) Work collectively and with SRB to provide assurance that risks are assessed, gaps identified and that resilience capabilities are fit for purpose, and any new capabilities are procured, maintained and managed in the most cost effective manner.	<ul style="list-style-type: none"> • As above plus independent assessment via National Resilience Advisory Team (NRAT) audits. • External audit of financial systems and value for money.
Work in partnership with their communities and a wide range of partners locally and nationally.	<ul style="list-style-type: none"> • Strategic Community Safety Plan (SCSP) and IRMP. • Policies and procedures to implement Plan, including targeting. • Delivery coterminous with council boundaries. • Engagement in statutory and non-statutory partnerships (Partnerships Register, reports and structures of partnership bodies). • HSC, signposting and data sharing. • Collaboration on diversionary activities i.e. Safetyworks!.
(Scrutiny) FRAs must hold the Chief Fire Officer to account and have arrangements in place to ensure their decisions are open to scrutiny.	<ul style="list-style-type: none"> • Corporate Governance Framework. • Standing Orders. • Annual review of Governance. • Authority minutes.

Requirement	How this is met
FRAs must make their communities aware of how they can access data and information on performance.	<ul style="list-style-type: none"> • Statement of Assurance and Annual Report (since 2013). • General Data Protection Regulation (GDPR) implementation May 2018. • Quarterly performance reports (benchmarked with Mets). • Compliance with the data transparency code as exemplified on website. • Policies and procedures relating to data. • Policies and procedures relating to information governance. • Data & Information policy. • Publication of Privacy notice. • Compliance with all recommendations of the Transparency agenda e.g. publication of senior salaries, procurement and expenditures. • ICO publication scheme. • Publication of peer review action plans. • Publication of pay policy statements. • IRMP Consultation. • Publication of FOI FAQs. • Gender pay reporting.

Requirement	Addendum	How this is met
Have a process of fitness assessment and development to ensure that operational personnel are enabled to maintain the standards of personal fitness required in order to perform their role safely;		<ul style="list-style-type: none"> • Work between OHU and LD to determine a strategy for all Operational personnel which includes: • All Operational employees provided with the time to undertake physical training on a daily basis when at work. • Chester step test – 6 monthly. • OHU Monitoring - 3 yearly and 1 yearly health surveillance. • Gymnasium on all fire stations and at HQ with time built into station work routine for fitness training. • HAVS assessments. • Special assessments. • Monthly health promotion topics and health education for operational employees. • Operational vaccination programme. • Welfare officer support. • Stress awareness programmes. • Promoting Positive Mental health programme. • Mind, Blue Light Time to Change.

Requirement	How this is met
<p>Ensure that no individual will automatically face dismissal if they fall below the standards required and cannot be deployed operationally;</p>	<ul style="list-style-type: none"> • OHU Monitoring and associated fitness plan. • Access to physiotherapy service. • Accelerated access to health scheme. • Welfare officer support. • Access to OHU Physician. • Independent qualified medical practitioner. • Welfare officer support. • Stress awareness programmes. • Promoting Positive Mental health programme. • Mind, Blue Light Time to Change.
<p>Ensure that all operational personnel will be provided with support to maintain their levels of fitness for the duration of their career;</p>	<ul style="list-style-type: none"> • As above. • Further work ongoing to include fire fit and Gym improvement group.
<p>Consider where operational personnel have fallen below the fitness standards required whether an individual is able to continue on full operational duties or should be stood down, taking into account the advice provided by the authority's occupational health provider. In making this decision, the safety and well-being of the individual will be the key issue;</p>	<ul style="list-style-type: none"> • As above. • Ongoing health surveillance. • Advice from the Occupational Health Physician. • Redeployment if appropriate. • Policy and procedure. • Annual figures regarding this data. • Independent qualified medical practitioner. • Welfare officer support. • Stress awareness programmes. • Promoting Positive Mental health programme. • Mind, Blue Light Time to Change. • Trauma Support Team.

Requirement	How this is met
<p>Commit to providing a minimum of 6 months of development and support to enable individuals who have fallen below the required fitness standards to regain the necessary levels of fitness;</p>	<ul style="list-style-type: none"> • As above. • The provision of a fitness support with bespoke training programmes. • Referral to physiotherapy or other specialist OH advisor when required. • A physical fitness plan appropriate for the individual concerned.
<p>Refer an individual to occupational health where underlying medical reasons are identified that restrict/prevent someone from achieving the necessary fitness and that individual must receive the necessary support to facilitate a return to operational duties;</p>	<ul style="list-style-type: none"> • As above • Referral to an Occupational Health Advisor / Physician for effective case management. • Written policy for guidelines around this. • Risk assessments to determine reasonable adjustments. • Welfare officer support. • Stress awareness programmes. • Promoting Positive Mental health programme. • Mind, Blue Light Time to Change.

6 Governance Arrangements

We are a local government organisation created under the Local Government Act 1985 to oversee the activities of Tyne and Wear Fire and Rescue Service (TWFRS).

We have statutory responsibilities laid down in legislation including the Fire and Rescue Services Act 2004, Civil Contingencies Act 2004, Regulatory Reform (Fire Safety) Order 2005, Local Government Act 1999, Localism Act 2011 and the Fire and Rescue National Framework for England 2012, to provide an effective, economic and efficient fire and rescue service.

With effect from June 2018 we will comply with the new Fire and Rescue National Framework 2018.

Our Fire Authority comprises 16 elected members, nominated by the five constituent councils of Tyne and Wear.

Dame Vera Baird, the Northumbria Police and Crime Commissioner, became a member of the Fire Authority in 2017.

To enable us to carry out our duties effectively, we have a number of committees that include:

- Human Resources Committee
- Policy and Performance Committee
- Governance Committee
- Appointments Committee
- Disciplinary Appeals Committee
- Personnel Appeals Sub-Committee
- Emergency Sub-Committee

The roles and responsibilities of all Members and Officers are clearly defined and documented, with clear delegation arrangements and protocols for effective communication:

- Standing Orders and Financial Regulations are in place and these set out how the Authority operates and how decisions are made, including a clear Delegation Scheme.
- The Standing Orders and Delegation Scheme indicates responsibilities for functions and sets out how decisions are made.
- A system of scrutiny is in place whereby the Governance Committee provides independent scrutiny of the Authority's financial and non-financial position to the extent that it affects the Authority's exposure to risk and weakens the control environment; and the Policy and Performance Committee scrutinises performance information in respect of the Authority's duty to secure best value and to consider policy initiatives in respect of emerging issues.

For further information regarding Tyne and Wear Fire and Rescue Authority, please visit our website: www.twfire.gov.uk

Governance Framework

We have a Corporate Governance Framework in place which aims to ensure we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

We are responsible for ensuring that we conduct our business in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used appropriately.

We have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way we function, with particular regard to a combination of economy, efficiency and effectiveness.

As part of this liability, we are responsible for putting in place proper arrangements for the governance of our affairs, facilitating the effective exercise of our functions, including arrangements for the management of risk.

The Corporate Governance Framework primarily includes systems and processes which we use to direct and control our activities and engagement with the community. It also enables us to monitor the achievement of our strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

We adopted a Local Code of Corporate Governance in 2003 which was revised and updated in 2017/18 and is reviewed annually. The Code ensures that we comply with recommended practice and maintain high standards of conduct.

Any breaches of the Code are reported to the Authority's Monitoring Officer who will determine whether the complaint should be investigated and if so by whom.

The framework is based upon the following seven core Chartered Institute of Public Finance and Accountancy principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits

- Determining the interventions necessary to optimise the achievement of TWFRS intended outcomes
- Developing TWFRS capacity, including the capability of its leadership and individuals in it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Review of Effectiveness

Annually, we are responsible for conducting a review of the effectiveness of the Corporate Governance Framework including the system of internal control. The review of effectiveness is informed by feedback from Members and the work of all senior managers who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

Our Annual Governance Statement 2017/18 based on the annual review of effectiveness, was agreed by the Fire Authority on 18th June 2018. The papers include:

- Annual Governance Review report
- Local Code of Corporate Governance
- Annual Governance Statement 2017/18
- Action plan

These documents can be found on our website www.twfire.gov.uk

Local Audit and Accountability Act 2014

Our Fire Authority adheres to the Department for Communities and Local Government's 'Code of Recommended Practice on Local Authority Publicity'.

The code became effective in March 2011 and provides guidance on the content, style, distribution and cost of local authority publicity.

In 2014 compliance with the code became statutory as part of the Local Audit and Accountability Act 2014. The Fire Authority's communications policies abide by the code.

Data Transparency Code of Practice

We have an effective publication scheme which increases democratic accountability and helps local people to influence the delivery of our services.

Management of Corporate Risk

TWFRS policy on risk management is to ensure the successful delivery of our corporate goals through the effective management of risks by identifying, prioritising, controlling and monitoring threats to ensure they are eliminated or reduced to an acceptable level.

The key objectives that underpin our risk management policy are to:

- Develop, implement and review our risk management framework and process
- Promote effective risk management at all levels of the organisation.
- Encourage an appropriate risk across TWFRS.

The Corporate Risk Management Group (CRMG) is essential to the effectiveness of this process. The group is chaired by the Chair of the Fire Authority and attended by Executive leadership team members. The group develop strategy to manage risks within in the Corporate Risk Profile and develop, implement, monitor and review action plans to minimise corporate strategic risks.

At the time of publication of the Statement of Assurance and Annual Report, the five corporate risks were:

- Failure to effectively and safely deploy and manage operational staff and resources at incidents leading to staff and public being exposed to unnecessary risks.
- Risk that spending and/or policy decisions of one of our partners has a negative impact on the sustainability of collaborative work and therefore a detrimental impact on the communities that we serve.
- Risk that spending and/or policy decisions of one of our partners has a negative impact on the sustainability of collaborative work and therefore a detrimental impact on the communities that we serve.

- Risk that financial pressures will impact on the Service's decision making and delivery of its goals/priorities and objectives.
- Industrial unrest nationally and/or locally with regard to conditions of service (including ongoing organisational change management programmes) results in industrial action and impacts on service delivery.

Fair Processing Notice / Privacy Notice 2017

Being transparent and providing accessible information about how we use personal information is a key element to the Data Protection Act 1998 and the upcoming General Data Protection Regulation (GDPR).

We need to handle peoples personal information so that we can provide better services and provide a safer community. Within TWFRS we manage and protect information by adopting the approaches noted below. When we ask you for personal information either online, face to face or over the telephone we are committed to:

- Making sure the person knows why we need it.
- Asking for information that we need. We will not collect too much or irrelevant information.
- Protecting personal information to ensure appropriate access and control.
- Ensuring people are aware if information is shared with other organisations to give you better public services – which we would do to help give you better public services.

In addition:

- We will make sure that we don't keep personal information any longer than is necessary.
- Your personal information will not be made available for commercial use.
- We will delete any personal information which we hold if you request us to do so.

In return we ask you to:

- Provide us with accurate information.

Your rights:

- You can request to see any personal information we hold on you and amend it if there are any mistakes.
- You can have access to sharing data agreements we have with other organisations.
- You can request to have any personal information deleted from our databases.

May 2018 sees changes in privacy law when the General Data Protection Act (GDPR) becomes law. This means that individuals will have more rights on how their personal data can be used and we must be clear and transparent on how we use, collect and share your data. In addition you will see changes to your rights. Our Privacy notices will be updated to reflect these changes from May 2018 when the GDPR becomes law.



7 Financial information

Finance Officer's Statement

This summarised version of our Statement of Accounts aims to provide easy to understand information, focusing on the key points arising from our stewardship of public funds in 2017/18. The figures in this summary have been prepared with regard to proper accounting practice.

Revenue Finances

The revenue budget for 2017/18 was set at £47.921m. The actual expenditure incurred was £47.966m. The revenue account for 2017/18, right, shows the net cost of running the Fire Authority's services during the year, and how these were funded.

	Net Expenditure £'000
Community Safety	4,910
Fire Fighting and Rescue Operations	23,422
Corporate and Democratic Core	183
Non Distributed Costs	777
Exceptional Items	0
Net Cost of Services	29,293
Other Operating Income and Expenditure	24,463
Net Operating Expenditure	53,755
Financed by:	
Revenue Support Grant and General Grants	-10,898
Top Up Grant	-10,688
Business Rates and Collection Fund	-4,244
Council Tax Precepts and Collection Fund	-22,136
Income and Expenditure Account (Surplus) / Defecit	5,790
Capital Financing	-283
Net transfer to / (from) Reserves	-5,506
Movement in General Fund balance in the year	0
General Reserve balance at start of year	-3,943
General Fund balance carried forward	-3,943

Where the money was spent

The Fire Authority's net expenditure was £53.755m. The following shows how the money was spent:

- Supplies and Services (£6.777m), 12.61%
- Employees (£44.020m), 81.89%
- Premises (£1.891m), 3.52%
- Transport (£1.067m), 1.98%

Where the money came from

The expenditure was financed from the following sources:

- Precepts and Collection Fund (£22.136m), 34.44%
- Fees, Charges and Other Service Income (£-0.986m), 9.29%
- Top Up Grant (£10.688m), 16.63%
- Revenue Government Grants (£4.803m), 7.36%
- Business Rates and Collection Fund (£4.244m), 7.37%
- Revenue Support Grant (£10.898m), 24.91%

Summary Balance Sheet

The summary balance sheet shows what the Fire Authority owes and is owed, representing the monetary value of the Fire Authority as at 31st March 2018.

* The statutory accounting requirements require the total value of pension liabilities in place at the balance sheet date to be included in the Fire Authority's accounts, but this takes no account that the liability is to be addressed over a 21 year period.

	Net Expenditure £'000
Buildings, land and other assets owned by Authority	80,385
Short-term investments	33,608
Money owed to the Authority - (debtors)	11,155
Money owed by the Authority - (creditors / borrowing)*	-934,123
Provisions	-628
	-809,603
Financed by:	
Revaluation reserve and capital adjustment account	48,312
Usable capital receipts	2,798
Pension reserve	-886,490
Injury Pension Reserve	-8,639
General fund balance	3,943
Earmarked reserves	30,335
Other unusable reserves	138
	-809,603

Capital Finances

The Fire Authority spent £1.564m on capital schemes during 2017/18. The main schemes were:

	£'000
Equipment	391
Property Improvements	286
Vehicles	887
Land Acquisition	0

The 2017/18 programme was financed as follows:

	£'000
Revenue Contribution to Capital Outlay	556
Grants / Capital Contribution	494
Earmarked Reserves	514

Auditors Findings

	2014/15	2015/16	2016/17	2017/18
Annual accounts submitted for audit on time				
Unqualified audit opinion *				

* An unqualified opinion by the Authority's external auditors means that in the auditor's opinion, the accounts presented fairly the financial position of the Fire Authority.

In addition to the unqualified audit opinion, the Auditors issued an unqualified Value for Money Conclusion, which confirms that we have proper arrangements in place for securing economy, efficiency and effectiveness in our use of resources.

At the time of writing, the external auditors Annual audit letter is expected to be received in September 2018, and will confirm the above.

Impact of Financial Information

Financial Planning

Our MTFS provides an analysis of the financial position likely to face the Authority over the next four years. It establishes approaches which direct resources to address the strategic priorities of the Authority (as set out in the SCSP), achieve value for money in the use of those resources, and assist the budget planning framework for the preparation of the Revenue Budget and Capital Programme.

We produce an IRMP which reflects local needs and sets out plans to effectively tackle existing and potential risks to communities. The financial aspects of the IRMP process are linked to the MTFS to enable the required reductions in expenditure to be delivered in a way which takes full account of community risk.

We are committed to delivering further efficiency savings through:

- Further development of the IRMP
- Following best practice in relation to procurement of goods and services
- Working in collaboration with partners- locally, regionally and nationally, and
- Generating efficiency savings arising from policy and service reviews.

Financial Management and Performance 2017/18

Due to planned efficiencies and proactive financial management of Revenue and Capital finances, the Fire Authority were able to allocate funds to restock reserves to a more appropriate level. The key factors contributing to this were as follows:

- Revenue Budget Review
- Review of the Authority's Insurances
- Implementation of the first phase of the IRMP Action to ride 4 on all appliances
- Additional Income generation
- Capital Programme Review
- Savings from the Vehicle Replacement Programme

The Revenue Budget Outturn for 2017/2018 showed a net overall underspend of £1.273m, at £46.648m compared with an original budget of £47.921m. This was reported to a meeting of the Fire Authority in June 2018. During the year we have made a positive drive to achieve this level of savings by:

- Improved financial management and tighter budgetary control, culminated in a Revenue Budget Review in the Autumn which achieved savings of £0.195m across the full service, increased by £0.084m, to a total of £0.279m at the end of 2017/2018.
- A review of insurance services, where all our policies are now separately tendered to ensure best value, has led to savings on premiums of £0.153m, at the year-end. The risks of future insurance claims has also been revised in light of our low level of claims and excellent risk management arrangements. This has resulted in a return of reserves of £0.110m to the Revenue Budget in the year.
- A move to riding four on all appliances was phased in from 1st January 2018. It has made instant savings of £0.098m, in line with expectations. This measure has also made a positive impact on helping to reduce overtime during this period, and during last quarter of the financial year, saved just over £0.200m; and

- A review of all aspects of our finances and a more commercially based approach to income generation has been applied, to ensure best value. The increases in income above budget during the year of £0.182m (excluding government grant changes) reflect this approach and income generation is expected to increase in future years as a result of this new impetus.

The main variations are detailed below:

- Employee costs – a net underspend of £0.462m. Savings have continued to be made during the year from reduced employer pension costs.
- Premises – an underspend of £0.021m on utility budgets across our estate from continued efficiency measures and a prudent approach to price increases.
- Transport – an underspend of £0.113m through savings on transport costs due to revised travel arrangements introduced during 2017/2018 and lower transport insurance premiums.
- Supplies and Services – an underspend of £0.228m on supplies and services due a review of delegated budgets and continued prudent spend and savings on annual insurance premiums.
- Contingencies – an underspend of £0.221m as budget set aside has not been required, mainly due to the operational service delivery actions taken during the year, and the successful implementation of riding four on appliances reducing the call on overtime costs.



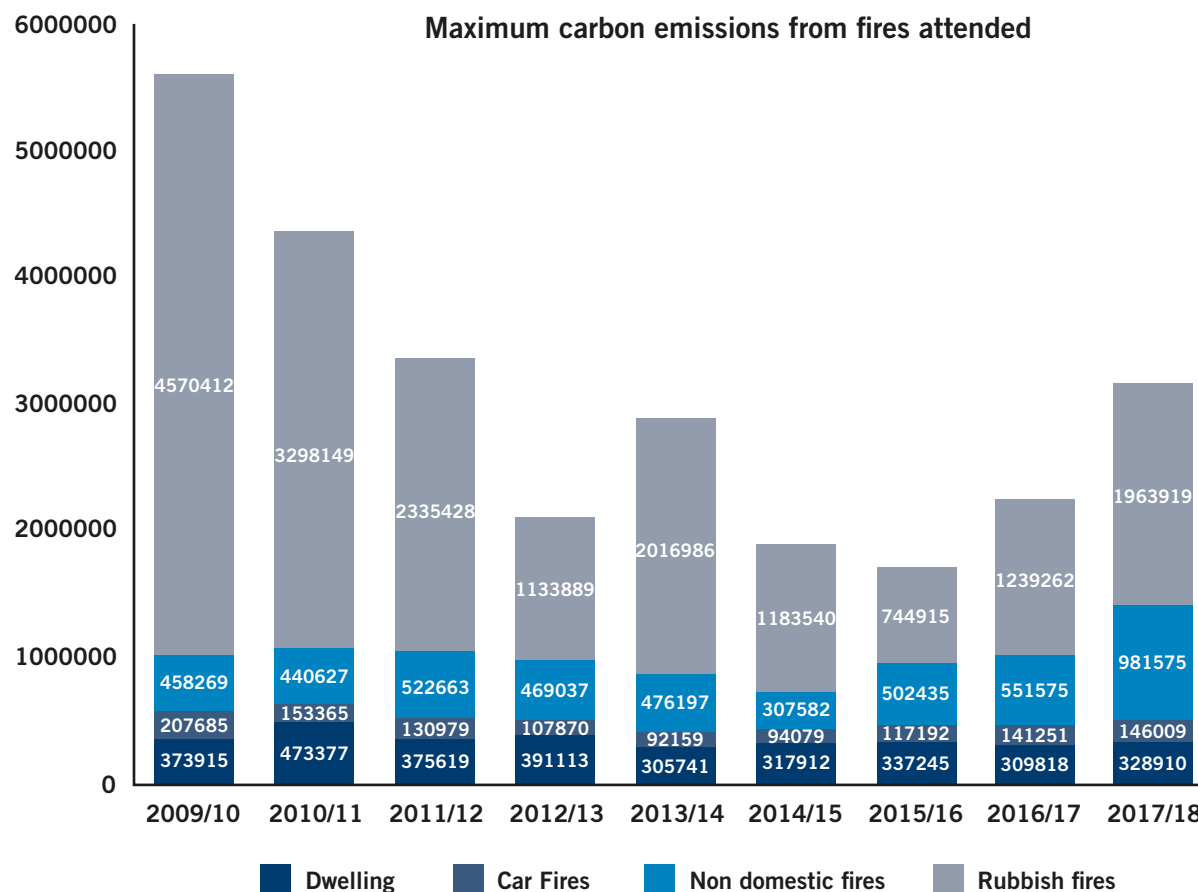
8 Protecting our environment

TWFRS continue to make significant progress in reducing carbon emissions in support of the Governments climate change objective.

This year saw the completion of our programme to replace all internal and external lighting with ultra-low energy LED lighting (non-PFI sites). This action will help us reduce our CO² emissions and lower our utility costs.

We have recently installed two twin rapid Electric Vehicle (EV) chargers at Service HQ and at our Technical Services Centre, this will give us the capacity to rapid charge four EV's simultaneously.

We continue to reduce our energy consumption across TWFRS estates, CO² emissions have fallen over the past six years and show an overall reduction from 3,207 tonnes in 2012-13 to 2,965 tonnes in 2017-18. This represents a 9% reduction.





9 Your views count

Your views are very important to us and having had the opportunity to read our Statement of Assurance and Annual Report, we would welcome any comments that you may have. This would assist in our consultation process and evaluation of the document.

You can find our questionnaire by following this link:

<http://www.twfire.gov.uk/about/annual-report>

All questionnaires requesting feedback will be acknowledged within ten days of receipt.

Complaints and compliments

We aim to provide the highest standards of fire, rescue and community safety services. As a recipient of a public service, there may be times when you wish to comment on our service.

We encourage everyone in our communities to share any complaints and compliments with us, as we value your opinion and it can also help us to continually improve our service.

Complaints Procedure

For our part, if you do make a complaint we will ensure that:

- Your complaint is treated confidentially
- You receive an acknowledgement within 7 working days, including the name of the Investigating Officer

Your complaint is investigated in accordance with the Fire and Rescue Service's standard procedures. We will also:

- Endeavour to send you a full reply including the results of the investigation within 28 working days
- Ensure that you are informed of the progress, if the above deadline cannot be met.

Making a Complaint or Compliment

If you wish to make a complaint or would like to tell us about an area of our work that you have been happy with then please contact us, details are as follows:

Telephone: +44 (0)191 444 1500.

Complete an online form via our website www.twfire.gov.uk

In writing, address your letter to The Chief Fire Officer and send to:

Tyne and Wear Fire and Rescue Service
Service Headquarters
Nissan Way
Barmston Mere
Sunderland
SR5 3QY

Telephone: 0191 4441500

E -mail comments@twfire.gov.uk

Internet <http://www.twfire.gov.uk/>

Alternative Formats

We understand that people have different needs. This plan is available in alternative formats upon request. For further details contact **0191 444 1500**.





Statement of Assurance and Annual Report | 2017 / 2018



**Tyne and Wear Fire
and Rescue Authority**
Creating the Safest Community



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TYNE & WEAR FIRE AND RESCUE AUTHORITY

Item No. 7

GOVERNANCE COMMITTEE MEETING: 24th SEPTEMBER 2018

**SUBJECT: TREASURY MANAGEMENT – HALF YEARLY REVIEW OF
PERFORMANCE 2018/2019**

REPORT OF THE STRATEGIC FINANCE MANAGER

1. Purpose of Report

- 1.1 To report on the Treasury Management (TM) performance to date for the second quarter of 2018/2019.

2. Introduction

- 2.1 Sunderland City Council performs the treasury management function on behalf of the Authority.
- 2.2 This report sets out the Treasury Management performance to date for the financial year 2018/2019, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Authority. This information is based on the data for Sunderland City Council, which incorporates the investment and borrowing figures for the Authority.

3. Review of Treasury Management Performance for 2018/2019

- 3.1 The Authority's Treasury Management function continues to look at ways to maximise financial savings and increase investment return to the revenue budget. PWLB rates fluctuated throughout 2017/2018 and continue to be volatile, in part linked to uncertainty over the outcome of Brexit negotiations. Consequently no new borrowing has been taken out to date during 2018/2019 but the position continues to be monitored closely.
- 3.2 One option to make savings is through debt re-scheduling, however no rescheduling has been undertaken in 2018/2019 as rates have not been considered sufficiently favourable. It should be noted the Authority's interest rate on borrowing is very low, currently 3.20%, and as such the Authority continues to benefit from this low cost of borrowing and from the ongoing savings from past debt rescheduling exercises. Temporary planned use of Internal Funds helps to make this an even lower cost in reality.
- 3.3 Treasury Management Prudential Indicators are regularly reviewed and the Authority is within the limits set for all of its TM Prudential Indicators for 2018/2019.

- 3.4 The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Authority.
- 3.5 The Authority has benefited from additional investment income in the first half of the year of almost £18,000 in cash terms based on a higher rate of return in 2018/2019 of 0.54% compared to the benchmark 7 Day LIBID (London Interbank Bid) rate of 0.41%. Performance remains above the benchmark rate, whilst still adhering to the prudent policy agreed by the Authority.
- 3.6 Investment rates available in the market remain lower than those achieved in previous years, although there has been some upward movement since the Bank of England Monetary Policy Committee announced the 0.25% increases in the base rate to 0.50% on 2nd November 2017 and then to 0.75% on 2nd August 2018. Interest rates are continuously monitored so that the Authority can take advantage of any increase in rates when they do occur but these opportunities are limited.
- 3.7 More detailed Treasury Management information is included in Appendix A for information.
- 3.8 The regular updating of the Authority's Authorised Lending List is required to take into account all recent financial institution mergers and changes in institutions' and Sovereign credit ratings. The Lending List Criteria and Approved Lending List as shown in Appendices B and C respectively have been updated to reflect this.
- 3.9 In accordance with Treasury Management best practice, a risk analysis of the Treasury Management functions has been carried out and included in Appendix D for information which sets out how Sunderland City Council manages the risks associated with the Treasury Management function on behalf of the Authority.

4. Reason for Decision

- 4.1 To note the Treasury Management (TM) performance during the year to the second quarter of 2018/2019 in accordance with agreed protocols within the CIPFA Code of Practice on Treasury Management.

5. Recommendations

- 5.1 The Committee is requested to note the Treasury Management (TM) performance during the year to the second quarter of 2018/2019.
- 5.2 Members are requested to note the Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D.

Detailed Treasury Management Performance – Quarter 2 2018/19**A1 Borrowing Strategy and Performance – 2018/19**

A1.1 The Borrowing Strategy for 2018/2019 was approved by the Authority on 19th March 2018.

The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view in February 2018, when the Treasury Management Policy and Strategy was drafted, was that following the first increase in the Bank of England (BoE) Base Rate since July 2007 from 0.25% to 0.50% there would be further increases of 0.25% by the end of 2018, 2019 and late summer 2020. PWLB borrowing rates were expected to rise, albeit gently, during 2018/2019 across all periods but could be subject to exceptional levels of volatility due to uncertainty over the outcome of Brexit negotiations and geopolitical developments throughout the world.

At its meeting ending on 1 August 2018, the BoE Monetary Policy Committee (MPC) voted unanimously to increase Bank Rate by 0.25 percentage points from 0.5% to 0.75%. Data suggesting that the dip in output in the first quarter of the year was temporary, with momentum recovering in the second quarter. The labour market has continued to tighten and unit labour cost growth has firmed. The MPC felt that, were the economy to continue to develop broadly in line with its Inflation Report projections, an ongoing tightening of monetary policy over the forecast period would be appropriate to return inflation sustainably to the 2% target however they stressed that any future increases in Bank Rate are likely to be at a gradual pace and to a limited extent.

The Bank of England (BoE) also revised its growth forecasts for the UK economy in the August 2018 Inflation Report, with latest predictions on growth now up to 1.5% (from 1.4%) in 2018 and up to 1.8% (from 1.7%) in 2019. CPI inflation increased to 2.5% in July 2018 (from 2.4% in June 2018) with the BoE projecting that inflation will reduce gradually to 2.2% in 2018 before reaching the target rate of 2.0% in 2021.

Accordingly, Link Asset Services, the Authority's treasury advisors, do not think that the MPC will increase Bank Rate ahead of the deadline in March 2019 for Brexit. They predict that the MPC is more likely to wait until August 2019, before the next increase, to be followed by further increases in May and November 2020 to reach 1.5%.

With Brexit negotiations taking place, and potential for geopolitical events outside the control of the UK government, economic and interest rate forecasting remains very difficult as there are many influences weighing on the UK economy. Forecasts are predicated on an assumption that sufficient progress is made, in respect of negotiations, to produce an agreement for Brexit that benefits both the EU and the UK. The economic outlook could be influenced significantly by the response of households, businesses and financial markets to developments related to the process of EU withdrawal

Link Asset Services predict a gradual rise in PWLB rates reaching 2.10%, 2.50%, 3.00% and 2.80% for 5, 10, 25 and 50 year durations by 31st March 2019. High levels of volatility in PWLB rates and bond yields are expected to continue during 2018 and 2019 particularly due to the continued uncertainty over the outcome of the Brexit negotiations.

The following table shows the average PWLB rates for Quarters 1 and 2 to date.

2018/2019	Qtr 1* (Apr - Jun) %	Qtr 2* (Jul – 5th Sept) %
7 days notice	0.36	0.47
1 year	1.44*	1.45*
5 year	1.86*	1.79*
10 year	2.29*	2.19*
25 year	2.66*	2.58*
50 year	2.40*	2.37*

*rates take account of the 0.2% discount to PWLB rates available to eligible authorities that came into effect on 1st November 2012.

A1.2 The strategy for 2018/2019 continues to be to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, and to respond to any changing circumstances to seek to secure benefit for the Authority. A benchmark financing rate of 3.50% for long-term borrowing was set for 2018/2019 in light of the views prevalent at the time the Treasury Management policy was set in March 2018. Due to high levels of volatility in the financial markets, with borrowing rates still forecast to remain low over the short term, no new borrowing has been undertaken in the current financial year to 31st August 2018, but this will be kept under review.

A1.3 The Borrowing Strategy for 2018/2019 made provision for debt rescheduling but due to the proactive approach taken by the Authority in recent years, and because of the very low underlying rate of the Authority's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place.

Rates have not been sufficiently favourable for rescheduling in 2018/2019 so far and the Treasury Management team will continue to monitor market conditions and secure early redemption if appropriate opportunities arise. Any rescheduling undertaken will be reported to the Authority in line with the current Treasury Management reporting procedures.

Sunderland City Council successfully applied to access PWLB loans at a discount of 0.20%. This 'certainty rate' is available for those authorities that provide "improved information and transparency on their locally determined long-term borrowing and associated capital spending plans". The discount came into effect on 1st November 2012 and the Council has been successful in extending its access to the PWLB certainty rate until at least 31st October 2018.

A1.4 Sunderland City Council's total treasury portfolio at 31st August 2018 is set out below :

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	238.7		
	Market	39.6		
	Other	<u>7.1</u>	285.4	3.47
Variable Rate Funding	Temporary / Other		<u>27.6</u>	0.54
Total Borrowing			313.0	3.21

A2 Treasury Management Prudential Indicators – 2018/2019

A2.1 All external borrowing and investments undertaken in 2018/2019 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Authority's performance for all of the other TM Prudential Indicators.

A2.2 The statutory limit under section 3(1) of the Local Government Act 2003 (which is also known as the Authorised Borrowing Limit for External Debt) was set by the Authority for 2018/2019 as follows:

	£m
Borrowing	28.124
Other Long-Term Liabilities	<u>19.089</u>
Total	<u>47.213</u>

The Operational Boundary for External Debt was set as shown below:-

	£m
Borrowing	23.124
Other Long-Term Liabilities	<u>19.089</u>
Total	<u>42.213</u>

Both the Authorised Limit and the Operational Limit include an element for long-term liabilities relating to PFI schemes and finance leases. These have been brought onto the Authority's Balance Sheet in compliance with International Financial Reporting Standards (IFRS).

The Authority's maximum external debt in respect of 2018/2019 (to 31st August 2018) was £41.618 million and is well within the limits set by both of these indicators.

A2.3 The table below shows that all other Treasury Management Prudential Indicators set by Sunderland City Council (which includes the Authority's data) have been complied with:

Prudential Indicators	2018/2019 (to 31/08/18)	
	Limit £'000	Actual £'000
P10 Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	350,000	250,087
P11 Upper limit for variable rate exposure Net principal re variable rate borrowing / investments	58,000	-23,730
P12 Maturity Pattern	Upper Limit	
Under 12 months	50%	10.63%
12 months and within 24 months	60%	2.09%
24 months and within 5 years	80%	5.89%
5 years plus	100%	82.96%
A lower limit of 0% for all periods		
P13 Upper limit for total principal sums invested for over 364 days	75,000	0

A3 Investment Strategy – 2018/2019

A3.1 The Investment Strategy for 2018/2019 was approved by the Authority on 19th March 2018. The general policy objective for the Authority is the prudent investment of its treasury balances. The Authority's investment priorities in order of importance are:

- (A) The **security** of capital;
- (B) The **liquidity** of its investments and then;
- (C) The Authority aims to achieve the **optimum yield** on its investments but this is commensurate with the proper levels of security and liquidity.

A3.2 As at 31st August 2018, funds managed by Sunderland City Council's in-house team on behalf of the Authority amounted to £27.514 million and all investments complied with the approved Annual Investment Strategy. The following table shows the return received on these investments compared with the benchmark 7 Day LIBID (London Interbank Bid) rate, which the Authority uses to assess its performance.

	2018/2019 Return %	2018/2019 Benchmark %
Return on investments (to 31 st August 2018)	0.54	0.41

A3.3 Investments placed in 2018/2019 have been made in accordance with the approved Investment Strategy and comply with the Counterparty Criteria in place, shown in Appendix B, which is used to identify organisations on the Approved Lending List.

- A3.4 The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions to the Authority's advantage.
- A3.5 Investment rates available in the market are still at low levels but there has been a small improvement recently reflecting the increase in the Bank of England Base Rate to 0.75% announced on 1st August 2018.
- A3.6 Due to the continuing high volatility within the financial markets, particularly in the Eurozone, advice from our Treasury Management advisers is to continue to restrict investments with all financial institutions for shorter term periods.
- A3.7 Advice also continues that this guidance is not applicable to institutions considered to be very low risk, mainly where the government holds shares in these organisations (i.e. RBS) and therefore have the UK Government rating applied to them, or separately in respect of Money Market Funds which are AAA rated.
- A3.8 The regular updating of the Authorised Lending List is required to take into account financial institution mergers and changes in institutions' credit ratings. The Approved Lending List is shown in Appendix C with all changes indicated in bold where these have changed since the last Treasury Management report.
- A3.9 In accordance with Treasury Management Best Practice, a risk analysis of the Treasury Management functions has been carried out and included at Appendix D for information. This sets out how Sunderland City Council manages the risks associated with the Treasury Management function on behalf of the Authority.

Lending List Criteria

Appendix B

Counterparty Criteria

The Council takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisers.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	<u>Maximum Deposit</u> <u>£m</u>	<u>Maximum Duration</u>
AAA	F1+	A1+	Aaa	P-1	120	2 Years
AA+	F1+	A1+	Aa1	P-1	100	2 Years
AA	F1+	A1+	Aa2	P-1	80	2 Years
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	75	2 Years
A+	F1	A-1	A1	P-1	70	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	65	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	50	364 days
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					350	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £120m with a maximum of £50m in any one fund.					120	Liquid Deposits
Local Authority controlled companies (# duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above; these new limits are as follows:

Appendix B (continued)

Country Limit

It is proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £100m which can be invested in other countries provided they meet the above criteria. A separate limit of £350m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	350
Non-UK	100

Sector Limit

The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	Limit £m
Central Government	350
Local Government	350
UK Banks	350
Money Market Funds	120
UK Building Societies	100
Foreign Banks	100

Group Limit

Where institutions are part of a group of companies e.g. Lloyds Banking Group and RBS, then total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the UK continues to have a sovereign credit rating of AA; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Appendix C.

Approved Lending List

Appendix C

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA	-	Aa2	-	AA	-	350	2 years
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	364 days
Lloyds Bank Corporate Markets plc (NRFB)	A	F1	A1	P-1	A	A-1	70	364 days
Bank of Scotland Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	364 days
Royal Bank of Scotland Group (See Note 1)							Group Limit 80	
Royal Bank of Scotland Group plc	BBB+	F2	Baa2	P-2	BBB-	A-3	80	2 years
The Royal Bank of Scotland Plc (RFB)	A-	F2	A1	P-1	A-	A-2	80	2 years
National Westminster Bank Plc (RFB)	A-	F2	A1	P-1	A-	A-2	80	2 years
NatWest Markets plc (NRFB)	BBB+	F2	Baa2	P-2	BBB+	A-2	80	2 years
Santander UK plc	A	F1	Aa3	P-1	A	A-1	65	364 days
Barclays Bank plc (NRFB)	A	F1	A1	P-1	A	A-1	65	364 days
Barclays Bank plc (RFB)	A	F1	A1	P-1	A	A-1	65	364 days
Clydesdale Bank *	BBB+	F2	Baa1	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B	B	Caa1	NP	-	-	0	
Goldman Sachs International Bank	A	F1	A1	P-1	A+	A-1	65	364 days
HSBC Bank plc (NRFB)	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
HSBC UK Bank plc (RFB)	AA-	F1+	-	-	AA-	A-1+	75	2 years
Nationwide BS	A	F1	Aa3	P-1	A	A-1	65	364 days
Standard Chartered Bank	A+	F1	A1	P-1	A	A-1	65	364 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A	F1	A2	P-1	-	-	65	364 days
Leeds BS	A-	F1	A3	P-2	-	-	50	364 days
Nottingham BS **	-	-	Baa1	P-2	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	
Skipton BS **	A-	F1	Baa1	P-2	-	-	0	
West Bromwich BS **	-	-	Ba3	NP	-	-	0	
Yorkshire BS **	A-	F1	A3	P-2	-	-	50	364 days
Money Market Funds							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Standard Life Investments Liquidity Fund	AAA		-		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £100m								
Australia	AAA		Aaa		AAA		100	2 years
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
National Australia Bank	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Westpac Banking Corporation	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Canada	AAA		Aaa		AAA		100	2 years
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days
Royal Bank of Canada	AA	F1+	Aa2	P-1	AA-	A-1+	75	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Finland	AA+		Aa1		AA+		100	2 years
OP Corporate Bank plc	-	-	Aa3	P-1	AA-	A-1+	75	2 years
Germany	AAA		Aaa		AAA		100	2 years

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	100	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Netherlands	AAA		Aaa		AAA		100	2 years
Bank Nederlandse Gemeenten	AA+	F1+	Aaa	P-1	AAA	A-1+	100	2 years
Coöperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	AA-	F1+	Aa3	P-1	A+	A-1	70	364 days
Nederlandse Waterschapsbank N.V	-	-	Aaa	P-1	AAA	A-1+	100	2 years
Singapore	AAA		Aaa		AAA		100	2 years
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Sweden	AAA		Aaa		AAA		100	2 years
Nordea Bank AB	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	75	2 years
USA	AAA		Aaa		AA+		100	2 years
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
JP Morgan Chase Bank NA	AA	F1+	Aa2	P-1	A+	A-1	70	364 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	A+	A-1	70	364 days

Notes

Note 1

Nationalised / Part Nationalised

The counterparties in this section will have the UK Government's AA rating applied to them thus giving them a credit limit of £80m.

* The Clydesdale Bank (under the UK section) is owned by National Australia Bank

** These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

Risk Management Review of Treasury Management

Set out below are the risks the Council face as a result of carrying out their Treasury Management functions and the controls that are in place to mitigate those risks:

Risk	Controls
<p>1. Strategic Risk</p> <p>The Authority's strategic objectives could be put at risk if borrowing costs escalated, or investment income was reduced, or there was a combination of the two. This could result in a negative impact on the Authority's budget and could ultimately lead to a reduction in resources for front line services.</p>	<p>This risk is mitigated by the adoption of a Treasury Management Strategy approved by the Authority in March each year for the next financial year, in accordance with the CIPFA Code of Practice on Treasury Management. The Treasury Management Strategy sets out a borrowing strategy and investment strategy for the year ahead. The strategy is based on the view of the Lead Authority's Finance Officer on the outlook for interest rates, supplemented by the views of leading market forecasters provided by the treasury advisor (currently Link Asset Services).</p> <p>The strategy also sets the Authorised Borrowing Limit (setting the maximum amount that the Authority may borrow) and various prudential indicators to ensure the Treasury Management function is monitored and properly managed and controlled.</p>
<p>2. Interest Rate Risk</p> <p>The risk of fluctuations in interest rates affects both borrowing costs and investment income and could adversely impact on the Authority's finances and budget for the year.</p>	<p>The Authority manages its exposure to fluctuations in interest rates with a view to minimising its borrowing costs and securing the best rate of return on its investments, having regard to the security of capital, in accordance with its approved Treasury Management Strategy.</p> <p>The risk is mitigated due to the prudent view taken on interest rates adopted in the budget after taking into account the Lead Authority Finance Officer's own view of the financial markets, specialist expert advice, other information from the internet, other domestic and international economic data, published guidance and Government fiscal policy.</p> <p>A pro-active approach is taken by the Treasury Management team, which closely monitors interest</p>

Risk

Controls

rates on a daily basis and takes necessary actions to help mitigate the impact of interest rate changes over the short, medium and longer term as appropriate.

3. Exchange Rate Risk

As a result of the nature of the Authority's business, the Authority may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

All borrowings and investments are made in sterling and are therefore not subject to exchange rate risk.

This risk is minimal as all other foreign exchange transactions are automatically converted into GBP sterling by the Authority's bankers on the day of the transaction.

4. Inflation Risk

There is a risk that the rate of inflation will impact on interest rates as a direct result of the intervention of the Bank of England to control inflation through the use of interest rates, where inflation rates have exceeded or are projected to exceed the target rates agreed between the Bank of England and Government.

Economic data such as pay, commodities, housing and other prices are monitored by the treasury advisors. These are considered as part of an overall view on the influences on inflation rates, which in turn inform the Authority's view on interest rate forecasts when drafting annual budgets and reviewing treasury management performance.

Regular meetings are held with treasury advisors to provide updates on economic data to monitor any changes in inflation rates that may influence interest rates so that the Treasury Management Strategy can be revised and updated as necessary and any remedial action taken.

5. Counterparty Risk

The Economic Downturn and problems encountered by some authorities with Icelandic Banks has demonstrated that there is a risk of losing funds/investments deposited with counterparties when carrying out its investment strategy activities.

The prime objective of the treasury management activity in this area is the security of the capital sums it invests. Accordingly, counterparty lists and limits reflect a prudent view of the financial strength of the institutions where funds are deposited.

The Authority also only uses instruments set out in its investment policy and places limits upon the level of investment with the Counterparties approved within the Authority's Treasury Management Policy and Strategy Statement.

The Lead Authority Finance Officer has delegated authority to amend both the Lending Criteria and the

Risk

Controls

Approved Lending List in response to changes in the financial markets should the need arise and these changes are reported to the relevant Committee at the next available opportunity.

The Treasury Management team continually monitor information regarding counterparties using credit ratings, news articles, the internet, Credit Default Swap prices, professional advice and other appropriate sources to formulate its own view to keep the approved lending list up to date and fully informed, using the latest available information.

6. Capital Financing and Refinancing Risk

There is a risk that opportunities for rescheduling of the Authority's debt portfolio are constrained.

The risk is currently mitigated as the Council has access to the funds of the Public Works Loan Board (PWLB).

PWLB funding could come under pressure in future years because of Government targets to reduce the level of public debt which could see a return to the operation of the PWLB quota system as operated in previous years where Government funding was restricted. However, the Government has not indicated that this is an option that they are currently considering.

7. Statutory and Regulatory Risk

There is a risk that regulations covering Treasury Management will change and the Authority fails to respond to those changes.

The Authority ensures full compliance with the current legislative requirements under the Local Government Act 2003 and the Prudential Code, which also requires full compliance with the latest CIPFA Treasury Management Code of Practice. All Treasury Management Prudential Indicators are monitored daily and all Treasury Management practices fully comply with the Revised Code of Practice and this is reported to and agreed by the Authority.

8. Treasury Management Arrangements Risk

There is a risk that the Authority does not carry out its Treasury

This is unlikely to happen because the Treasury Management function is required to ensure the Authority can comply with all legislative and

Risk

Management function effectively and thereby the Authority could suffer financial loss as a result.

Controls

regulatory requirements. As such the Authority has access to a well established Treasury Management team that operates under the Lead Authority Finance Officer and is staffed appropriately with a good mix of both well experienced and qualified staff.

Professional advice is regularly accessed to ensure the team is up to date and that they can inform senior management and Members of all developments and provide the necessary expert advice and guidance in this specialist area of finance.

