

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 **FRIDAY 31
MAY 2019 at 10.30 am**

A G E N D A

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3. Minutes of the last Meeting of the Governance Committee held on 11 March 2019	1
(Copy attached).	
4. Internal Audit Annual Report 2018/19	7
Joint Report of the Chief Fire Officer/Chief Executive (Clerk to the Authority) and the Head of Internal Audit (copy attached).	
5. Annual Governance Review 2018/2019	15
Joint Report of the Chief Fire Officer and Chief Executive (Clerk to the Authority), the Strategic Finance Manager and the Personnel Advisor (copy attached).	
6. Statement of Accounts 2018/2019 (Subject to Audit)	85
Report of the Finance Officer (copy attached).	

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

22 May 2019

Item 3

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 11 MARCH 2019 at
10.30 a.m.

Present:

Mr G. N. Cook in the Chair

Councillors Bell, Flynn, Kilgour and Woodwark and Mr M Knowles.

In Attendance:

Diane Harold (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillor Dodds and Miss G. Goodwill.

Declarations of Interest

There were no declarations of interest.

Minutes

13. RESOLVED that the minutes of the meeting of the Governance Committee held on 24 September 2019 were confirmed and signed as a correct record.

Internal Audit Plan for 2019/2020

The Head of Internal Audit submitted a report to enable the Governance Committee to consider and comment on the proposed Internal Audit Plan 2019/2020.

The Head of Internal Audit advised Members that the following audits were planned:-

- Human Resource Management
- Service/Business Planning & IRMP
- Corporate Governance
- Information Governance
- Financial Management
- Asset Management
- Business Continuity and Contingency Planning

Appendix 1 of the report showed all of the key risk areas and those audits that contributed towards the opinion on each area.

The 'traffic light' system showed that most areas were scored green, therefore substantial, which was positive and only a few areas had been coded as amber.

The Head of Internal Audit advised Members that at the conclusion of each individual audit a draft report and, if necessary, a proposed action plan would be forwarded to the appropriate manager. Once agreement had been reached, a final report would be forwarded to the Chief Fire Officer.

The key performance indicators which would be used to measure the performance of the service throughout the year was shown in Appendix 2.

Councillor Woodward asked for clarification as to why 'partnership working arrangements' were deemed to be moderate and was advised that this was largely due to issues which had arisen from the Impeller arrangement. An action plan was however in place, therefore it was likely that this opinion would be revised once a follow up review had been undertaken.

Councillor Woodward went on to ask for further information in relation to two other moderate risks, namely, IRMP and fuel.

The Head of Internal Audit explained that the IRMP audit focused on for example, what information the Authority took into account, the reliability of data and also the capacity to deliver.

With regards to fuel, the moderate judgement related to the current arrangements in place, particularly the 'foreign key' which was a generic arrangement and not as clear as others. In particular, it was difficult to track when it had been used and what it had been used for.

14. RESOLVED that the Internal Audit Plan for 2019/2020 be noted and endorsed.

Treasury Management Policy and Strategy 2019/2020, including Prudential 'Treasury Management' Indicators for 2019/2020 – 2022/2023

The Strategic Finance Manager submitted a report to inform the Committee on the Treasury Management Policy and Strategy (including both borrowing and investment

strategies) proposed for 2019/2020 and to note the Prudential 'Treasury Management' Indicators for 2019/2020 to 2022/2023 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

Members were reminded that this had been adjusted to a four year period, in line with the MTFS and Capital Programme.

The Strategic Finance Manager advised the Committee of the statutory requirements namely that:-

The Local Government Act 2003 (the Act) required the Authority to:

- 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators including specific Treasury Management Indicators) for a minimum period of three years to ensure that the Authority's capital investment plans were affordable, prudent and sustainable. These were detailed at Appendix 1.
- adopt a Treasury Management Policy Statement (detailed in Appendix 2),
- to set out its Treasury Management Strategy Statement comprising the Authority's strategy for borrowing and the Authority's policies for managing its investments, and giving priority to the security and liquidity of those investments (with more detailed information setting out the basis of the proposed Strategy in Appendix 3).

With regards to the Treasury Management Strategy Statement for 2019/2020 there were no major changes being proposed to the overall Treasury Management Strategy in 2019/2020 which maintained the prudent approach adopted by the Authority in previous years.

The Strategic Finance Manager advised that the Authority's performance for 2018/2019 using the prudent treasury management strategy adopted showed that the current average rate of borrowing at 3.13% was low in comparison with other local authorities whilst the current rate earned on investments at 0.62% was higher than the benchmark rate of 0.49%. Market conditions were under constant review so that the Lead Authority on behalf of this Authority could take a view on the optimum time to carry out borrowing and / or debt rescheduling. As the rates were currently so low, there was no prospect of any debt rescheduling taking place at the current time.

The Committee was advised that as the Authority had outperformed the rate of return on investments, this had produced additional income of approximately £36,000 which had a positive impact on the revenue budget.

Members were then referred to Appendix 1 of the report which detailed the Prudential 'Treasury Management' Indicators and were asked to note the Authorised Limit for External Debt in 2019/2020 of £48.352m and the Operational Boundary for External debt in 2019/2020 of £43.352m, which had already been agreed by the Authority as part of the prudential requirements within the Capital Programme 2019/20.

Councillor Woodwark expressed his concerns about brexit and the unpredictability over the forthcoming weeks.

The Strategic Finance Manager agreed and commented that treasury management was constantly unpredictable hence why the Authority had provided a flexible Treasury Management Strategy for the ahead to help withstand any financial variations and that it would also undertake regular reviews, to ensure the Treasury Management Strategy was fit for purpose.

Martin Knowles commented that whilst brexit would have a resultant impact, the strong report and the assurances given from the proposed Strategy were welcomed, and commented that the Authority was currently in a strong position.

The Chief Fire Officer reminded Members that it was proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies would be considered for inclusion on the Approved Lending List.

In addition, it was also proposed to set a total limit of £50m which could be invested in other countries provided they met the above criteria. A separate limit of £250m would be applied to the United Kingdom and was based on the fact that the government had done and was willing to take action to protect the UK banking system.

Councillor Woodwark referred to the Approved Lending List detailed at Appendix 6 of the report and asked for clarification that 20 of the banks were non UK.

The Strategic Finance Manager confirmed that yes this was the case, however these banks had headquarters based within the UK

15. RESOLVED that:-

- (i) The proposed Annual Treasury Management Policy and Strategy for 2019/2020 (including specifically the Annual Borrowing and Investment Strategies) be noted and endorsed; and
- (ii) The draft Prudential 'Treasury Management' Indicators 2019/2020 to 2022/2023 be noted and endorsed.

Audit Strategy Memorandum 2018/2019

The Strategic Finance Manager submitted a report detailing the external auditors Audit Plan which notified the Authority of the work that they were proposing to undertake in respect of the audit of the financial statements and the value for money conclusion for the financial year 2018/2019.

Diane Harold presented the report and in doing so referred the Committee to the following significant risks which had been identified:-

- Management of override of controls
- Property, Plant and Equipment
- Defined benefit liability valuation

Members were advised that brexit had not been identified as a specific risk due to the number of uncertainties and the fact that it was too generic, to be meaningful.

With regards to materiality, Mazars had set a threshold at 2% of the benchmark based on the 2017/2018 audited financial statements.

Mazars anticipated the overall materiality for the year ending 31 March 2019 to be £1.194m for the Authority's financial statements (£0.708m for the prior year).

In relation to value for money, Mazars had not identified any significant risks. This would be kept under review throughout the year.

Members were advised that Mazars audit fees would be £23,590 for the 2018/2019 audit work which was in accordance with the agreed reduced scale fees guidance provided by Public Sector Audit Appointments Ltd (PSAA). This meant the cost of the external audit had reduced by £7,046 compared to the previous tender arrangements.

16. RESOLVED that the contents of the report be noted.

Audit Progress Report – February 2019

The Strategic Finance Manager submitted a report to enable the Committee to consider and comment upon the external auditors' regular Audit Progress Report covering the period up to February 2019.

Diane Harold referred the Committee to section 2 of the report, National Publications, and explained that the publication 'Fire and Rescue Authority 2018 Reserves as a Share of Core Spending Power' was an interesting read, however Members should be cautious about interpretation.

Of additional interest to Members of the Committee would be the findings of the recent HMICFRS regime, which would be published and available in June.

The Strategic Finance Manager referred Members to the CIPFA publication 'Scrutinising Public Accounts: A Guide to Government Accounts' and suggested that he circulate a copy of the suggested questions, for Members' information. The Committee welcomed this approach.

Councillor Flynn commended the Authority on an excellent report.

17. RESOLVED that the contents of the report be noted.

(Signed) G. COOK,
Chairman

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No 4

MEETING: GOVERNANCE COMMITTEE : 31 MAY 2019

SUBJECT: INTERNAL AUDIT ANNUAL REPORT – 2018/2019

JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE (CLERK TO THE AUTHORITY) AND HEAD OF INTERNAL AUDIT

1. Purpose of Report

- 1.1** To consider the performance of Internal Audit for 2018/2019, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Service.

2. Description of Decision

- 2.1** The Governance Committee is asked to consider and note the Internal Audit Annual Report.

3. Key Performance Indicators

- 3.1** The Internal Audit service measures its performance in terms of Efficiency, Quality and Client Satisfaction. Performance during the year is shown in Appendix 1. Where possible, performance specifically relating to the Service is included. All of the KPI targets were achieved.

4. Summary of Internal Audit Work

- 4.1** The findings of the 2018/19 audits have 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. The detailed analysis of these opinions is provided at Appendix 2.
- 4.2** As a result of the audits carried out, a number of actions have been agreed to improve internal control. The numbers of actions agreed are shown below:

Categorisation of Risk	Definition	Number of Actions
High	A fundamental control weakness which presents material risk to the audited body and requires immediate attention by senior management.	0

Categorisation of Risk	Definition	Number of Actions
Significant	There is a control issue which could have a significant impact on the achievement of the aims and objectives of the organisation, or which presents a significant risk to the organisation's reputation. Prompt management action is required to remedy the situation.	0
Medium	There is a control weakness within the system, which presents material risk to the area or service being audited, and management attention is required to remedy the situation within a reasonable period.	24
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	10

4.3 The work undertaken did not identify any matters material to the overall internal control environment of the service.

4.4 It should be noted that one audit originally planned to be completed in 2018/19 related to a review of the contract management arrangements in place for a sample of key contracts. At the request of the Chief Fire Officer this audit was deferred until 2019/20 and an audit originally scheduled for 2019/20 relating to a review of the process followed for the implementation of the Core HR system was subsequently brought forward.

4.5 An additional, unplanned audit, was undertaken in 2018/19 following the identification of a totalling error in an Authority report dated 5th November 2018 detailing a major review of Response, centred around the Integrated Risk Management Plan (IRMP). Internal Audit was asked to review the reasons for the error and provide assurance on the wider content within the report.

5. Compliance with the Public Sector Internal Audit Standards

5.1 Internal Audit continues to comply with the Public Sector Internal Audit Standards through the standards being built into audit working practices. This was confirmed during a review of Internal Audit by the external auditors, Mazars in December 2018.

6. Conclusions

6.1 This report provides assurance that sufficient audit work was completed within the year to enable an opinion on the service's internal control environment, with no high or significant risk issues being identified.

- 6.2** 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 2018/19, it is considered that overall throughout the service there continues to be a good internal control environment.

7. Background Papers

- 7.1** Internal Audit Operational Plan 2018/2019 - Governance Committee
26th March 2018.

8. Recommendations

- 8.1** The Authority is requested to:
- a) Note the Internal Audit Annual Report – 2018/2019

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	1) Achieved
	2) Percentage of draft reports issued within 15 days of the end of fieldwork.	2) 90%	2) Achieved (100%)
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	3) 82%	3) Achieved (100%)
	4) Cost per £m Turnover	4) Lower than average within CIPFA Benchmarking Club	4) Achieved - £417 v £569 average

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2018/19			
Quality			
Objectives	KPI's	Targets	Progress
1) To maintain an effective system of Quality Assurance.	1) Opinion of External Auditor	1) Satisfactory opinion	1) 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	2) High and significant – achieved (100%) Medium – achieved (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)	1) Achieved (Average score for last 12 months is 1.0)
	2) Results of other Questionnaires	2) Results classed as 'Good'	2) None undertaken
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	3) No compliments or complaints received

Internal Audit Coverage

Key Risk Area	Audits undertaken 2018/19	2016/17 Audit Opinion / Assurance	2017/18 Audit Opinion / Assurance	2018/19 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
Corporate Governance	No audit work planned.	Review of compliance with new Standing Orders - Substantial			Substantial
Service / Business Planning, IRMP	No audit work planned.		Human Resource Management - Substantial		Substantial
Financial Management	Financial Transactions Testing on Payroll and Accounts Payable.	Financial Transactions Testing on Payroll and Accounts Payable - Substantial Capital programme - Substantial Pension Arrangements – Substantial Performance and Financial Management – Substantial	Financial Transaction Testing – Payroll and Accounts Payable - Substantial	Financial Transactions Testing on Payroll and Accounts Payable - Substantial	Substantial
Risk Management	No audit work planned.	Risk Management Arrangements - Substantial			Substantial
Procurement and Contract Management	No audit work undertaken.		Partnership Working Arrangements - Moderate	Review of the contract management arrangements for a sample of key contracts – Deferred to 2019/20	Moderate

Key Risk Area	Audits undertaken 2018/19	2016/17 Audit Opinion / Assurance	2017/18 Audit Opinion / Assurance	2018/19 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
Human Resource Management	No audit work planned.		Human Resource Management - Substantial	Implementation of Core HR - Moderate	Substantial
Asset Management	No audit work planned.	Capital Programme - Substantial			Substantial
ICT	Review of the cyber security arrangements in place for the Service. Review of the business continuity/disaster recovery arrangements in place for the Service.		General Data Protection Regulations - Substantial	Review of the cyber security arrangements in place for the service – moderate Review of the business continuity/disaster recovery arrangements in place for the Service - Substantial	Substantial
Fraud and Corruption	Financial Transactions Testing on Payroll and Accounts Payable.	Payroll transaction testing – Substantial Financial Transaction Testing on Payroll and Accounts Payable - Substantial	Financial Transaction Testing – Payroll and Accounts Payable – Substantial Fuel - Moderate	Financial Transactions Testing on Payroll and Accounts Payable - Substantial	Substantial
Information Governance	Review the arrangements in place to ensure compliance with GDPR requirements.		General Data Protection Regulations - Substantial	Compliance with General Data Protection Regulation – Substantial	Substantial
Business Continuity & Contingency Planning	Review of the business continuity/disaster recovery			Review of the business continuity/disaster recovery arrangements in place for the Service - Substantial	Substantial

Key Risk Area	Audits undertaken 2018/19	2016/17 Audit Opinion / Assurance	2017/18 Audit Opinion / Assurance	2018/19 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
	arrangements in place for the Service.				
Performance Management	Review of process for gathering performance data and reporting on performance.	Performance and Financial Management - Substantial	Performance Management Arrangements (Deferred to 2018/19)	Performance Management Arrangements – Substantial Integrated Risk Management Plan, Response Review Report - Data Quality - Moderate	Substantial
Payroll	Financial Transactions Testing on Payroll.	Payroll transaction testing – Substantial Financial Transaction Testing on Payroll - Substantial	Transaction Testing – Payroll - Substantial	Financial Transactions Testing on Payroll - Substantial	Substantial
Partnership Working	No audit work planned.		Partnership Working Arrangements - Moderate		Moderate
Project Management	No audit work planned.		Project Management Arrangements - Moderate	Implementation of Core HR - Moderate	Moderate

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No 5

MEETING: GOVERNANCE COMMITTEE : 31 MAY 2019

SUBJECT: ANNUAL GOVERNANCE REVIEW 2018/2019

JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE (CLERK TO THE AUTHORITY), THE STRATEGIC FINANCE MANAGER AND THE PERSONNEL ADVISOR

1 INTRODUCTION

- 1.1** The purpose of this report is to present the findings of the 2018/2019 Annual Governance Review and seek approval of the Annual Governance Statement that is incorporated into the Statement of Accounts.

2 BACKGROUND

- 2.1** The Authority has a statutory duty to prepare an Annual Governance Statement, as enshrined in the Accounts and Audit (England) Regulations 2015.
- 2.2** The Fire and Rescue National Framework 2018 places a further duty on Fire and Rescue Authorities to produce a public facing Statement of Assurance, an Integrated Risk Management Plan, a Medium Term Financial Strategy, an Efficiency Plan and a Reserves Strategy.
- 2.3** This paper will set out the approach to achieving the publication of the Statement of Assurance.
- 2.4** The Annual Governance Statement 2018/19 has been produced in accordance with the Authority's local Code of Corporate Governance (see Appendix A). The Code was first introduced in 2003 and is reviewed annually to ensure consistency with guidance produced by the Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is therefore compliant with the most recent guidance provided by SOLACE/CIPFA: *Delivering Good Governance in Local Government: Framework (2016 Edition)*. (SOLACE/CIPFA Framework)
- 2.5** The SOLACE/CIPFA Framework identifies four key roles of a local authority, these are as follows:

- To engage in effective partnerships and provide leadership for and with the community.
- To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
- To perform a stewardship role which protects the interests of local people and makes the best use of resources.
- To develop citizenship and local democracy.

2.6 These four roles set the context for seven core principles of good governance, as defined in the framework:

- 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.
- Determine 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.

2.7 The Framework recommends that governance arrangements are kept under review by:

- Considering the extent to which the authority complies with the principles and requirements.
- Identifying systems, processes and documentation that provide evidence of compliance.
- Identifying the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified.
- Identifying the issues that have not been addressed adequately in the authority and consider how they should be addressed.
- Identifying the individuals who would be responsible for undertaking the actions required and plan accordingly.

2.8 In carrying out these tasks, the Authority has followed CIPFA's detailed guidance which requires a comprehensive assurance gathering process.

3 ANNUAL GOVERNANCE METHODOLOGY

3.1 The review was undertaken by members of the Corporate Governance Steering Group (CGSG) whose membership is as follows:

- Assistant Chief Fire Officer (Organisational Development)
- Area Manager (Strategy and Performance)

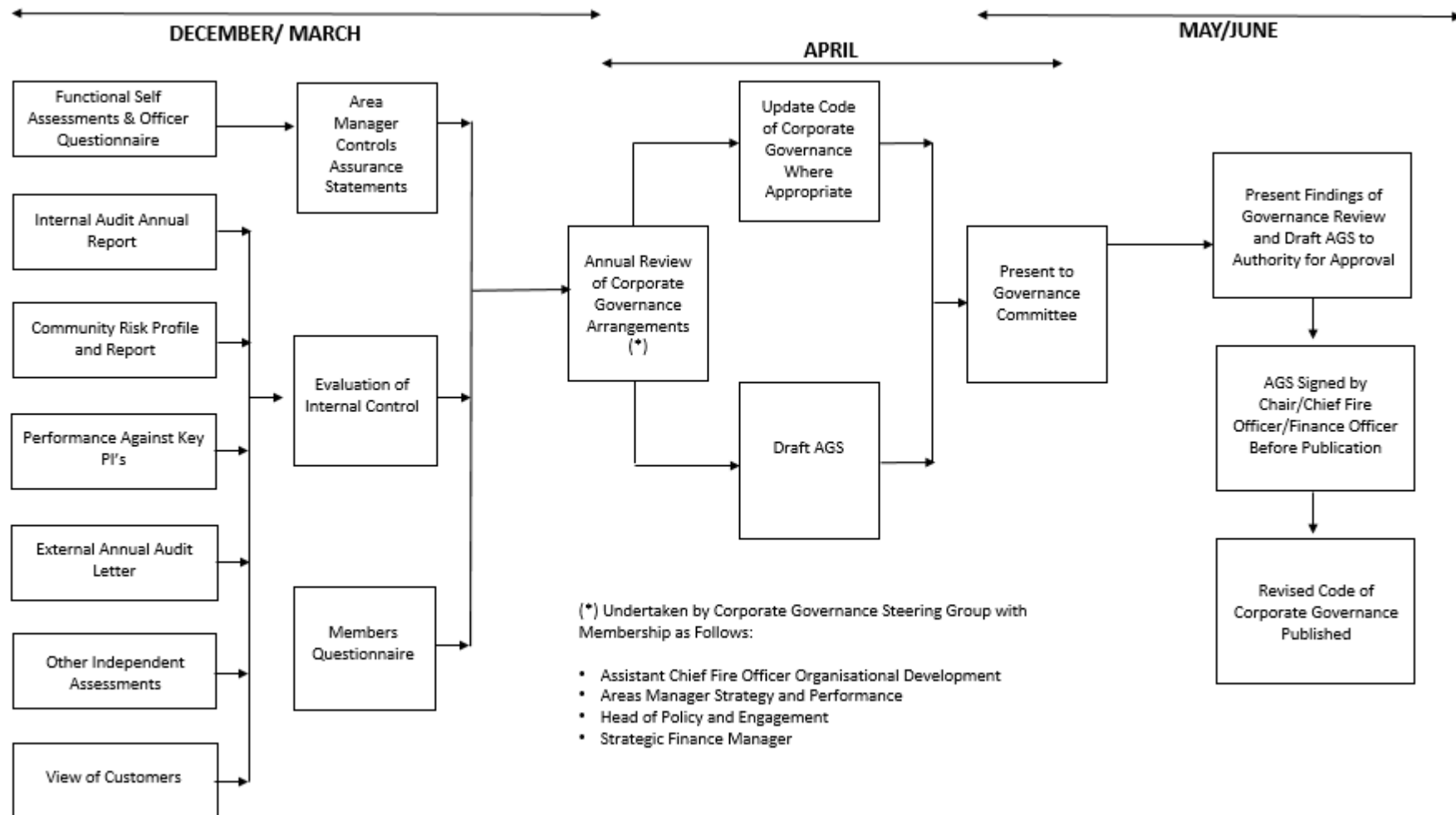
- Strategic Finance Manager
- Head of Policy and Engagement

3.2 The review followed a structured methodology which comprises the following stages:

- Completion of Department Head questionnaires with associated Area Manager Assurance Statements.
- Completion of Members Questionnaires.
- Detailed analysis and evidencing of internal control arrangements.
- Preparation of an Action Plan to address any issues identified, including revision of the Local Code of Corporate Governance as required.
- Drafting an Annual Governance Statement and Governance Review Report and presenting this to the Executive Leadership Team.
- Presenting the Annual Governance Statement and Governance Review Report to the Governance Committee.
- Presenting the Annual Governance Statement and Governance Review Report to the Fire and Rescue Authority, and
- Chair of Fire and Rescue Authority, Chief Fire Officer and Strategic Finance Manager to sign the Annual Governance Statement.

3.3 Generally, an employee survey would also form part of the governance review. However, a decision was taken not to conduct a survey during the reporting period due to a parallel exercise undertaken by HMICFRS as part of the inspection process. Therefore, employee survey data are not included within the findings.

The above stages are set out diagrammatically on the next page.



- 3.4 Functional Self Assessments** - Governance and control self-assessments were completed by department heads and approved by all Area Managers. The self-assessments cover compliance with the existing Authority Code of Corporate Governance, as well as key internal control arrangements within each service, and require evidence to be cited in relation to each question, and any significant plans for improvement within their area to be recorded.
- 3.5 Area Manager Controls Assurance Statements** - Each Area Manager reviewed the information and views compiled through the self-assessment process to come to an opinion on the governance arrangements and internal control environment within their areas of responsibility.
- 3.6 Evaluation of Internal Control Arrangements** - The Authority's internal control arrangements were assessed in line with guidance from CIPFA's Financial Advisory Network.
- 3.7 Views of Elected Members** - The views of all Elected Members were sought via a questionnaire. Responses were received from 15 Members in 2018 and these were considered by the Group.
- 3.8 Annual Review** - The Group considered all aspects of corporate governance and supporting documentation including the existing Code of Corporate Governance to identify the areas that need to be amended to bring the Code in line with the new framework
- 4 FINDINGS OF THE CORPORATE GOVERNANCE STEERING GROUP**
- 4.1 Functional Self Assessments and Area Manager Controls Assurance Statements**
- 4.1.1** These were examined to ensure that all documents had been completed in full and to identify any issues of significance. It was noted that all Department Heads have identified future plans for improvement to their governance and control arrangements.
- 4.1.2** A large proportion of the future plans for improvement related to tasks which are already ongoing, which are focused on delivery or which have already been included in existing service plans. Actions of this type are contained within our Strategic Community Safety Plan (SCSP) / Integrated Risk Management Plan (IRMP), Improvement Plan, Departmental Plans have not been considered significant to the overall governance and control environment. Emerging observations from HMICFRS will be considered on publication of the final report.
- 4.1.3** Newly identified actions for 2018/2019 resulting directly from the Annual Governance Review, which have corporate significance, have been included in the Corporate Governance Action Plan (Appendix B).
- 4.2 Annual Internal Audit**
- 4.2.1** The Internal Audit Annual Report will be presented to the Governance Committee alongside this report in May 2019. It was noted that 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 2018/2019, it was considered that overall

throughout the Authority there is 'Substantial' assurance regarding the internal control environment.

4.2.2 Reviews of the following areas were carried out and 'Substantial' assurance provided:

- Performance Management Arrangements
- Information Governance
- Financial Management
- ICT Business Continuity/Disaster Recovery

4.2.3 There were also three audits completed with an assurance level of 'Moderate', as follows:

- Cyber Security;
- Integrated Risk Management Plan (IRMP) data quality;
- Implementation of the CoreHR system.

4.2.4 Medium risks or above are included in the organisation wide improvement plan and monitored directly by the Executive Leadership Team. Other low risk improvement actions are included in the departmental plans (annual plans) of the relevant specific teams.

4.3 Corporate Risk Register

4.3.1 The Corporate Risk Register is a live document regularly updated, monitored and managed by the Corporate Risk Management Group (CRMG), most recently on 16 April 2019.

4.3.2 The top four risks featured within the Corporate Risk Register (CRR) are included below, please note the first risk remains at the top of the CRR based on the impact should this occur:

- **11/02 - Risk that financial pressures will impact on Service's decision making and delivery of its goals/priorities and objectives.** (Intolerable risk rating).
- **08/28 - *Failure to effectively and safely deploy and manage operational employees and resources at incidents leading to employees and public being exposed to necessary risks.*** (Moderate risk rating).
- **10/04 - *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 we serve.*** (Substantial risk rating).
- **08/15 - *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.*** (Substantial risk rating).
- **18/01 - *Risk that findings of national events / incidents may result in significant changes to legislation, with resultant impact on Service policies, procedures and resource requirement.*** (Substantial risk rating).

4.3.3 The Service operates a robust process for corporate risk management, including a Corporate Risk Management Group chaired by the Chair of the Fire Authority. Where appropriate these actions have been included in the annual risk plans of the appropriate departments.

4.4 Performance Management

4.4.1 The Group considered the Authority's performance management framework and actual performance against Key Performance Indicators. The Authority continues to deliver well against its strategic plans, across the five local authority areas. The combination of Prevention and Protection activities, including the provision of safety advice and the installation of smoke detectors, has enabled the Authority to keep people safe across Tyne and Wear and has been an essential part of the aim to reduce injuries and deaths from fires.

4.4.2 The Service achieved its end of year targets for injuries in all fires, accidental fires in non-domestic premises, deliberate secondary fires, deliberate refuse fires, false alarms in domestic premises and fires in non domestic premises. We were within tolerance of target for total number of incidents.

4.4.3 The Authority's performance management framework was considered with the main issues being:

- Continue to improve performance through a range of improvement activities and evaluation to target specific risks
- Continue to improve understanding of performance and risk through Service Delivery partnership working to develop realistic targets and strengthen accountability at a local level.

4.4.4 Plans are in place to address all of the above issues and none are considered significant in terms of the Authority's overall governance and control arrangements.

4.5 Information Governance

4.5.1 The Service works in alignment with ISO:27001 Information Security Management with the introduction of an Information Asset Register in September 2015 and is compliant with General Data Protection Regulation (GDPR) requirements which came into force on 25 May 2018. Supporting policies and procedures have been updated accordingly and training provided as required.

4.5.2 Department audits have taken place with all functions, examining data processed including the legal basis for processing the data, secure storage, retention and sharing of the data. Further department data audits have been scheduled on a quarterly basis. Two external audits have taken place by Sunderland City Council to assess compliance in which the service received 'Substantial' assurance. The summary of the audit was that TWFRS had all necessary processes and procedures in place to support compliance with GDPR. Action points from the audit were minor changes in internal audits and station inspections.

4.5.3 As reported previously, an Information Sharing Protocol has been developed and approved, this protocol underpins Information Sharing Agreements which are currently

being progressed with partners where required. A regional data sharing group has been established which is chaired by TWFRS.

4.6 Members Questionnaires

4.6.1 Fire Authority Members were provided with the Corporate Governance questionnaire in December 2018. A total of 15 out of 17 responses were received. Feedback from Fire Authority Members indicated that there are no significant issues regarding Corporate Governance. The results are presented at Appendix C.

4.7 External Auditor Opinion

4.7.1 The Group considered the Annual Audit Letter and Audit Completion Report prepared by the Authority's external auditors, Mazars, covering 2017/18, which gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).

4.7.2 Mazars issued an 'unqualified conclusion' on both financial management arrangements and Value for Money. Their report included comments that:

- The Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of delivering planned budget reductions.
- In the 2018/19 budget, the Authority identified that over the medium term of 2018/19 to 2021/22 it faces a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap 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 efficiency savings and improvement.
- In relation to the Injury Fire Pensions issue, 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.
- The Audit report concluded that the Auditors were 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.
- The Audit work carried out provided assurance that there was no indication of management override of controls or material estimation error in respect of pensions.

4.7.3 It is considered that the Annual Audit Letter 2017/18 gives reassurance that the Authority's overall governance and control arrangements are satisfactory.

4.8 Other External Assessment

4.8.1 The Group considered other external assessments. These include:

- **Her Majesty's Inspectorate of Fire and Rescue Services (HMICFRS)** – As part of the revised Fire and Rescue Service Framework 2018, the Authority is subject to inspection by HMICFRS. Following data submissions provided throughout 2018, 'discovery' week December 2018 and 'field work' week February 2019; the Service is now awaiting the publication of its inspection report.

During these phases the Service has been seeking continual improvements and has developed an internal action plan in anticipation of the final report.

- **Investors In People (IIP) Gold award 2019** – The results are awaited from the annual reassessment which has been taking place between April and May 2019.
- **RoSPA Award Assessment 2019** – The Service has registered for the RoSPA Achievement Award again this year. The submission will be provided to RoSPA by 10 June 2019 with results expected in September.

The RoSPA Awards scheme, which receives entries from organisations around the world, recognises achievement in health and safety management systems, including practices such as leadership and workforce involvement. We achieved a Gold in the internationally-renowned RoSPA Health and Safety Awards last year.

The Service has achieved the RoSPA Gold Award from 2005 until 2015 and from 2017 to present. A RoSPA award was not submitted by the Service in 2016.

- 4.8.2** Although these assessments are not directly concerned with governance and internal control, they do require systematic arrangements to be in place for the criteria they are assessing, and as such the Group considered that they provide additional assurance as to the control environment in the Authority.

4.9 Views of Customers

- 4.9.1** An on-going 'After the Incident Survey' is carried out, the latest results for 2018/2019 (based on survey data received up to 24 March 2019), recorded a score of 97.50% for 'very satisfied' with regard to the services provided at domestic incidents. This survey also recorded a score of 92.59% for 'very satisfied' for services provided at non-domestic incidents. Satisfaction surveys on fire safety audits and our Home Safety Checks are also carried out.

4.10 Meeting the requirements of the National Framework

- 4.10.1** The Service is compliant with all aspects of the Fire and Rescue National Framework 2018. This includes the requirement to publish an annual statement of assurance through our Statement of Assurance and Annual Report (SOAAR). This looks back on the work carried out and the work underway in 2019. The SOAAR highlights how the Authority meets all of requirements of the Fire and Rescue National Framework. Appendix D sets out key activities supporting compliance with the Fire and Rescue National Framework.

5 ANNUAL GOVERNANCE STATEMENT

- 5.1** The Annual Governance Statement has been drafted taking into account the findings of the annual governance review. The review has found that only minor improvements are needed to the control environment in a small number of areas. The Annual Governance Statement is attached at Appendix E for the Authority's consideration and approval.

6 CONCLUSION

- 6.1** Based on the evidence examined, the Authority has robust and effective governance and internal control arrangements in place. The views elicited during the review from Members and all senior managers across the Authority demonstrate that the principles of good governance are embedded and independent assurance has been provided on all areas required, as well as some areas not specifically required.
- 6.2** The review has not identified any weaknesses that would need to be highlighted in the Authority's Annual Governance Statement.
- 6.3** A small number of actions have been identified to further develop governance and control arrangements in 2019/2020, as detailed in the action plan attached at Appendix F.

7 RISK MANAGEMENT

- 7.1** The annual governance review provides a comprehensive assessment of the organisation's systems of control. The Authority's Corporate Risk Register is used to inform this assessment.

8 FINANCIAL IMPLICATIONS

- 8.1** All financial implications by virtue of this review are contained within existing budgetary headings.

9 EQUALITY AND FAIRNESS IMPLICATIONS

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

10 HEALTH AND SAFETY IMPLICATIONS

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

11 RECOMMENDATIONS

- 11.1** The Authority is requested to:

- a) Approve the Annual Governance Statement 2018/19
- b) Note the Corporate Governance Action Plan 2019/2020

Tyne and Wear Fire and Rescue Authority

Local Code of Corporate Governance



Revised April 2018

OFFICIAL

Local Code of Corporate Governance

INTRODUCTION

Tyne and Wear Fire and Rescue Authority (the Authority) has a corporate governance framework in place which is aimed at ensuring that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The corporate governance framework comprises the systems, processes, cultures and values through which we direct and control our functions, and through which we account to, engage with and, where appropriate lead our communities.

The Authority's corporate governance framework is based upon guidance jointly issued by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) and recommended as best practice.

The framework is based upon the following seven core 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.
- Determine 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.

Each of these seven core principles have supporting principles (statements) with associated requirements, the following table sets out how the Authority meets these requirements.

Annual Governance Review

The Authority conducts, at least annually, a review of the effectiveness of the corporate governance framework including the system of internal control.

A Corporate Governance Steering Group (CGSG) has been established to lead this review. Membership of the CGSG is as follows:

- Assistant Chief Fire Officer Organisational Development
- Area Manager Strategy and Performance
- Strategic Finance Manager
- Head of Policy and Engagement

A report on the findings and recommendations arising from the review is presented to the Authority and Governance Committee.

Code of Corporate Governance - Glossary of Terms

Corporate Risk Management Group

A group of senior officers of the Authority tasked with ensuring that the major strategic risks of the Authority are properly identified, managed and minimised.

Consultation Plan

This is a plan to obtain the views of stakeholders on the efficiency, effectiveness and economy of services and use these results to inform the process of continuous improvement.

Delegation Scheme

An agreed document setting out the various powers delegated by the Authority to appropriate committees, members and officers.

Freedom of Information Publication Scheme

This provides details of the classes of information published by the Authority, how the public can access it and whether a charge is levied for accessing the information.

Financial Regulations

This details the rules of procedure governing the way in which management of the Authority's financial affairs will be conducted.

Investors in People

Investors in People is a national award which recognises the commitment of an organisation to developing its people in order to achieve its corporate objectives and to improve performance.

Monitoring Officer

The Monitoring Officer has the responsibility for advising on the legality of the Authority's actions. The Authority has appointed the Head of Legal and Democratic Services, City of Sunderland, as the appropriate officer.

Members Code of Conduct

Agreed Code set out in the Standing Orders governing how Members must conduct themselves whilst carrying out Authority business or acting as a representative of the Authority.

Code of Conduct

Agreed Code detailing the standards of conduct expected of all employees whilst carrying out their work for the Authority.

Standing Orders

Rules of procedure governing the way in which the Authority operates, how decisions are made and the procedures which must be followed to ensure all our interactions (including procurement) are efficient, transparent and accountable to the community we serve.

Strategic Community Safety Plan / Integrated Risk Management Plan

A risk based document setting out in detail for the Authority the plans, policies, resource allocations and performance targets for the next three years.

Governance Committee

A Committee of the Authority set up to promote and maintain high standards of conduct by Members.

Section 151 Responsibilities

Under Section 151 of the Local Government Act 1972, the authority must appoint one of its Officers as responsible for the proper financial administration of its affairs.

The Strategic Finance Manager employed by the Authority is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs.

Whistle Blowing Policy

A policy adopted by the Authority setting out how employees and the public can report matters of concern to the appropriate Officers within the Authority on a confidential basis.

Annual Plans

Annual Plans are used to deliver short-term improvements to the Service. The Plans are linked to budgets and allow managers to monitor and control the activities in their department and to report progress to the relevant quarterly Functional Management Team (FMT). The Plans do not cover the day-to-day (business as usual) activities of the department, only one-off projects and improvement activities.

Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents / Processes in Place to Support Compliance
<p>A1. Exercising executive leadership by leading by example and clearly communicating the Authority's purpose, vision and core values.</p>	<ul style="list-style-type: none"> • Further promote our purpose and vision through our SCSP / IRMP, Organisational Development Strategy, Strategic Community Safety Strategy and leadership bond. • The Authority's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated. • Review on a regular basis the Authority's vision for the local area and its impact on the Authority's governance arrangements. • Publish a Statement of Assurance and Annual Report on a timely basis to communicate the Authority's activities, achievements, financial position and performance. 	<p>SCSP / IRMP District Plans Departmental plans OD Strategy Leadership Bond Engage PDR's Strategic Community Safety Strategy ATIS Annual review of Corporate Governance Audit reviews Other independent reviews Statement of Assurance and Annual Report Annual Statement of Accounts Consultation Policy Social Media</p>

Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.

<p>A2. Identify and manage potential conflicts of interest that Members and employees may have.</p>	<ul style="list-style-type: none"> • Standards of conduct and personal behaviour expected of Members and employees, work between Members and employees and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols • The Authority has in place appropriate policies, procedures and processes to ensure that they continue to operate in practice. • The Authority leadership sets a tone for the Organisation by creating a climate of openness, support and respect. • Arrangements are in place to safeguard members and employees against conflicts of interest and to ensure that they continue to operate in practice. 	<p>Members Code of Conduct Employees Code of Conduct Vision, Mission and Values Whistle Blowing Policy Declarations of Gifts and Interests Anti-Fraud & Corruption Policy Leadership Bond / Core Values Protocol on Member / Employee relations Safecall Equality Impacts Assessments</p>
<p>A3. Ensuring that the Authority considers the areas of the Service that are at a higher risk of fraud and corruption, ensuring effective processes are in place.</p>	<ul style="list-style-type: none"> • Arrangements are in place to ensure that members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. The Authority has in place appropriate processes to ensure that they continue to operate in practice. • Value for money is measured and the results considered prior to making decisions. Information needed to review value for money 	<p>Procurement Policy Financial Regulations CIPFA Financial Guidelines Anti-Fraud & Corruption Policy Standing Orders MTFS Internal / External Audit SOPs Members Code of Conduct</p>

Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.

	<p>and performance effectively is available to managers and the Authority.</p> <ul style="list-style-type: none"> • The Authority also measures the effectiveness and impact of policies, plans and decisions. 	<p>Employees Code of Conduct Strategic Planning Framework Police & Crime Act 2017</p>
<p>A4. Ensure external stakeholders act with Integrity and in compliance with ethical standards.</p>	<ul style="list-style-type: none"> • When working in partnership members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority. • When working in partnership: • There is clarity about the legal status of the partnership. • Representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions in an ethical way. 	<p>Information Sharing Protocols Partnership Register and Procedure Community Safety Strategy Service Level Agreements MOUs Partnership Agreements SCSP / IRMP Collaborative Working Organisational Values</p>
<p>A5. The Authority comply with relevant statutory provisions and laws within the organisation and develop and maintain robust policies and procedures that place emphasis on agreed ethical values.</p>	<ul style="list-style-type: none"> • The Authority does not operate an executive / scrutiny model, however the executive and scrutiny functions of the Authority and its other committees are set out in Standing Orders. • Shared values including leadership values both for the Authority and employees reflecting public expectations have been developed. These have been communicated with members, employees, the community and partners. • Arrangements are in place to ensure that procedures and operations are designed in conformity with appropriate ethical standards, 	<p>Members' Code of Conduct Employees' Code of Conduct Core Values, Mission and Vision Engage Leadership and Development Programme Members' Code of Conduct Employees' Code of Conduct FRS Framework Organisational values</p>

Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.

	<p>and monitor their continuing effectiveness in practice.</p> <ul style="list-style-type: none"> • An effective standards committee is in place. • Shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority. • A scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority taking account of relevant legislation has been agreed and is monitored and updated when required. • The Authority observe all specific legislative requirements placed upon it, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes. 	<p>Members' Code of Conduct Employees' Code of Conduct Integrated Personal Development System Governance Audit Standing Orders set out role and functions of Governance Committee which includes promoting and maintaining high standards of conduct by members of the Authority Audit and Inspection Letter Strategic Finance Manager role Deputy Clerk role GDPR 2018 Fire Service National Framework Civil Contingencies Act 2004 Corporate Risk Register</p>
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Core Principle B - Ensuring openness and comprehensive stakeholder engagement.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents / Processes in Place to Support Compliance
<p>B1. The Authority encourages individuals and groups from all sections of the community to engage and consult with members of the community contribute and participate in the work of the Authority.</p>	<ul style="list-style-type: none"> • Protocols have been developed to ensure effective communication between members and officers in their respective roles. • The Authority's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated. • Community advocates engage with local people seeking feedback. • The Authority ensures that it is open and accessible to the community. • A clear Policy on the types of issues the Authority will meaningfully consult on or engage with the public and Service. 	<p>Consultation Policy SCSP / IRMP Social Media Corporate Accounts Vlogs Press coverage Collaborative working Recruitment Volunteers Community Advocates HSCs Advisory Network Groups Community Fire Stations Surveys / Focus Groups ATIS</p>

Core Principle B - Ensuring openness and comprehensive stakeholder engagement.

<p>B2. The Authority ensure there are clear channels of communication with all sections of the community and other stakeholders in order to inform assessments and commissioning arrangements.</p>	<ul style="list-style-type: none"> • All outwardly facing projects we deliver are evaluated by asking local people and stakeholders for feedback. • We clearly publish results of consultation and evaluation for employees and for public viewing. • We comply with the Local Government Transparency Code. • An annual report on all activities conducted is published (SOAAR). • External challenge is regularly sought and acted upon. 	<p>Procurement Policy Surveys / Focus Groups Consultation Policy SCSP / IRMP Social Media Corporate Accounts Freedom of Information Scheme GDPR ATIS Partnership Agreements / MOUs Evaluation toolkit and library Executive Leadership listening events. Service Intranet and Internet</p>
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Core Principle B - Ensuring openness and comprehensive stakeholder engagement.

<p>B3. The Authority takes account of relevant intelligence, data & information in setting Service priorities and KPI's.</p>	<ul style="list-style-type: none"> • The Chief Fire Officer is responsible and accountable to the Authority for all aspects of operational management. • Effective mechanisms exist to monitor service delivery. • Effective arrangements are in place to identify and deal with failures in service. • Open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based have been implemented. 	<p>Performance Management Quarterly Performance Reports District Plans Departmental Plans CRP SCSP / IRMP FRSEF IIP</p>
<p>B4. The Authority maximises the use of partnerships to efficiently deliver outcomes, and measure how effective those partnerships are in delivering outcomes for the Authority.</p>	<ul style="list-style-type: none"> • Ensure that partnerships are underpinned by a common vision that is understood and agreed by all parties. • When working in partnership members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority. • In pursuing the vision of a partnership, a set of values has been agreed against which decision making and actions can be judged. Such values must be demonstrated by partner's behaviour both individually and collectively. 	<p>Information Sharing Protocols Partnership Register and Procedure Strategic Community Safety Strategy Service Level Agreements MOUs Partnership Agreements IRMP / SCSP Local Resilience Forum (LRF) and other multi-agency groups</p>

Core Principle B - Ensuring openness and comprehensive stakeholder engagement.

<p>B5. The Authority implements effective feedback mechanisms in order to demonstrate how views have been taken into account.</p>	<ul style="list-style-type: none"> • We comply with the Local Government Transparency Code. • We clearly publish results of consultation and evaluation for employees / public viewing. • Effective transparent and accessible arrangements for dealing with complaints and comments have been implemented. • Those making decisions, whether for the Authority or a partnership, are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications. 	<p>Surveys / Focus Groups Consultation Policy SCSP / IRMP Social Media Corporate Accounts Freedom of Information Scheme Complaints, Comments and compliments procedure Governance GDPR</p>
<p>B6. The Authority ensures an open culture through demonstrating, documenting and communicating TWFRS commitment to openness.</p>	<ul style="list-style-type: none"> • We comply with the Local Government Transparency Code. • The Authority leadership sets a tone for the Organisation by creating a climate of openness, support and respect. • An effective audit committee which is independent is maintained. 	<p>SCSP / IRMP Governance Committee Members Learning Programme Consultation Policy Social Media Corporate Accounts FOI Evaluation Toolkit Building access audits</p>

Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents / Processes in Place to Support Compliance
<p>C1. There is a clear vision of what outcomes The Authority are aiming to achieve, linking to The Authority's vision mission and goals.</p>	<ul style="list-style-type: none"> • The Authority leadership sets a tone for the organisation by creating a climate of openness, support and respect. • Standards of conduct and personal behaviour expected of members and employees, work between members and employees and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols. • Protocols have been developed to ensure that the Chairman and Chief Fire Officer negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained. 	<p>Members' Code of Conduct Employees' Code of Conduct Organisational Values Leadership Bond SCSP / IRMP Organisational Development Strategy Role Maps</p>
<p>C2. The benefits to be achieved (Economic, Social and Environmental) have been clearly defined, and any conflicts considered.</p>	<ul style="list-style-type: none"> • Arrangements are in place to ensure that members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. The Authority has in place appropriate processes to ensure that they continue to operate in practice. 	<p>Members' Code of Conduct Employees' Code of Conduct Organisational Values Information Sharing Protocols</p>

Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

	<ul style="list-style-type: none"> • Arrangements are in place to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice. 	Partnership Register and Procedure Policies and Procedures
C3. The Authority identifies the impact of any decisions or changes on stakeholders / communities and understands the outcomes to be delivered.	<ul style="list-style-type: none"> • Shared values including leadership values both for the Authority and employees reflecting public expectations have been developed. These have been communicated with members, employees, the community and partners. • Shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority. 	Partnership Agreements Partnership Procedure Data Sharing Protocols Consultation Policy SCSP / IRMP Leadership Bond Organisational Development Strategy Evaluation MTFS Performance Action Groups
C4. The Authority manages the risks to the achievement of outcomes.	<ul style="list-style-type: none"> • Professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately. • Corporate Risk Register. • Corporate Risk Management Group meetings. 	SCSP / IRMP Community Risk Profile Corporate Risk Register and Management Group MTFS SLA with COS Legal.

Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

		Corporate Risk Register District Plans Consultation Plan Value for Money Framework Budget Framework Business Continuity Plans Department Annual Plans and Risk Plans Project Management Toolkit EIA
C5. There is fair access to the services delivered, and arrangements are in place to identify and deal with failures in service delivery (i.e. complaints).	<ul style="list-style-type: none"> • An effective standards committee is in place. • An effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall and of any organisation for which it is responsible is in place. • Effective transparent and accessible arrangements for dealing with complaints have been implemented. • Effective arrangements are in place to identify and deal with failures in service. • Arrangements are in place for whistle blowing to which employees and all those contracting with the Authority have access. 	A range of scrutiny committees are in place including: Policy and Performance Committee Human Resources Committee Governance Committee Complaints, Comments and Compliments procedure Whistle Blowing Protocols KPIs

Core Principle D: Determine the interventions necessary to optimise the achievement of the intended outcomes.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents / Processes in Place to Support Compliance
D1. The Authority has objective and rigorous analysis of options for achieving outcomes.	<ul style="list-style-type: none"> • Open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based have been implemented. • An effective audit committee which is independent is being maintained. 	Standing Orders and Financial Regulations SCSP / IRMP CRP Evidence based Authority reports to support decision making
D2. The Authority prioritises competing demands within limited resources available and arrangements are flexible to adapt to changing circumstances.	<ul style="list-style-type: none"> • Those making decisions, whether for the Authority or a partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications. • Arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. 	SCSP / IRMP CRP A range of scrutiny committees are in place including: Policy and Performance Committee Human Resources Committee Governance Committee Strategic Community Safety Strategy

Core Principle D: Determine the interventions necessary to optimise the achievement of the intended outcomes.

<p>D3. The Authority has arrangements in place to set organisational standards including quality measures, with meaningful KPI's to measure the achievement of desired outcomes.</p>	<ul style="list-style-type: none"> • Risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job. • A clear policy on the types of issues it will meaningfully consult on or engage with the public and service which includes a feedback mechanism for those consultees to demonstrate what has changed as a result has been established. • Departmental KPI's set for each service area. • Evaluation toolkit available online for all employees. 	<p>Risk Management Policy Internal Audit and Risk Management Protocol SCSP / IRMP Risk Management and Assurance Database Results of evaluation exercises Quarterly Performance reporting Project Start Ups (PSUs)</p>
<p>D4. The Authority has arrangements in place to measure and monitor performance and report to relevant stakeholders on the achievement of desired outcomes.</p>	<ul style="list-style-type: none"> • The Authority actively recognises the limits of lawful activity placed on it by, for example the ultra vires doctrine but also strives to utilise powers to the full benefit of our communities. • The Authority recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on the Authority by public law. 	<p>Standing Orders and Financial Regulations Monitoring Officer Protocol Audit and Inspection Letter Strategic Finance Manager role</p>
<p>D5. The Authority identifies the quality of services delivered and takes action to address inadequate delivery of</p>	<ul style="list-style-type: none"> • Effective arrangements to identify and deal with failure in service delivery are in place. 	<p>Value for Money Framework Annual Audits</p>

Core Principle D: Determine the interventions necessary to optimise the achievement of the intended outcomes.

<p>service (including those delivered by a third party).</p>	<ul style="list-style-type: none"> • Effective mechanisms exist to monitor service delivery. • When working in partnership members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority. • Stakeholders to whom we are accountable are considered and the effectiveness of the relationships assessed with appropriate changes made. 	<p>Code of Conduct for Members Code of Conduct for Officers District and Departmental Plans Information Sharing Protocols Partnership Procedure Service Level Agreements where appropriate Customer Satisfaction Surveys After Incident Survey Department Action Plans Risk Management Assurance Database. Call and Incident Assessment processes Quality Assurance checks Internal and External Audit Project management evaluation Performance Action Group National Resilience Assurance Team</p>
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Core Principle D: Determine the interventions necessary to optimise the achievement of the intended outcomes.

		Statement Of Assurance and Annual Report
D6. Members and employees have a full understanding of their roles and of the processes they are expected to follow, as well as a clear understanding of the powers delegated to them (e.g. spending authorisation levels).	<ul style="list-style-type: none"> • A different senior officer is responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with. • The Strategic Finance Manager officer is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. • The Strategic Finance Manager is the Authority's Section 151 Officer. • The Constitution sets out the functions of Section 151 Officer as follows: <ul style="list-style-type: none"> • Ensuring lawfulness and financial prudence of decision making • Administration of financial affairs • Contributing to corporate management • Supporting the Standards Committee • Providing advice • Giving financial information. 	Members' Code of Conduct Employees' Code of Conduct Code of Corporate Governance Monitoring Officer, 151 Officer Strategic Finance Manager Delegated Powers Standing Orders Procurement Policy Budget Management
D7. Authority Members are accessible to all employees.	<ul style="list-style-type: none"> • Members of the public and employees may attend all FA meetings subject to the exceptions set out in the Standing Orders. 	Public Meetings Focus Groups

Core Principle D: Determine the interventions necessary to optimise the achievement of the intended outcomes.

	<ul style="list-style-type: none"> The Authority ensures that it is open and accessible to the community, service users and its employees and that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so. 	<p>Consultation Policy</p> <p>Fire Authority Meetings</p> <p>Committee Meetings</p> <p>Compliance with Local</p> <p>Government Transparency Code</p> <p>Fire Authority Member</p> <p>participation in engagement</p> <p>events and with local stations</p>
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Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents / Processes in Place to Support Compliance
<p>E1. The Authority ensures all employees are adequately trained and skilled to deliver services and remain up to date.</p>	<ul style="list-style-type: none"> • We provide induction and training programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. • We ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation. • Member's skills are assessed at recruitment and we also provide a general Learning and Development programme specifically for Members. 	<p>Induction Programme PDR Pilot Member Learning and Development Programme Workforce Development Plan Investors in People accreditation Engage Programme Leadership Bond Organisational Development Strategy</p>

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

<p>E2. The Authority ensures that appropriate inductions are in place for new employees, and appropriate appraisals / PDPs / performance reviews are carried out</p>	<ul style="list-style-type: none"> • Skills required by officers are regularly assessed and the Authority is committed to develop those skills to enable roles to be carried out effectively. • Member's skills are assessed at recruitment and we also provide a general Learning and Development programme specifically for Members. • National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service. 	<p>Member and Employee Induction Programme</p> <p>Integrated Personal Development System</p> <p>Member Learning and Development Programme</p> <p>Workforce Development Plan</p> <p>Leadership Bond</p> <p>Recruitment Process</p> <p>Organisational Development Strategy</p> <p>Human Resources Committee</p> <p>PDP/PDR Reviews</p> <p>Redkite system</p> <p>Fire Authority (FA), ELT & SLT</p> <p>Strategic Meetings and Member Training</p> <p>Training needs Analysis & capability processes</p> <p>National Resilience Training Management System (TMS)</p>
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Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

<p>E3.The Authority ensures that effective arrangements are in place for reviewing the Service as a whole, and of individual members and employees with action plans agreed for development / improvement needs.</p>	<ul style="list-style-type: none"> • The Authority actively develops skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed. • Ensuring that effective arrangements are in place for reviewing the performance of the Service as a whole and of individual members and agreeing action plans which aim to address any training or development needs. 	<p>Investors in People Gold award Member Learning and Development Programme Leadership Programme PDR Pilot Corporate Risk Management Group</p>
<p>E4. The Authority ensures the use of assets in the Organisation is reviewed regularly to ensure their continued effectiveness and efficiency.</p>	<ul style="list-style-type: none"> • All departments regularly review assets within service areas. • Information Asset Register updated annually. • Asset Management Group and Capital Management Group. 	<p>Asset Management Group/Register Estates Plan Stores Replacement Vehicle Programme Procurement policy Budget Management Delegated Budgets and Financial Regulations Incident Command</p>

Core Principle F: Managing risk and performance through robust internal control and strong public financial management.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents / Processes in Place to Support Compliance
<p>F1. There are effective arrangements in place to monitor the use of The Authority's budget(s) and the achievement of efficiency targets.</p>	<ul style="list-style-type: none"> • The Authority makes clear its role and responsibilities to Members, employees and the community. • Role of Strategic Finance Manager and Deputy Clerk. The Deputy Clerk is the Authority's Monitoring Officer. The Constitution sets out functions of Monitoring Officer as follows: <ul style="list-style-type: none"> • Maintaining the Constitution • Ensuring lawfulness and fairness of decision making • Receiving reports • Conducting investigations • Proper officer for access to information • Advising whether executive decisions are within the budget and policy framework • Providing advice. • A Pay Policy has been agreed which sets out the terms and conditions for remuneration of officers including an effective structure for managing the review process. In addition, Members allowances are reviewed by an effective remuneration panel as appropriate. 	<p>SCSP / IRMP</p> <p>Monitoring Officer Protocol</p> <p>Member and Employee Codes of Conduct</p> <p>Pay Policy and Statement</p> <p>Members Allowances Scheme</p> <p>Gender Pay Reporting</p> <p>Financial Statements</p> <p>Budget Management</p> <p>Capital & Revenue Budget</p> <p>Standing Orders and Financial Regulations</p> <p>Procurement Policy</p> <p>MTFS</p> <p>Medium Term Financial Statement (MTFS)</p>

Core Principle F: Managing risk and performance through robust internal control and strong public financial management.

F2. The Authority understands the importance of complying with established controls to prevent the risk of fraud and error.	<ul style="list-style-type: none"> • A range of tools are available for employees and Members to assist them to carry out their roles effectively, Signatory Lists, Tender Procedures, Standing Orders and Financial Regulations. 	Budget Management Standing Orders Procurement Policy Financial Regulation
F3. The Authority has an up to date business continuity plan (BCP) in place to resume services in the case of disruption / emergency and understands what action should be taken in the case of service disruption.	<ul style="list-style-type: none"> • The Service is aligned with ISO22301. • Relevant BCP across organisation service areas. • The Authority ensures all BCP are maintained and tested on an ad-hoc basis. 	Business Continuity Plans Alignment with ISO:22301 BCPs across Functions Risk Management and Assurance Database RMAD LRF Recall to duty
F4. The Authority ensures the health and safety of employees, customers and third parties are protected.	<ul style="list-style-type: none"> • The Authority observe all specific legislative requirements placed upon it, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes. 	Policies and procedures Standing Orders H&S Committee IOSH / NEBOSH

Core Principle F: Managing risk and performance through robust internal control and strong public financial management.

<p>F5. The Authority has business processes in place to identify and record details of all of the information and records held by the Organisation in compliance with GDPR.</p>	<ul style="list-style-type: none"> • An Information Sharing Protocol has been developed, this protocol underpins Information Sharing Agreements with partners where required. • A Data Breach Policy has been implemented including an overarching Data Protection Policy and Privacy Notice. • The Service works in alignment with ISO:27001 with the introduction of an Information Asset Register in 2017. 	<p>Policies and procedures IAR IAO / SIRO Information Asset Register PIA eLearning Retention periods Data Breach Policy Privacy Notice Consent Forms</p>
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Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/Processes in Place to Support Compliance
<p>G1. Decision making is rigorous and transparent with constructive scrutiny listened to and acted upon.</p>	<ul style="list-style-type: none"> • The Authority makes clear its role and responsibilities to Members, employees and the community. • Stakeholders to whom we are accountable are considered and the effectiveness of the relationships assessed with appropriate changes made. • External challenge is regularly sought and acted upon. • The Authority ensures that it is open and accessible to the community, service users and its employees and that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so. 	<p>Strategic Community Safety Plan/Integrated Risk Management Plan</p> <p>Strategic Partnerships</p> <p>Consultation Policy</p> <p>Public Meetings</p> <p>FA Meetings</p> <p>Asset Management Group Capital Projects Group</p> <p>Joint working with other FRSs and emergency services</p>
<p>G2. Recommendations made by Internal Audit, External Audit and external agencies / reviews are acted upon.</p>	<ul style="list-style-type: none"> • A Statement of Assurance and Annual Report is published on an annual basis giving information on the Authority's vision, Strategies, Plans and Financial Statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. 	<p>Statement of Assurance and Annual Report</p> <p>Internal & External Audit</p> <p>Governance Statement</p> <p>Legal Services process</p> <p>National Assurance Resilience</p> <p>Team external audits</p> <p>SCSP / IRMP</p>

Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

		ISP approved MTFS Improvement and Action Plans
G3. When working in partnership, arrangements for accountability are clear and the need for wider public accountability is recognised and met.	<ul style="list-style-type: none"> We clearly publish results of consultation and evaluation involving employees and stakeholders. We ensure that partnerships are underpinned by a common vision that is understood and agreed by all parties. 	Evaluation Toolkit and Library Partnership Register Partnership Procedure Service Level Agreements where appropriate MOU PFI Contracts

Tyne and Wear Fire and Rescue Authority

2018/19 Annual Review of Corporate Governance and Internal Control Arrangements

Action Plan 2018/19

Actions completed based on the 2018/19 Action Plan are set out below. Continuing actions are presented in the 2019/20 Action Plan, presented in Appendix E.

Ref.	Corporate Improvement Objectives	Action	Responsible Officer	Update
40	<ul style="list-style-type: none"> Review Standing Orders and financial regulation awareness / communication 	In progress – Carried forward from 2016/17 action plan	Strategic Finance Manager	<p>Action carried over to 2018/19 action plan.</p> <p>Complete</p>
45	Introduce performance indicators (KPIs) and targets for all functions in organisation to measure and manage standards and customer satisfaction		AM Strategy and Performance	<p>Ongoing improvements to existing KPIs to better align to HMICFRS, Home Office and other external reporting requirements</p> <p>Complete</p>
49	<ul style="list-style-type: none"> GDPR full implementation 	Progress continues	AM Strategy and Performance	<p>May 2018 GDPR compliant but full implementation and embedding continues.</p> <p>Complete</p>

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52	<ul style="list-style-type: none"> Raise collaboration and partnerships profile 	New Action	Executive Leadership Team	Collaboration update paper to be tabled at July 18 Fire Authority Complete
53	<ul style="list-style-type: none"> Improve financial awareness (Budgets) to be regularly reviewed and embedded. 	Progress continues	Strategic Finance Manager	Training with all budget holders completed Sept-Oct 17. Annual mid-year budget reviews scheduled. Complete
57	<ul style="list-style-type: none"> Implement new Fire and Rescue National Framework 2018 	New Action	ELT / AM Strategy and Performance	Complete

Appendix C – Fire Authority Members Questionnaire

Fire Authority members were surveyed in December 2018. Responses were received from 15 of a possible 17 Fire Authority members.

	All of the time	Most of the time	Some of the time	Occasionally	Never
1. Do you think the Authority clearly communicates its purpose and vision, and its intended outcomes for the community and service users?	9	4	1		
2. Do you feel the Authority seeks to establish, monitor and maintain the organisations ethical standards and performance?	15				
3. Do you think the Authority conducts business in an open and transparent manner? Behaving with integrity and leading a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.	13	2			
4. Do you feel the Authority has adequate provisions to effectively deal with corruption and misuse of power?	12	2	1		

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5. Do you think that the Authority has effective arrangements to identify and deal with failures in service delivery?	8	6			
6. Do you think you are made sufficiently aware of issues which may be of interest so that you can choose whether to get involved?	11	3			
7. As a Member of the Fire Authority do you think you are provided with sufficient briefing when dealing with local fire related issues?	11	2		1	
8. Do you feel that you have an influence in how Tyne and Wear Fire and Rescue Service is run?	9	4	1		

	I have clear understanding	I have some understanding	I have no understanding
9. Are you clear regarding the role of the Executive Leadership Team members and their functions?	9	4	
10. How well do you understand what the Authority is trying to achieve through the Strategic Community Safety Plan & IRMP 2017-20?	13		

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	All of the time	Most of the time	Some of the time	Occasionally	Never
11. Is the Information you receive from the Fire & Rescue Service:					
a) Sufficient	10	3	1		
b) Useful	11	2			
c) Timely	11	1		1	
d) Easy to understand	10	2	1		

	All of the time	Most of the time	Some of the time	Occasionally	Never	Not applicable
e) If you work with external stakeholders, do you feel that you have the support you need from the Fire & Rescue Service to work efficiently with them?	10	1				1

Appendix D - The Fire and Rescue National Framework

Fire and Rescue National Framework	
Framework Requirement	How this is met
Delivery of functions	
<ul style="list-style-type: none"> Produce an IRMP Have arrangements to prevent and mitigate the risks including working with Strategic Resilience Board 	<ul style="list-style-type: none"> Strategic Community Safety Plan, incorporating the IRMP. Community Risk Profile. CFO is on the Strategic Resilience Board MTFS – Community Safety Strategy – Organisational Development Strategy 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. HSC Re-inspection Programme. Lighter Nights campaign. MDT risk information and maps. Revised Learning & Organisational Development Policy. Fire Safety Risk Based Inspection Programme (RBIP) Contribution to LRF
<ul style="list-style-type: none"> Make provision for promoting fire safety, including fire prevention, and have a locally determined risk-based inspection programme Targeted at those at greatest risk including businesses economic risk 	<ul style="list-style-type: none"> Strategic Community Safety Plan Community Safety Strategy Delivery of HSCs and Safe and Well visits. Sharing of NHS (Exeter) Data. Ongoing partnership working. Use of shared data via multi agency groups. Workload Modeller. Historical accidental dwelling fire data cross referenced with Mosaic to target most vulnerable for HSCs and Safe and Well. Partners for life.

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	<ul style="list-style-type: none"> • Volunteers. • Community Safety Advocates. • 100+ partners referring vulnerable people to TWFRS. • Employee Advisory Groups. • Attendance at local community events e.g. Mela and Pride. • Social Media. • Risk Group. • RMAD • Targets for number of HSC • Revised Targeting Strategy.
<ul style="list-style-type: none"> • Where working to increase the effectiveness and efficiency of public services, this should not be at the expense of effective delivery of statutory core fire functions. 	<ul style="list-style-type: none"> • SCSP • CSS • Data sharing • Collaboration Board • TWFRS Ltd • Co-location at stations
<ul style="list-style-type: none"> • Assess what the FA is aiming to achieve through prevention and protection activities, what type of intervention is most likely to achieve the aims and how best to measure and evaluate outcomes. • Share good practice / learning from interventions 	<ul style="list-style-type: none"> • 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. • Member of NFCC Protection and Business Safety Group • Project Start-Ups and Evaluations • Fire Investigations and Fire Safety Prosecutions including use of Barrister
<ul style="list-style-type: none"> • Considering the wide range of roles that personnel undertake, including with people with complex needs and vulnerabilities, ensure staff have appropriate skills and training • Safeguarding arrangements in place – including ensuring staff have appropriate vetting clearance 	<ul style="list-style-type: none"> • Organisational Development Strategy • PDR process • Watch Skills profile • Dementia Friends • Dyslexic advocates • Training (CSE, safeguarding, equalities, Hoarding) • Safetyworks CSE provision • Safe and Well visits and training • Vetting of all appropriate staff, SM and above, to SC clearance • Key roles have DBS checks

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<ul style="list-style-type: none"> • Make provision to respond to incidents such as fires, road traffic collisions and other emergencies • So far as is practicable, enter into reinforcement schemes, or mutual aid agreements, for securing mutual assistance. 	<ul style="list-style-type: none"> • Strategic Community Safety Plan and IRMP • Community Safety Strategy and Organisational Development Strategy • NCAF • Improved incident performance. • DCCC staffing. • Emergency Call Management Policy. • Mobilising system. • Negotiated common command arrangements. • Undertake compatible training exercises e.g. Exercise Black Kite, Stephenson. • TRVs. • Cross border response arrangements. • Cobra cold cutting. • Collaboration with NEAS and Northumbria Police. • Contingency re Industrial Action • Review of Operational Response. • UWFS RBAP Policy change. • Resilient Tyne and Wear Plan. • National Resilience Advisory Team (NRAT) audits. • External audit of financial systems and value for money. • Mutual aid agreements • Cross Border support arrangements
<ul style="list-style-type: none"> • Effective business continuity arrangements in place • Every endeavour to meet the full range of service delivery risks and national resilience duties and commitments that they face and not be developed on the basis of armed forces assistance being available. 	<ul style="list-style-type: none"> • Community Safety Plan • Alignment with ISO22301. • Internal Audit accreditations. • Relevant BCP across the Service. • Maintained and tested on an ad-hoc basis. • Resilience plans developed and confirmed with the HO in the event of depleted resources • Resilient Tyne and Wear Plan
<ul style="list-style-type: none"> • Statutory duty to keep collaboration opportunities under review; • Notify other emergency services of proposed collaborations that could be in the interests of their mutual efficiency or effectiveness; and 	<ul style="list-style-type: none"> • Collaboration Joint Strategy Board • Collaboration Joint Delivery Group • NCAF • Fire Service collaboration MOU • Mutual aid agreements.

<ul style="list-style-type: none"> • Give effect to a proposed collaboration where agreed it would be in the interests of efficiency or effectiveness and not have an adverse effect on public safety. • Collaborate with other FRAs to deliver intraoperability and interoperability • Collaborate with the National Resilience Lead Authority to ensure interoperability 	<ul style="list-style-type: none"> • 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 special assets e.g. USAR and HVP. • Mass decontamination resource. • DIM re CBRN and MTA. • SafetyWorks! • Shared resources including Northumbria Police MOU. • Assisted other FRS re: wildfire and flooding incidents. • SLA with DDFRS re IOSH Training. • Developed USAR training to be shared with partners. • Joint exercises working group. • JESIP. • Joint procurement. • Joint recruitment (ACFO and FF).
National Resilience	
<ul style="list-style-type: none"> • Work with the lead authority to support the national resilience assurance processes • Includes for example devolved training and long-term capability management including via Strategic Resilience Board analysis of the National Risk Assessment. • Assess the risk of emergencies occurring to inform contingency planning. • Assess existing capability and identify any gaps as part of the IRMP process. • Proactively engage with, and support, the NCAF arrangements including the NFCC's lead operational role. 	<ul style="list-style-type: none"> • Strategic Community Safety Plan. • Community Safety Strategy. • Organisational Development Strategy. • Policies and procedures relating to local and national risks. • Engagement in NFCC groups relating to resilience. • Ongoing development of USAR. • NRAT multi capability assurance inspection. • Multi agency community risk register (LRF). • National and Local Exercises.
<ul style="list-style-type: none"> • Be able to respond to the threat of terrorism and ready to respond to incidents in own communities and across England. • Be interoperable to provide operational support across the UK to terrorist events 	<ul style="list-style-type: none"> • Strategic Community Safety Plan. • Community Safety Strategy. • Organisational Development Strategy. • NCAF

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<ul style="list-style-type: none"> • Responsible for maintaining the robustness of MTFA capability • Work collectively and with the Strategic Resilience Board and the national resilience lead authority to provide assurance to government that resilience capabilities are fit for purpose and risks and plans are assessed and any gaps identified • Work with police forces and ambulance trusts to provide tri-service assurance 	<ul style="list-style-type: none"> • JESIP • Resilience Department. • National and Local Exercises. (Border Riever, Black Kite, Custodian) • COMAH Advisor. • CFO on Strategic Resilience Board. • Out of area deployment packs. • NILO course in collaborations with NPol and NEAS. • Trained NILOs. • LRF.
Governance	
<ul style="list-style-type: none"> • Each FRA has a statutory duty to ensure provision of their core functions • Each FRA will appoint an individual – commonly known as a Chief Fire Officer – who has responsibility for managing the FRS. • Each FRA must hold this person to account for the exercise of their functions and the functions of persons under their direction and control. • The CFO must, in exercising their functions, have regard to the FRAs IRMP and SCSP • The FRA should give due regard to the professional advice of the CFO while developing the IRMP and when making decisions affecting the FRS • The FRA must produce an IRMP covering at least 3 years reflect effective consultation and be published , annual Statement of Assurance, Financial Plans including medium-term financial strategy, efficiency plan and reserves strategy which can be combined or published separately. • The FRS should consult the NFCC for advice and support when developing improvement plans, particularly in response to inspections. • Expectation is that FRS engage with NFCC and, in turn, that the NFCC works to support and represent every service. 	<ul style="list-style-type: none"> • Chief Fire Officer / CEO appointed. • Strategic Planning Framework. • Strategic Community Safety Plan. • Community Safety Strategy. • Organisational Development Strategy. • Corporate Governance Framework. • Standing Orders. • Annual review of Governance. • Authority minutes. • IRMP published. • Observe statutory requirements. • National Framework assessment. • Personal Development Plans / Reviews. • Unqualified opinion. • Membership of NFCC groups. • CFO Chair of the NFCC Operational Coordination Committee.

Value for Money	
<ul style="list-style-type: none"> Regularly review the numbers and deployment of firefighters and other staff to ensure the workforce is commensurate with the risks faced Financial decisions are taken with the advice and guidance of the chief finance officer and decisions are taken with an emphasis on delivering vfm Ensure management of finances is undertaken with regard to published guidance 	<ul style="list-style-type: none"> SOAAR. MTFS. Published and reported on Efficiency Plan. Reserves strategy. Reserves reported to Members and in Statement of Assurance. Workforce surveys. Workforce planning meetings and review of workforce. Budget monitoring, reviews and business cases. Internal audit and external audit.
<ul style="list-style-type: none"> MTFS should include funding and spending plans for revenue and capital, take into account multiple years, the inter-dependencies of revenue budgets and capital investments, the role of reserves and the consideration of risks. MTFS to have regard to affordability and CIPFA's Prudential Code for Capital Finance, and be aligned with the IRMP Publish efficiency plan 	<ul style="list-style-type: none"> MTFS. Capital and revenue programme reported to Members. Funding/savings aligned to IRMP. Efficiency Plan published and reported to Members.
<ul style="list-style-type: none"> Publish policy on reserves Reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead). The strategy should include how the level of the general reserve has been set, justification for holding a general reserve larger than five percent of budget and details of the activities or items to be funded from each earmarked reserve, and how these support the FRA's strategy. Provide clarity on how much funding falls into planned expenditure in MTFS, specific projects beyond MTFS and general contingency. 	<ul style="list-style-type: none"> Reserves strategy. Statement of Assurance and Annual Report. Documents signposted from it including Statement of Accounts, Annual Governance Statement and reports of internal and external auditors. Publication of financial information. Financial Resilience. Reserves reported to Members and in Statement of Assurance. Budget Planning Framework. Four year Efficiency Plan.
<ul style="list-style-type: none"> Improve commercial practices including whether to aggregate procurement with other FRS or local services to improve efficiency 	<ul style="list-style-type: none"> National Procurement Frameworks. Drive procurement efficiencies achieved 70% of total non-staffing and non-PFI funding now on framework agreements.

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<ul style="list-style-type: none"> • Demonstrate and support national and local commercial transformation programmes where appropriate • Demonstrate full awareness of the objectives to standardise requirements, aggregate demand and manage suppliers of products and services within their commercial arrangements. • Ensure that their commercial activities, be that the placement of new contracts or the use of existing contracts, is in line with their legal obligations. 	<ul style="list-style-type: none"> • PPE informed national procurement. • Government basket of goods. • CFO to sign all single supplier justifications.
<ul style="list-style-type: none"> • Engage with national research and development programmes, including those overseen by the NFCC, unless there is a good reason not to. • Where embark on research and development outside of any national programme, processes should be put in place to ensure it meets quality standards and, where possible and appropriate, is available to the sector to enable good practice to be shared. 	<ul style="list-style-type: none"> • Support national research with staff.
<ul style="list-style-type: none"> • A Trading company is a separate legal entity and elected members and officers should at all times be aware of potential conflicts of interest when carrying out their roles for their authorities, or when acting as directors of trading companies. • Ensure any actions taken in respect of trading companies are considered against the requirements of competition law. • Financial assistance – in cash or in kind – given by an authority that establishes or participates in it, should be for a limited period, set against the expectation of later returns, and re-paid by those returns. • Any assistance should be provided under a formal agreement with the company and must be entered into for a commercial purpose. Before entering into such an agreement, the authority should satisfy itself that it will achieve its objective, and the company should satisfy itself that it will meet its objective in terms of its business plan. • The parties should consider any State Aid implications and obtain their own expert advice where necessary. 	<ul style="list-style-type: none"> • TWFRS Ltd. • Company law compliant. • TWFRA shares. • No dividends paid as yet. • Constitution agreed. • Directors fixed to specified roles. • Observe State Aid regulations.

Workforce	
<ul style="list-style-type: none"> • Have in place a people strategy that has been designed in collaboration with the workforce and take into account the principles set out in the NFCC's people strategy. • It should cover improving the diversity of the workforce, equality, cultural values and behaviours, recruitment, retention and progression; flexible working; professionalism, skills and leadership; training; health and safety, wellbeing, disabilities and support; and tackling bullying, harassment and discrimination. 	<ul style="list-style-type: none"> • Organisational Development Strategy. • Leadership Bond. • Engage programme. • Training. • Recruitment. • Employee Survey.
<ul style="list-style-type: none"> • Implement the approved professional standards that result from the national work. 	<ul style="list-style-type: none"> • IFE Exams Pilot in progress. • Fire safety Qualifications.
<ul style="list-style-type: none"> • 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 • Ensure that no individual will automatically face dismissal if they fall below the standards required and cannot be deployed operationally; • Ensure that all operational personnel will be provided with support to maintain their levels of fitness for the duration of their career; • 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; • 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; • Refer an individual to occupational health where underlying medical reasons are identified that restrict/prevent someone from achieving the necessary fitness; and ensure that individual receives the necessary support to facilitate a return to operational duties; and • Fully explore opportunities to enable the individual to remain in employment including through reasonable adjustment and 	<ul style="list-style-type: none"> • Work between OHU and LD to determine a strategy for all Operational personnel which includes: • All Operational staff provided with the time to undertake physical training on a daily basis when at work. • Chester walk 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 staff. • Operational vaccination programme. • Welfare officer support. • Access to Welfare officer. • Stress awareness programmes. • Promoting Positive Mental health programme. • Mind, Blue Light Time to Change. • OHU Monitoring and associated fitness plan. • Access to physiotherapy service. • Accelerated access to health scheme. • Independent qualified medical practitioner. • Ongoing health surveillance. • Advice from the Occupational Health Physician.

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<p>redeployment in role where it appears the medical condition does not allow a return to operational duties.</p>	<ul style="list-style-type: none"> • Redeployment if appropriate. • Policy and procedure. • Annual figures regarding this data. • 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. • Referral to an Occupational Health Advisor / Physician for effective case management. • Written policy for guidelines around this. • Risk assessments to determine reasonable adjustments. • Recommendations can be made by OHU to assist in this process with regards to capability and reasonable adjustments. • Redeployment process.
<ul style="list-style-type: none"> • Not re-appoint principal fire officers after retirement to their previous, or a similar, post save for in exceptional circumstances when such a decision is necessary in the interests of public safety. • In the exceptional circumstance that a re-appointment is necessary in the interests of public safety, this decision should be subject to agreement by a public vote of the elected members of the FRS, or a publicised decision by the appropriate elected representative of the FRA. • All principal fire officer posts must be open to competition nationally, and FRAs must take account of this in their workforce planning. • While the above requirements only extend to principal fire officers, we expect FRAs to have regard to this principle when re-appointing at any level. 	<ul style="list-style-type: none"> • No Principal fire officers have been reappointed. • Recruitment for CFO, ACFO and AM posts were open to national competition. • Recruitment campaign jointly with DDFRA and NFRS.

Inspection Intervention and Accountability	
<ul style="list-style-type: none"> • Cooperate with the inspectorate and its inspectors to enable them to deliver their statutory function. This includes providing relevant data and information to inform inspections. • FRAs must give due regard to reports and recommendations made by HMICFRS and if recommendations are made, prepare, update and regularly publish an action plan detailing how the recommendations are being actioned. • If the FRA does not propose to undertake any action as a result of a recommendation, reasons for this should be given. • When forming an action plan, the FRA could seek advice and support from other organisations, for example, the National Fire Chiefs Council 	<ul style="list-style-type: none"> • Compliance with HMICFRS data request within deadline and preparations made for future data submissions. • Temp secondment of three staff (Inspection Support Team) to co-ordinate inspection planning and liaise with Inspectorate. • Proactive engagement with Service Liaison Lead and central HMI inspection team to make all required information available. • Internal comms plan in place to prepare organisation for first inspection. • Inspection Support Team will co-ordinate outcome / recommendations of the first inspection. • Supporting regional sharing of information by hosting regional meeting.
<ul style="list-style-type: none"> • Have governance and accountability arrangements in place covering issues such as financial management and transparency, complaints and discipline arrangements, and compliance with the seven principles of public life. • Each FRA must hold the individual who has responsibility for managing the fire and rescue service – an operational or non-operational Chief Fire Officer – to account for the delivery of the fire and rescue service and the functions of persons under their direction and control. • In demonstrating their accountability to communities for the service they provide, fire and rescue authorities need to: <ul style="list-style-type: none"> ○ be transparent and accountable to their communities for their decisions and actions; ○ provide the opportunity for communities to help to plan their local service through effective consultation and involvement; and ○ have scrutiny arrangements in place that reflect the high standard communities expect for an important public safety service. 	<ul style="list-style-type: none"> • Governance Committee. • Policy and performance committee. • Fire Authority. • IRMP. • MTFS. • Strategic Community Safety Plan. • Community Safety Strategy. • Organisational Development Strategy. • Publications scheme. • Statement of Assurance. • Final accounts. • Governance framework. • Annual review of governance arrangements. • Vfm conclusion. • ATIS. • Public consultation, social media and web site. • Stakeholder engagement. • Public engagement at events. • Comment, compliments and complaints.

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<ul style="list-style-type: none"> • Must comply with their statutory transparency requirements. • Publish certain information, including: senior salaries; register of interests; staffing; income and expenditure; property; rights and liabilities; and decisions of significant public interest. • Make communities aware of how they can access data and information on their performance. • Submit to the Secretary of State any reports and returns that are required; and • Give the Secretary of State any information with respect to its functions that are required. • FRAs have a responsibility to provide regular data to the Home Office 	<ul style="list-style-type: none"> • Statement of Assurance and Annual Report (since 2013). • 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 Strategy. • 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. • Data shared with Home Office and HMICFRS for data returns.
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TYNE AND WEAR FIRE AND RESCUE AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2018/19

1 SCOPE OF RESPONSIBILITY

- 1.1 Tyne and Wear Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Authority has had a Code of Corporate Governance in place since 2003, which was revised during 2017/2018. The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. The revised Code is available on the Authority's website (www.twfire.gov.uk) or can be obtained from the Fire and Rescue Service Headquarters.
- 1.4 In providing the Annual Governance Statement the Authority has observed and complied with the revised principles contained within the Framework of the updated CIPFA Code of Corporate Governance 2016. The Authority has well established policies, procedures and controls that satisfy all of the new requirements in detail. The TWFRS Code of Corporate Governance is revised to reflect the changes made in the 2016 CIPFA Framework.
- 1.5 This Statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement of internal control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework primarily includes systems, processes, culture and values by which the Authority directs and controls its activities and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 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 the Authority's 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.
- 2.3 The governance framework has been in place at the Authority for the year ending 31 March 2019 and during the approval of the Statement of Assurance and Annual Report and Statement of Accounts.

3 THE GOVERNANCE FRAMEWORK

- 3.1 **There is a clear vision of the Authority's purpose and intended outcomes for service users that is clearly communicated, both within the organisation and to external stakeholders:**
 - The Strategic Community Safety Plan (SCSP) / Intergrated Risk Management Plan (IRMP) draws together a shared vision, principles for action and priorities (strategic objectives). For each strategic objective, key targets have been identified. The Plan sets out explicitly the key actions and performance targets for the future, and these are clearly linked with departmental / district service plans and resources. The Plan outlines the Authority's roles and responsibilities, the context in which it

operates, what the strategic priorities and improvement objectives are, how the Authority will realise its vision, what its performance improvement and monitoring arrangements are, performance indicators and a financial overview. The financial overview section provides background commentary to the issues the Authority has considered in setting the budget and in preparing the Medium Term Financial Strategy.

- The SCSP and IRMP contain actions which recognises the risks within the Authority boundaries that are identified in the Community Risk Profile and need to be addressed, and ensures that the available resources are targeted at these risks.
- Communication of objectives to employees and stakeholders takes place through the following means:
 - Distribution of the SCSP / IRMP on the Authority's website and intranet;
 - Consultation with employees, members of the public and other stakeholders on IRMP proposals:
 - The issue of a Statement of Assurance and Annual Report setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been
 - Through the Authority's Investors in People processes
 - Internal communication channels, including listening events, management / employee briefings and Vlogs
 - Posters throughout the Authority's premises.

3.2 Arrangements are in place to review the Authority's vision and its implications for the Authority's governance arrangements:

- The Strategic Community Safety Plan / Integrated Risk Management Plan and all priorities are regularly reviewed to provide a long-term focus for the Authority.
- Through reviews by external bodies the Authority constantly seeks ways of securing continuous improvement. The Authority has professional and objective relationships with these external bodies.
- There are comprehensive annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.

3.3 Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources:

- There are clear and effective performance management arrangements including personal development plans for all employees, which address financial responsibilities and include equality objectives.
- There is regular reporting of performance against key targets and priorities to the Authority's Executive Leadership Team, the Governance Committee and the Policy and Performance Committee.
- Services are delivered by suitably qualified / trained / experienced employees and all posts have detailed job profiles / descriptions and person specifications.
- External auditors deliver an opinion annually on whether the Authority is providing value for money.

3.4 The roles and responsibilities of all officers and employees 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.
- The Standing Orders contain the Terms of Reference of the full Authority and other committees, setting out executive and scrutiny functions within these.

3.5 Codes of Conduct defining the standards of behaviour for Members and employees are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:

The following are in place:

- Members' Codes of Conduct
- Employees' Code of Conduct
- Registers of Interests, Gifts and Hospitality
- Monitoring Officer Protocols

3.6 Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:

- The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations. The Strategic Finance Manager employed by the Authority is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs. The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.
- The Authority has in place up to date financial procedure rules and procurement rules which are subject to regular review.
- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:
 - Whistle Blowing Policy
 - Anti-Fraud and Corruption Policy
 - Codes of Conduct
 - Health and Safety Policy
 - Compliments, Comments and Complaints Policy
 - Corporate Risk Management Strategy
 - Procurement Codes of Practice
 - Partnerships Procedure
 - Treasury Management Strategy based upon CIPFA's Treasury Management Codes
 - Functional budget management schemes
- There are robust and well embedded risk management processes in place, including:
 - Risk Management Strategy and Policy Statement
 - Corporate Risk Register
 - Community Safety Strategy
 - Organisational Development Strategy
 - SCSP / Integrated Risk Management Plan
 - Nominated Risk Manager
 - Corporate Risk Management Group
 - Partnerships Risk Register
 - Member Risk Champion
 - Risk Management and Assurance Database
 - Information Asset Register
 - Information Asset Management Policy.
- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.

- The Authority aligns with ISO22301 for Business Continuity, and Business Continuity Plans are in place which are subject to ongoing review, development and testing.
- There are clearly defined capital expenditure guidelines and capital appraisal procedures in place.
- Appropriate project management disciplines are utilised.
- The Authority participates in the National Fraud Initiative and subsequent investigations.

3.7 The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*, are undertaken by members.

The Authority has a Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- Consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it.
- Receive and consider (but not direct) internal audit's strategy, plan and monitor performance.
- Receive and consider the external audit plan.
- Review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary.
- Receive and consider the annual report of internal audit.
- Consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit, and
- Make recommendations or comments to the Authority as appropriate.

3.8 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members:

- The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers, to safeguard the legality of all Authority activities.
- The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

3.9 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:

- The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, a Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way.

- The framework in place to ensure the aims of this policy are met are set out in the 'Whistle Blowing Policy Arrangements' procedure for Authority staff. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and there is also a whistle blowing policy and procedure for members of the public.
- Monitoring records held by the Deputy Clerk on behalf of Members, and the Chief Fire Officer on behalf of employees and members of the public reveal that the whistle blowing arrangements are being used, and that the Authority is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

3.10 Arrangements exist for identifying the development needs of members and Principal officers in relation to their strategic roles:

- The Authority has a Members Learning and Development Programme in place which sets out a clear commitment to Members to provide a range of learning and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Authority strategic objectives. In addition Members have access to their nominating authority learning and development policies, plans and procedures.
- The Elected Member Learning and Development Programme aims:
 - To provide comprehensive Member development
 - To ensure that all newly elected Members are properly inducted into the Authority
 - To ensure that all emerging needs for both individuals and across the board are identified and addressed
 - To ensure that resources available for Member development are effectively used.
- The Authority has an Organisational Development Strategy to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices and is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual performance review focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Authority.

3.11 Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- The Authority has a consultation policy which aims to ensure that consultation activity is effectively co-ordinated across the Authority and with partner agencies, impacts on service delivery, and is delivered to a high standard.
- The consultation policy is complemented by the Community Safety Strategy which outlines the Authority's approach to engaging with the community, in particular minority and vulnerable sectors of society.

3.12 Governance arrangements with respect to partnerships and other group working incorporate good practice as identified in guidance on the governance of partnerships, and are reflected in the Authority's overall governance arrangements:

- The Authority has published a Partnerships Procedure which includes a template for Partnership Agreements and a Partnership Toolkit. This was revised in 2015. The procedure is designed to provide a corporate framework for all employees involved in considering new partnership working, and to assist Members and officers to review existing arrangements.
- A Register of Partnerships is maintained. The deliverables of all prospective and existing partnership is closely measured using a standard framework.
- A review of all partnerships is presented to the Executive Leadership Team.
- An Information Sharing Protocol is published which underpins Information Sharing Agreements with partners.

- The Authority's governance arrangements extend to cover the wholly owned subsidiary "TWFRS Ltd".

4 REVIEW OF EFFECTIVENESS

4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by feedback from Members and the work of all senior managers within the authority 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.

4.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

The role of the Authority:

- Elected Members have participated in the annual review of the Authority's Corporate Governance arrangements.
- The Chair / Vice Chair of the Authority, the Chief Fire Officer and the Strategic Finance Manager have overseen the review and signed the Annual Governance Statement.

The role of the Executive Leadership Team:

- The findings of the Annual Governance Review have been reported to the Executive Leadership Team for their consideration and comment.

The role of the Governance Committee:

- The findings of the Annual Governance Review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- There is a system of scrutiny delivered through the HR Committee, Governance Committee and the Policy and Performance Committee including scrutiny of:
 - The effectiveness of corporate governance arrangements;
 - The Authority's treasury management policy and strategy, including the annual borrowing and investment strategy;
 - Organisational performance; and
 - Potential for future changes in service provision based on relevant performance information, risk analysis and changes in economic, social and environmental conditions or statutory requirements.

4.3 All Area Managers including the Strategic Finance Manager have participated in the annual governance review relating to their areas of responsibility by providing Controls Assurance Statements relating to their area of responsibility, following consideration of their department heads' detailed self-assessments / questionnaires.

4.4 Internal audit planning processes include consultation with the Principal Officers, reviews of the Strategic Community Safety Plan / Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based and includes risks in relation to the achievement of Service objectives, and Internal Audit Services carry out regular systematic auditing of key financial and non-financial systems. In concluding their report on the 2017/18 Audit activities, they stated "Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken in 2017/18, it is considered that overall throughout the Service there continues to be a good internal control environment."

4.5 External audit is undertaken by Mazars, a limited liability partnership appointed by Public Sector Audit Appointments Limited for this purpose. The Annual Audit Letter gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority's arrangements).

- 4.6 The Group considered the Annual Audit Letter and Audit Completion Report prepared by the Authority's external auditors, Mazars, covering 2017/2018, which gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).
- 4.7 Mazars issued an unqualified conclusion on both financial management arrangements and Value for Money. Their report included comments that:
- The Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of delivering planned budget reductions.
 - In the 2018/19 budget, the Authority identified that over the medium term of 2018/19 to 2021/22 it face a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap 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.
 - The Authority also concluded its negotiations with the Home Office over the repayment of the £10.5m historic overpayment of fire injury pensions. 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.
 - The Audit report concluded that the Auditors were 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.
 - The Audit work carried out provided assurance that there was no indication of management override of controls or material estimation error in respect of pensions.
- 4.8 It is considered that the Annual Audit Letter provides reassurance that the Authority's overall governance and control arrangements are satisfactory.
- 4.9 Findings of external bodies / audits are collated, acted upon and monitored by the Executive Leadership Team.

5 CONCLUSION AND AGREED ACTIONS

- 5.1 The 2018/19 Corporate Governance Action Plan presented to Fire Authority in June 2019 includes 17 corporate improvement objectives, 6 of which were completed during the year, leaving 11 to be carried forward to the 2019/20 Action Plan, demonstrating continued improvement in these areas. In addition, 7 new actions were identified during the annual review.

6 ASSURANCE STATEMENTS

- 6.1 The Executive Leadership Team, the Authority and the Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Authority's Corporate Governance and Internal Control Arrangements.
- 6.2 We propose over the coming year to take steps to implement the action plan to further enhance the Authority's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Chair of the Authority

Chris Lowther
Chief Fire Officer and Chief
Executive

Dennis Napier
Finance Officer

Date

Appendix F

Tyne and Wear Fire and Rescue Authority

2019/20 Annual Review of Corporate Governance and Internal Control Arrangements

Action Plan 2019/20

Ref.	Corporate Improvement Objectives	Action	Responsible Officer	Update
28	<ul style="list-style-type: none"> Meet data security requirements, including implementation of Emergency Services Mobile Communication Programme (ESMCP). 	In progress - Carried forward from 2015/16 Action Plan due to national programme reset.	ACO Community Safety / ACO Organisational Development	<p>2015/16 – Project scoping and establishment of Regional Project Board.</p> <p>2016/17 – Detailed project/resource planning, commission IT Health Check and commence work on Remedial Action Plan, bid for Government Funding.</p> <p>2017/18 – Review project/resource plan due to revised national timeline, commission updates for Control Room equipment to enable continuity of service during transitional period and on Emergency Services Network.</p>

				<p>2018/19 – Commence role out of new devices to Fire Appliances and Officers to replace current Airwave equipment.</p> <p>2019/20 – National project ‘reset’ has taken place with revised Full Business Case expected in Autumn 2019. Estimated transition commencement for TWFRS is now no earlier than January 2021 with transition required to be completed by no later than December 2022 in line with Airwave shutdown.</p>
31	<ul style="list-style-type: none"> Development and introduction of Coaching / Peer Support system, new policy to assist development of personnel 	In progress - Carried forward from 2016/17 Action Plan	AM HR / L&OD	<p>2017/18 In development on a formal basis. Delays due to capacity and resource issues within the OD function. To be carried over to 2018/19:</p> <ul style="list-style-type: none"> Use of coaching as a development tool is now starting to increase as a result of more meaningful performance and development conversations taking place particularly at SMG level. (In progress) Draft coaching policy being developed to help guide the

				<p>identification of external and internal coaches (In progress)</p> <ul style="list-style-type: none"> • Coaching programme being developed to grow our own internal coaches as part of Inspire (Not yet started – capacity and conflicting priorities) • Coaching as a Management Style module in Achieve programme refined to support deeper understanding and practical application (In progress) • 1-2-1 coaching feedback from OD Manager to all of SLT has taken place using their i3 personality profile. (Complete) • 1-2-1 coaching feedback to all members of ELT on their i3 personality profile (Complete) <p>2019/20 - Actions to be carried over to 2019/20:</p> <ul style="list-style-type: none"> • Develop and implement a coaching policy • Identify and train a team of internal coaches
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				<ul style="list-style-type: none"> • Work with Procurement to identify a preferred list of suitable external coaches (for use when required) • Monitor, review and evaluate impact of programme.
32	<ul style="list-style-type: none"> • Succession planning to be further developed and implemented 	In progress - Carried forward from 2016/17 Action Plan	AM HR / L&OD	<p>2018/19 - Carried over to 2018/19 due to capacity issues within HR L&OD. Initial scoping completed of revised MAP process and management of talent pool.</p> <p>2019/20 - Actions to be carried over to 2019/20:</p> <p>MAP underway, talent pools will be created and a further review with HR/L&OD will be scheduled to discuss next steps</p>
33	<ul style="list-style-type: none"> • Working towards the Faculty of Occupational Medicines 	In progress - Carried forward from 2016/17 Action Plan	AM HR / L&OD	Safe, Effective, Quality Occupational Health Service Standards (SEQOHS) are on hold until 2020
38	<ul style="list-style-type: none"> • Replacement HR MIS System project 		AM Strategy and Performance / AM HR / L&OD	2017/18 - Project developed to phase 2 stage, undergoing a joint procurement exercise with Northumbria Police concluding June 17.

		In progress - Carried forward from 2015/16 Action Plan		<p>2018/19 - Envisage project end date October 18.</p> <p>2019/20 - The procurement exercise with Northumbria Police was completed in Sept 17. Implementation of Phase 1 of the new system commenced in July 18.</p> <ul style="list-style-type: none"> • Priority 1 activities were completed by 28 February 2019. • Priority 2 activities are in progress to be completed by 30 June 19. <p>Implementation of Phase 2 commenced in March 19.</p>
43	<ul style="list-style-type: none"> • Review and streamline policies and procedures, to include PIA & EIA and support training, to align to new strategic planning framework. 	In progress – Carried forward from 2018/19	AM Strategy and Performance	<p>2019/20 – Action to review and streamline policies has commenced and will be completed in 2019/20 via a Policies & Procedures Working Group convened of staff from across the Service.</p>
44	<ul style="list-style-type: none"> • Review and implement revised PDR process in line with new OD Strategy 		AM HR / L&OD	<p>2018/19 - Pilot of PDR carried out</p> <p>2018/19 - SMG now using the new PDR guides and process</p> <p>2019/20 - Actions to carry over to 2019/20:</p> <ul style="list-style-type: none"> • Plan to roll out PDR to Middle Managers in its current form

				<ul style="list-style-type: none"> Build PDR into Core Talent to enable the rest of the service to use the PDR process
48	Implement induction process	In Progress – Carried over from 2018/19	AM HR/L&OD	<p>2018/19 - New process trialled and evaluated.</p> <p>2019/20 - To embed into HR on-boarding / induction process via Core.</p>
50	<ul style="list-style-type: none"> Project Management principles and processes are applied i.e. PSUs and evaluations completed in all projects. 	In progress – Carried forward from 2018/19	AM Strategy and Performance	<p>2018/19 - Monitoring during 2018/19 to ensure compliance with the approach.</p> <p>2018/19 - Framework is in place but not yet consistently applied. Being addressed through closer integration of projects and project evaluation into corporate planning process.</p> <p>2019/20 – Process developed but to be embedded through consistent practice and closer integration of PSUs into annual planning rounds.</p>
51	<ul style="list-style-type: none"> External consultation process to be updated. 	In progress – Carried forward from 2018/19	AM Strategy and Performance	<p>2018/19 – To include development of framework for external consultation on strategic plans including consideration of accessibility and EDI issues, and framework for stakeholder engagement.</p>

				2019/20 – Activity has commenced as detailed above and will continue into 2019/20.
54	<ul style="list-style-type: none"> • HMICFRS inspection to feed into the Improvement Plan 		AM Strategy and Performance	<p>2018/19 – End of 18/19 initial inspection will be completed.</p> <p>2019/20 – HMICFRS Post-Inspection Improvement Planning underway. Once agreed, this will be reflected in the Improvement Plan</p>
55	<ul style="list-style-type: none"> • Progress the diversification of the workforce 	In progress – Carried forward from 2018/19	CFO / ACO Organisational Development	2019/20 – SLT and Network Groups to work together to ensure sustainable approach to Positive Action across the Service.
56	<ul style="list-style-type: none"> • Awareness of responsibilities and behaviours as identified in the Leadership Bond 	In progress – Carried forward from 2018/19	AM HR / L&OD	<p>2018/19 - Embedded within HMICFRS improvement actions.</p> <p>2018/19 - Leadership Bond now distributed across the service – poster campaign and workshops for SMG and MM carried out. Next phase is to integrate the behaviours into our talent management and development processes (joint work with HR), which has already commenced e.g. Corporate Governance Workshop held in March</p>

				<p>asked participants as part of their pre-work to consider how their day to day actions in relation to governance aligned with the leadership bond behaviours.</p> <p>2019/20 – Leadership Bond to be reinforced within teams and at staff-wide events.</p>
58	<ul style="list-style-type: none"> Develop and embed QA processes and behaviours within the organisation (including learning from HMICFRS) 	New Action	ELT / AM Strategy and Performance	
59	<ul style="list-style-type: none"> Develop quarterly Corporate Performance Report to ELT and PPC 	New Action	AM Strategy and Performance	
60	<ul style="list-style-type: none"> Information Asset Register(IAR) and recording system to be reviewed, supported by new technology and further training 	New Action	AM Strategy and Performance	
61	<ul style="list-style-type: none"> Ensure there are agreed IRMP actions to deliver the resource shortfall identified in the MTFS 	New Action	ELT / Strategic Finance Manager	
63	<ul style="list-style-type: none"> Develop processes and structures for embedding and acting upon organisational learning 	New Action	ELT	
64	<ul style="list-style-type: none"> Development and implementation of Cyber Security Resilience within TWFRS. 	New Action		<p>2019/2020 Actions</p> <p>Develop, implement and embed the cyber resilience strategy:</p> <ul style="list-style-type: none"> Ensure visibility and familiarisation across the TWFRS service. Develop and deliver awareness training

				<ul style="list-style-type: none"> Carry out a gap analysis on current technology systems
65	<ul style="list-style-type: none"> Ensure appropriate business continuity arrangements are in place to manage the potential impact of exiting the European Union 	New Action	ELT	

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No. 6

GOVERNANCE COMMITTEE MEETING: 31st May 2019

STATEMENT OF ACCOUNTS 2018/2019 (SUBJECT TO AUDIT)

REPORT OF THE FINANCE OFFICER

1. Purpose of the Report

- 1.1 To provide members with an opportunity to scrutinise and question the draft Authority's Statement of Accounts for 2018/2019 (Subject to Audit) – (Appendix A), the Finance Officer's Narrative Statement and a copy of the draft Annual Governance Statement that are required to be published separately alongside the Accounts in line with the requirements of the Accounts and Audit Regulations 2015. Both statements are however also included within the Authority's Statement of Accounts. Any late adjustments to the accounts will, if necessary, be tabled at the meeting.
- 1.2 To provide members with details of the Statement of Accounts process and the key dates that electors have to challenge the accounts.
- 1.3 To provide members with the Letters of Assurance required by the external auditor as part of the final accounts process.

2. Introduction

- 2.1 The Authority has to comply with the financial reporting requirements set out in the Accounts and Audit Regulations 2015, which are listed below for information:

The Relevant Finance Officer (RFO) must certify that the accounts for 2018/2019 present a true and fair view of the financial position by no later than 31st May of each year.

There is also a set of requirements that the RFO must observe as follows:

The RFO must publish (including on the Authority's website) the following:

- The (certified) Statement of Accounts and an accompanying declaration that they are unaudited and subject to change;
- The Annual Governance Statement (in draft, if the Authority has not formally approved the Statement);

- The Narrative Statement;
 - A statement that sets out:
 - The period for the exercise of public rights which must include the first 10 working days in June;
 - Provide details of the manner in which the notice of intention to documents should be given;
 - The name and address of the auditor;
 - The provisions of section 26 and 27 of the Local Audit and accountability Act 2014;
 - The RFO must also commence the period for the exercise of public rights and notify the auditor of the date on which the period commences. This period must be a single period of 30 working days, and as stated above, must include the first 10 working days in June.
- 2.2 The requirement for the accounts, once audited, to be approved by members of this Committee must be completed by 31st July.
- 2.3 The following requirements must also be observed:
- Following conclusion of the period for the exercise of public rights, the accounts must be:
 - Considered by members (Committee or meeting as a whole)
 - Re-confirmed by the RFO on behalf of the Authority that the Statement of Accounts present a true and fair view before the accounts are approved.
 - Approved by the same Committee or meeting
 - Signed – this must be by the person who presides over the meeting where the accounts are considered and approved.
 - The approved and audited accounts, approved Annual Governance Statement, and the Narrative Statement, must be published (including on the Authority's website);
 - An Authority must publish (including on the Authority's website) that the audit has been concluded and that the audited Statement of Accounts has been published. This must be by 31st July for 2019.
- 2.4 Quality checks continue on the accounts right up until the time they are received by this Committee for information in order to ensure that the draft Accounts subject to audit reflect the most accurate and best set of accounts possible. If any changes are necessary these will be tabled at the meeting.

3. Statement of Accounts 2018/2019 (Subject to Audit)

- 3.1 The draft financial statements for 2018/2019 subject to audit (Appendix A) are to be certified later today by the Finance Officer in accordance with the regulations.
- 3.2 Members should note that the Narrative Statement prepared by the Finance Officer is included within the Statement of Accounts and as members know this provides a very helpful summary of the main financial issues in 2018/2019 for the Authority and is there to help put the accounts, which are very complex by nature, into context. This has also been separately set out in Appendix B in accordance with the requirements.
- 3.3 Members, should they wish, are able to ask questions on the accounts and Narrative Statement at this stage before the audit has commenced, although they will have a further opportunity in July when the audited 2018/2019 accounts are to be formally considered for approval.
- 3.4 In accordance with the requirements the Annual Governance Statement (AGS), has to be published whether it has been approved or not by the Authority. A copy is attached in Appendix C to this report but simply replicates the AGS set out in an earlier report on today's agenda.
- 3.5 The statement required from the Authority that details 'the period for the exercise of public rights' is set out in Appendix D to this report.
- 3.6 The certified Accounts and the required Statements and Notices will be published on the Authority's web site later today in accordance with the regulations.

4. Recommendations

- 4.1 To note both the draft and unsigned Statement of Accounts 2018/2019 (subject to audit) and the separate Statements, which are set out in more detail in Appendices B to D of this report, in complying with the requirements of the Accounts and Audit Regulations 2015.
- 4.2 To approve the contents of the Letter of Assurance from those charged with Governance (Appendix E) and, to note the Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix F).



Tyne and Wear Fire and Rescue Authority

Statement of Accounts 2018/2019 (subject to audit)

Declaration:

**These certified accounts have yet to be audited and
could change as a result of the external audit.**

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Authority Membership 2018/2019

Chairman

Councillor B. Curran (Sunderland City Council) from 18th June 2018 to 2nd May 2019

Vice-Chairman

Councillor N. Forbes (Newcastle City Council)

Councillors

Sunderland City Council

Councillor R. Oliver

Councillor A. Emmerson to 18th June 2018

Councillor I. Galbraith to 18th June 2018

Councillor R. Bell from 18th June 2018

Councillor A. Taylor from 18th June 2018

Newcastle City Council

Councillor R. Renton to 18th June 2018

Councillor H. Stephenson

Councillor K. Kilgour

Councillor T. Woodwark from 18th June 2018

Gateshead Council

Councillor G. Haley

Councillor K. Dodds

Councillor P. Maughan to 18th June 2018

Councillor D. Duggan from 18th June 2018

North Tyneside Council

Councillor C. Burdis

Councillor J.L.L. Harrison

Councillor B. Pickard

South Tyneside Council

Councillor J. Perry

Councillor W. Flynn

Police and Crime Commissioner

Dame Vera Baird QC

Independent Members

Mr G.N. Cook

Miss G.M. Goodwill

Mr M. Knowles

Mr D. Hall

Chief Officers

C. Lowther, Chief Fire Officer and Chief Executive (Clerk to the Authority)

D Napier, Finance Officer

Introduction

We are pleased to present the Statement of Accounts for the year 2018/2019 for Tyne and Wear Fire and Rescue Authority. A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers' money. We recognise, however, that the Authority's accounts can only tell part of the story. The Authority needs to demonstrate that it is aiming to operate to the highest standard of conduct in accordance with the principles of Corporate Governance and continues to have a robust system of internal control in place.

With regard to Corporate Governance, the Authority considers, annually, a review of its Code of Corporate Governance. A report on the annual review will be received at the meeting of the Governance Committee on 31st May 2019. The Code takes account of the CIPFA framework, 'Delivering Good Governance in Local Government', produced in 2007 and revised in 2016 by CIPFA and SOLACE. The review specifically considers the seven core principles of good governance as defined in the framework as, behaving with integrity, ensuring openness, defining outcomes, determining interventions, developing capacity and capability, managing risks and performance, and accountability.

The review found that the Authority continues to have robust and comprehensive arrangements in place, but has identified a small number of areas for improvement and development which are not considered significant that will be acted upon during 2019/2020.

In line with guidance issued by CIPFA, the Authority operates a Governance Committee to take on the remit of an Audit Committee. The role of this Committee involves not only approving the Statement of Accounts, but also reviewing arrangements for areas such as risk management, treasury management, the wider internal control environment and also consideration of internal and external audit plans, progress reports and annual reports.

Elsewhere within the Statement of Accounts, an Annual Governance Statement has been included, which confirms that there are sound systems of Internal Control in place. We will also continue to ensure action is taken, where necessary, to maintain and develop the system of Internal Control for the Authority in the future.

Chris Lowther
Chief Fire Officer and Chief Executive

Dennis Napier
Finance Officer

Councillor Nick Forbes
Vice-Chair of the Authority

Dated:

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer (the Finance Officer) is the Strategic Finance Manager of Tyne and Wear Fire and Rescue Service;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Finance Officer's Responsibilities

The Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code.

The Finance Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Statement of Accounts

Statement of Accounts 2018/2019 (Subject to Audit) Certification by the Responsible Finance Officer

As the Tyne and Wear Fire and Rescue Authority's Responsible Finance Officer, I hereby certify that in accordance with the Accounts and Audit Regulations 2015 Regulation 8 (1) the Statement of Accounts for 2018/2019 (subject to audit) presents a true and fair view of the financial position of Tyne and Wear Fire and Rescue Authority as at 31st March 2019 and its income and expenditure for the year then ended.

Mr D Napier
Finance Officer

Dated:

Audited Statement of Accounts 2018/2019 Certification on behalf of those charged with governance

As Chairman of the Governance Committee held on 29th July 2019, I hereby acknowledge receipt of the audited Statement of Accounts for 2018/2019 by this Committee, in accordance with the Accounts and Audit Regulations 2015 Regulation 8 (3) (a), and confirm that the Statement of Accounts was approved at the Governance Committee of 29th July 2019 in accordance with sub-paragraph 8 (3) (b) with regard to the aforementioned Regulations.

Mr G.N Cook
Chairman of the Governance Committee

Dated:

Audited Statement of Accounts 2018/2019 Certification by the Responsible Finance Officer

As the Authority's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2018/2019 in accordance with Regulation 8 (1) of the Accounts and Audit Regulations 2015.

Mr D Napier
Finance Officer

Dated:

Narrative Statement – 2018/2019

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.129 million spread amongst the five constituent councils of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland in the North East of England. The population density of the area is comparable to that of other Metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, West Midlands and West Yorkshire), and accounts for 43% of the North East's population in just 6% of the total land area. The area covered by the Service covers 538 square kilometres and borders with Counties of Durham to the south and Northumberland to the north.

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

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

Vision and Purpose

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

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

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

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

The Authority publishes an Annual Report to highlight its successes over the previous twelve months, including its performance against national indicators and the opinions of external inspectors, as well as outlining details of the improvements introduced to meet the Authority's vision of "Creating the Safest Community".

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

Performance

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

Narrative Statement - 2018/2019 (continued)

Summary of Performance

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

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

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is targeted home safety checks, which involve Community Firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and practical support, such as installing smoke detectors. During 2018/2019, the Service carried out 28,267 home safety checks (31,134 in 2017/2018) and attended a total of 17,328 incidents (17,083 in 2017/2018).

Service Led Priorities

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

	2016/2017	2017/2018	2018/2019
Performance Indicator			
Number of fatalities from all fires	4	4	5
Number of injuries from accidental dwelling fires (excluding precautionary checks)	43	37	47
Number of accidental fires in dwellings	563	531	545
Number of false alarms due to automatic fire detection from non-domestic properties	1,803	1,745	1,717
Number of primary fires	1,719	1,797	1,870
Number of deliberate fires	4,461	5,592	5,722

The Authority has a long track record of reducing fires but, sadly, in 2018/2019 there were five deaths attributed to fire. The service will continue to strive to work towards the target of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2018/2019. Over the past ten years, there has been a number of significant performance achievements, including a 10% reduction in the number of fire calls attended, 22% reduction in the number of primary fires attended, 23% reduction in the number of accidental fires in dwellings, 11% reduction in the number of deliberate fires and a 51% reduction in the number of false alarms due to automatic fire detection from non-domestic properties.

Performance Improvement

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

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

Narrative Statement – 2018/2019 (continued)

Efficiency Plan and Implications

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

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

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

	Published 4 Year Efficiency Plan	Actuals Achieved *
	£'000	£'000
2016/17 – Budget Efficiencies	1,323	1,323
IRMP Actions	1,184	1,184
2017/18 – Budget Efficiencies	1,394	1,441
IRMP Actions	1,773	2,267
2018/19 – Budget Efficiencies	4	948
IRMP Actions	1,081	923
Total as at 31st March 2019	6,759	8,086
Further Proposed Savings:		
2019/20 – Budget Efficiencies	0	346
IRMP Actions	1,489	110
Total	8,248	8,542

*The Actuals Achieved reflect the fact that the Authority implemented the Organisational Management Review in full from 2017/2018 saving £1.690m. In the original Efficiency Plan this was expected to straddle both 2017/2018 and 2018/2019 financial years.

Although the Authority has found savings of £8.086m by the end of 2018/2019, £1.327m more than that set out in the Efficiency Plan, it still has to deal with, not only grant funding reductions, but also spending pressures, such as significant inflationary cost increases and pay awards. A further £0.162m still has to be found in the remaining year of the four year Efficiency Plan, for which planned savings totalling £0.456m have been identified to date. Any additional savings beyond the total in the Efficiency Plan will help to address the increased future Budget Gap that has developed since the original Plan was drafted.

It should be noted that the Authority has already made very difficult budget cost reductions that have impacted upon all areas of the service. Front line services have been affected, both in terms of reducing firefighter numbers and changes to the response model in operation. The base budget has been reduced by £11.3m or 19% since 2010/2011 and the Revenue Budget Gap identified in the MTFS up until 2022/2023 of £4.088m will become much more challenging for the Authority to address as a result.

Narrative Statement – 2018/2019 (continued)

New actions are currently being examined to make the further budget efficiencies needed. The current IRMP 2017/20 contains three broad reviews covering, Response, Collaboration and Ways of Working. Once savings can be quantified, and the actions approved, they will be factored in to an updated Medium Term Financial Strategy. In the medium term it is recognised that temporary use of reserves may be needed until these actions can be implemented and permanent budget reductions achieved.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2019, the Government confirmed the local government finance settlement for 2019/2020, the final year of the four year settlement. The Authority continues to face a disproportionately greater reduction in funding compared to most other Fire Authorities. The Settlement appears to show that the more deprived areas, mainly the Metropolitan Fire Authorities, have lower overall percentage cuts to government funding because of a fairer approach adopted by government. However, when locally generated resources are also taken in to account, the more deprived areas still show greater reductions to their overall resources, known as the Core Spending Power, than other types of Fire Authority. The revised grant distribution methodology also does not address the inequalities experienced by the Authority from 2010/2011 to 2015/2016 where it received some of the greatest government grant funding reductions within the fire service.

The Government increased the threshold council tax limit to hold a referendum from 2% to 3% for both 2018/2019 and 2019/2020 and has assumed annual increases to both business rates and council tax. There is an expectation within the Settlement that the Authority will grow Council Tax alone by 4.65% through a combination of increases in the tax base and precept. This continues the government's policy of shifting some of the cuts to local government services directly on to the council tax payer through anticipated annual council tax increases.

The key elements of the Authority's settlement for 2019/2020 are:

- An increase in the Government's Core Spending Power of £0.732m or 1.54%;
- A reduction in the Settlement Funding Assessment (SFA) of £0.481m or 1.96%; and
- Confirmation of the Revenue Support Grant (RSG) element of the settlement. However this is no longer a comparable measure of funding as those authorities taking part in the 100% Business Rates Retention pilots do not receive RSG.

Against this context of significant and continuing grant reductions, and the fact the Authority has to also meet significant cost pressures from its Budget, the Authority has published a revised Medium Term Financial Strategy (MTFS), which covers the period 2019/2020 to 2022/2023 and can be found on the Authority's website (18th February 2019 Authority meeting). This aims to:

- provide an analysis of the financial position likely to face the Authority over the medium term and establish approaches to address the Strategic Priorities of the Authority as set out in the current Integrated Risk Management Plan which will achieve value for money in the use of the resources available;
- set out the medium term financial position which the Authority is likely to face and to update the Budget Planning Framework for the preparation of future Revenue and Capital Budgets; and
- set out actions to be taken in the short to medium term to mitigate against the significant grant reductions already detailed and the additional cost pressures the Authority faces, and to plan for the additional grant reductions and increased costs expected in the next four year period to 2022/2023.

As set out in the previous section, the MTFS over the four year period up to the end of 2022/2023 using the government's funding projections, shows that the Authority is facing an increased budget gap of £4.088m. In light of this position and the anticipated prolonged funding reductions over the next four years, the Authority's decision to earmark reserves to temporarily help support the budget over the medium term until it can implement its IRMP actions, will now be necessary on a continuing basis and considered prudent.

Narrative Statement – 2018/2019 (continued)

Financial Performance of the Fire Authority 2018/2019

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2018/2019 to be met from Government Grants and local taxpayers was approved by the Authority at £48.096million*. This meant that the precept, at the Band D level of Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates receipts, was set at £79.94 for 2018/2019. This represented a 2.99% increase in Band D, below the Government's 3% referendum threshold level. The following table summarises the financial position for the year:

	2018/2019 Original Estimate £000	2018/2019 Revised Estimate £000	2018/2019 Actual Outturn £000	2017/2018 Actual Outturn £000 Restated
Community Safety	4,861	5,222	3,810	5,068
Fire Fighting and Rescue Operations	43,198	43,425	21,924	23,954
Corporate and Democratic Core	249	249	209	185
Non Distributed Costs	(74)	(74)	(48)	777
Exceptional Items	0	0	0	0
Net Cost of Services	48,234	48,822	25,895	29,984
Interest Payable	0	0	2,346	2,320
Contingencies	2,021	1,023	192	309
Interest on Balances	(135)	(135)	(221)	(126)
Pension Interest Cost and Expected Return on Pension Assets	590	590	22,370	21,960
Net Operating Expenditure	50,710	50,300	50,582	54,447
Capital Financing:				
Reversal of Capital Charges and Impairments	(3,286)	(3,286)	(2,738)	(1,897)
Minimum Revenue Provision	1,445	1,445	1,091	1,196
Revenue Contribution to Capital Outlay	932	932	1,104	1,468
Government Capital Grant Applied	0	0	(243)	(395)
Government Capital Grant Unapplied	0	0		(656)
Total Net Operating Expenditure	49,801	49,391	49,796	54,163
Contribution to/(from) IAS 19 Pension Reserve	(947)	(947)	(5,164)	(7,851)
Contribution to/(from) Collection Fund Account	0	0	(73) *	121
Contribution to/(from) Accumulated Absences Account	0	0	(55)	(43)
Contribution to/(from) Earmarked Reserves	(758)	(348)	3,855	1,576
Net Budget	48,096	48,096	48,359	47,966
Resources:				
Revenue Support Grant and General Grants	(9,620)	(9,620)	(9,620) *	(10,898)
Top Up Grant	(11,031)	(11,031)	(11,031) *	(10,688)
Business Rates and Collection Fund	(4,159)	(4,159)	(4,589) *	(4,244)
Precepts and Collection Fund	(23,286)	(23,286)	(23,119) *	(22,136)
Total Resources	(48,096)	(48,096)	(48,359)	(47,966)
(Increase) / Reduction to General Balances in year	0	0	0	0
General Fund Balance Brought Forward	(3,943)	(3,943)	(3,943)	(3,943)
General Fund Balance Carried Forward	(3,943)	(3,943)	(3,943)	(3,943)

Narrative Statement – 2018/2019 (continued)

* In the accounts, the Net Budget Requirement for 2018/2019 of £48.359m is made up of Total Resources of £48.096m, as set out in the estimates in the above table, adjusted for additional section 31 grant funding of £0.336m less an amendment required under the Code in respect of the Collection Fund Account of £0.073m.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the full Authority. These reports detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also include a review of certain other key financial items, including Treasury Management and Prudential Indicators. Again, this reflects strong and robust financial management in 2018/2019, continuing the Authority's strong track record in this regard.

The Revenue Budget Outturn for 2018/2019 is showing a net overall underspend of £1.681m, at £46.415m compared with an original budget of £48.096m. This will be reported to a meeting of the Fire Authority on 10th June. The Authority has made a huge positive drive during the year to achieve this level of saving with a number of significant initiatives:

- Improved financial management throughout, with increased financial awareness and tighter budgetary control, has achieved savings of £0.225m across the full service;
- A review of insurance services provided by the Lead Authority and a new approach adopted by Sunderland whereby all policies are separately tendered to ensure best value, has led to a significant year-end saving on premiums of £0.154m;
- A move to riding four on all appliances, phased in from 1st January 2018 and completed in June 2018, has made in year budget savings in line with expectations. The new response model is operating well with no reported near misses and supports the evidence led approach adopted. In addition, this measure has had a positive impact on helping to reduce overtime;
- Overtime costs have been significantly reduced during the year largely due to proactive management actions such as swap a shift (optimum staffing pilot), balancing leave groups, and establishing a temporary operational resource planner post within the staffing team. In addition, the 23 trainees now operational on fire stations have contributed to the reduction in requirements for overtime during the last quarter of the financial year;
- All aspects of the Authority's finances have now been reviewed and a more commercially based approach to income generation has been carefully and sensibly applied where appropriate, to ensure Best Value is achieved for the Authority. Increases in income above budget during the year help to show this is continuing to bear fruit and income generation is expected to increase in future years as a result of this new impetus; and
- A review of the property portfolio by Finance and Estates has also identified a number of surplus assets which are being actively progressed with a view to either generating a much needed capital receipt or, where appropriate, a sustainable income stream to the Authority. Some of these disposals are nearing completion and revenue budget savings have been identified as a result.

The main variations, are detailed subjectively below, for information:

- Employee costs – a net underspend of £1.472m. Savings have been made from a significantly greater number of operational staff retirements than anticipated, resulting in a net reduction in salaries and oncosts after taking into account the additional twenty three new Firefighters. Along with this, savings have continued to be made during the year from reduced employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme. These savings have absorbed overtime costs during the year which, although have reduced from 2017/2018 by £0.22m, have continued to be a feature of this year's expenditure against budget. In addition there have been savings against training costs and Employee insurance budgets;

Narrative Statement – 2018/2019 (continued)

- Premises – an overspend of £0.012m on utility budgets across the Authority's estate from higher bills than estimated and rate increases from phased rate revaluations impacting in 2018/2019, as well as a small increase in Premises insurance costs;
- Transport – an underspend of £0.118m due to revised travel arrangements across the service and reduced vehicle insurances. An overspend on fuel has been met by savings elsewhere in the revenue budget and allowances for price fluctuations have been made when setting the budget for 2019/2020;
- Supplies and Services – an underspend of £0.212m on supplies and services due to continued prudent spend across a number of areas. Subsistence costs continue to reduce following the implementation of revised policies and practices. An overspend on equipment maintenance and repair has been met by savings elsewhere in the revenue budget;
- Contingencies – an underspend of £0.734m as some budget set aside for potential costs identified when the budget was established for 2018//2019 has not been required during the year. This is in part due to the operational service delivery actions, the successful completion of the IRMP action of riding four on all appliances, and the recruitment of the 23 new firefighters reducing the call on overtime costs;
- Support Services and Recharges – a net underspend of £0.027m after changes made to the service level agreement with the Lead Authority once the budget had been set;
- Income – a net overachievement of £0.291m, largely due to one-off sales of vehicles and equipment, additional income for the Princes Trust programme, increased income from Primary Authority Scheme and COMAH activity, ESMCP transitional funding received late in the year, and additional rental income, partially offset by a reduction in the course and conference income;
- Interest received - £0.086m over budget as increases to cash flow levels has resulted in more interest received on the Authority's cash working balances during the year;
- Capital Financing – an underspend of £0.504m from savings on debt charges, lower MRP charges and use of revenue to finance the capital programme; and
- Reserves and Provisions Appropriations - £1.751m decrease predominantly due to underspends against budget reducing the need to draw from Reserves in year, along with agreed appropriations in to the Revenue Budget Carry Forward Reserve for known future requirements, and year end accounting entries required for the IFRS employee benefits and Collection Fund.

It will be recommended to Members to appropriate the surplus funds of £1.681m as follows:

- Transfer £1.0m to the Capital Developments Reserve to help future proof the reserve and the known additional capital works that are scheduled for future years. This will also help to delay the need to borrow to fund the Capital Programme;
- Transfer £0.5m to the Resilience Reserve for contingency arrangements to ensure continued service delivery; and
- Transfer the remaining balance of £0.181m to the Transformation and Reform Reserve to temporarily fund the budget gap over the medium term while longer term IRMP changes are being made.

The total resources at the end of the financial year were £48.359m, £0.263m more than that set out in the budget set for 2018/2019. As part of the finance settlement, the Authority received additional government grant funding of £0.336m to reimburse for business rates retention tax losses and the government made a retrospective adjustment for small business rates relief. In addition to this, a year end adjustment of £0.073m was required to the Collection Fund, resulting in a net £0.263m increase in resources. It is recommended to transfer the additional grant to the Medium Term Planning Reserve as a prudent measure for the uncertainty around future government funding.

Narrative Statement – 2018/2019 (continued)

Prior Period Adjustments

There has been a requirement to restate the Authority's previous published accounts for two prior period adjustments.

(i) Pension Fund Deficit Contributions (LGPS) Payment in Advance

The Authority prepaid pension fund deficit contributions of £1.037m for the three year period 2017/2018 to 2019/2020 covered by the Rates and Adjustments Certificate. The Authority agreed to prepay as this reduced the total deficit contribution payable. This was treated as a payment in advance in the 2017/2018 published accounts, but statutory accounting guidance requires the general fund to be charged with the amount payable for the year rather than the amount paid.

In accordance with the requirements of the Code, the Authority has restated the 2017/2018 published accounts. Full details of the adjustments are outlined in note 34 to the accounts.

(ii) Injury Pension Grant Repayment (Firefighter Pension Scheme)

In 2017/2018 the Authority set up a long term pension liability of £8.639m to recognise the agreement made with the Home Office to repay over claimed injury pension grant. External Audit guidance at the time instructed that a corresponding entry was created in the Authority's equity as a negative revenue reserve, to absorb the effect on the General Fund Balance.

The External Auditor has since reviewed their advice and, as this treatment is no longer considered to conform to the Code, the Authority has restated the 2017/2018 published accounts. The £8.639m has been transferred equally from the Capital Developments Reserve and the Transformation and Reform Reserve. Full details of the adjustments are outlined in note 34 to the accounts.

The table below reconciles the position shown in the statutory accounts and the true position as shown in the reserves statement:

	Statutory Accounts			True Reserve Position		
	Re stated Balance as at 31 st March 2018 £'000	Net Transfer * £'000	Balance as at 31 st March 2019 £'000	Balance as at 31 st March 2018 £'000	Net Transfer * £'000	Balance as at 31 st March 2019 £'000
Capital Developments Reserve	3,115	2,745	5,860	7,435	2,495	9,930
Transformation and Reform Reserve	2,997	(1,129)	1,868	7,316	(1,379)	5,937
Injury Pension Adjustment				(8,639)	500	(8,139)
	6,112	1,616	7,728	6,112	1,616	7,728

*The net transfer in the Statutory Accounts includes the agreed in-year repayment of £0.5m of the over claimed Grant split equally between the two affected reserves.

Narrative Statement – 2018/2019 (continued)

Accounting for Pensions

International Accounting Standard 19 (IAS19)

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

An actuarial valuation of both the Local Government Pension Scheme (LGPS) and the Firefighter's Pension Scheme (FPS) was carried out at 31st March 2016 and have been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2019.

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

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

The financial health of the Authority is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit, as assessed by the Actuary as at 31st March 2019, is being addressed by the Authority in line with government regulations whereby a period of 21 years to correct the deficit position has been agreed. The Authority can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

Arrangements for Funding and Accounting for Firefighter Pensions

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

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

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

Balance Sheet Position

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

Narrative Statement – 2018/2019 (continued)

	Balance at 31 st March 2018 £'000 Restated	Balance at 31 st March 2019 £'000
Non-current assets	80,385	77,819
Net current assets	36,053	39,135
Long term liabilities and provisions	(926,732)	(951,501)
Net Assets	(810,294)	(834,547)
Represented by:		
Usable reserves	28,437	32,387
Unusable reserves	(838,731)	(866,934)
	(810,294)	(834,547)

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

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

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

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

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of £834.547m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £913.470m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

The fact that all pension costs would never be incurred in one year (as implied by IAS19), coupled with the fact that the Authority is addressing this potential deficiency over a 21 year period in accordance with pension regulatory requirements by making additional annual pension deficiency payments, means the Balance Sheet Net Worth is effectively being distorted by this reporting standard.

If this element is removed, the Authority has a 'real' net worth of £78.923m. The Authority also has assets worth £77.819m and cash backed reserves of £32.387m which support the view that the Authority's Balance Sheet and finances are in fact healthier than implied by the published accounts.

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

Capital Expenditure

In February 2018, the Authority approved a capital programme for 2018/2019 of £6.983m which was subsequently revised to £3.039m during the year. This was largely due to delayed replacement of Hebburn

Narrative Statement – 2018/2019 (continued)

Station until options could be fully appraised and slippage of the fire appliance replacement programme to streamline the procurement process and accommodate the lead in time.

Actual capital expenditure at the end of the financial year was £1.205m, financed from a combination of revenue contributions of £0.505m, earmarked reserves of £0.050m, deferred grant funding of £0.145m, capital receipts applied of £0.406m and Home Office Section 31 grant of £0.099m. The main reasons for the variation in spending of £1.834m have arisen due to the following:

- Expenditure on a number of projects planned for 2018/2019 of £1.804m slipped in to 2019/2020:
 - Completion of the recruitment module and phase 2 of the Integrated Data System extended in to 2019/2020;
 - Delayed replacement of ICT hardware into 2019/2020;
 - Re-schedule of the national government led Emergency Services Mobile Communications Project with subsequent re-profiling over future years;
 - Balance remaining on disposal works at the site of Fulwell Community Station slipped until sale completes in early 2019/2020;
 - Final payment withheld for the appliance closed circuit television until outstanding issues are resolved;
 - Delayed purchase of Fit for Life Gym Equipment into 2019/2020; and
 - Delayed replacement of the small fleet pending further consideration of options.
- Net underspend of £0.035m across a number of schemes completed during 2018/2019; and
- Additional spend of £0.005m for purchase of extra smoke detectors as part of the IRMP initiative to ensure risk reduction.

Disposals

The Authority is actively progressing some asset disposals that are expected to be completed in the next financial year. One of these is the sale of land at the former Fulwell Community Fire Station. The Authority has received a holding deposit of £62,677 during the year to secure the sale.

Authority's Current Borrowing and Capital Borrowing Provision

The Capital Programme report, incorporating the Prudential Indicators and the Treasury Management Strategy, was submitted to the Authority meeting on 12th February 2018, which detailed the 2018/2019 borrowing limits for the Authority. All borrowing is undertaken by the Lead Authority (Sunderland City Council) on the Authority's behalf.

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

- Authorised Limit for External Debt for 2018/2019 of £47.213 million;
- Operational Boundary for External Debt for 2018/2019 of £42.213 million.

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP). The above two statutorily required Prudential Indicators are monitored on a daily basis and neither limit has been exceeded during 2018/2019. The highest level of external debt incurred by the Authority during 2018/2019 was £41.618m on 1st April 2018. This includes borrowing debt of £12.689m, injury pension liability of £8.639m, and £20.290m in relation to the Authority's long term liabilities (consisting of its PFI Schemes commitments and finance leases) which forms part of both borrowing limits in order to comply with IFRS accounting requirements.

Private Finance Initiative (PFI)

The Authority entered into a contract on 28th March 2003 to provide facilities at six new Community Fire Stations, a Service Headquarters and a new Technical Services Centre. These PFI facilities are located on

Narrative Statement – 2018/2019 (continued)

more effective sites, designed and located to meet the Authority's strategic objectives. Improved community outcomes are being delivered through better engagement with communities through these facilities and the scheme has enabled a major redesign of service delivery. The contract expires on 2nd May 2029 when all of the facilities will become the assets of the Authority.

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

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

Estates Development Plan

The Authority is delivering the current estates development plan in conjunction with the Lead Authority and its partners.

The key action points are:

- Continue to implement the findings and recommendations of a service wide Access Audit. This will ensure all our buildings and facilities comply with The Equalities Act 2010 and are accessible to all.
- Commissioned a comprehensive Stock Condition Survey (SCS). The findings of this survey will drive future capital investment and forms a key element in our Medium Term Financial Planning (MTFP).
- Completed a detailed service wide building and asset review that, when implemented, will result in the disposal/remodelling of surplus assets. This in turn will yield both capital receipts and revenue savings.
- Continue to explore collaborative and co-location opportunities with partner agencies. To date we now have North East Ambulance Service (NEAS), Northumbria Police, Great North Air Ambulance Service, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, The Princes Trust and Northumbria Blood Bikes operating from our locations.

The Authority has a Capital Developments Reserve to assist in implementing the estates development plan over the medium to long term.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2018/2019. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019' and are based on International Financial Reporting Standards (IFRS), known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2011, and the Local Government and Housing Act 1989.

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

1. **Statement of Responsibilities**

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

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

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

3. **Comprehensive Income and Expenditure Statement**

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

Narrative Statement – 2018/2019 (continued)

4. **Balance Sheet**

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

5. **Cash Flow Statement**

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

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

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

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

7. **Supplementary Statements**

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

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

Dennis Napier
Finance Officer

Dated:

Independent Auditor's report to the Members of Tyne and Wear Fire and Rescue Authority

These pages have been left blank to accommodate the auditor's report in the Audited Statement of Accounts.

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Annual Governance Statement

SCOPE OF RESPONSIBILITY

Tyne and Wear Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has had a Code of Corporate Governance in place since 2003, which was revised during 2017/2018. The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. The revised Code is available on the Authority's website (www.twfire.gov.uk) or can be obtained from the Fire and Rescue Service Headquarters.

In providing the Annual Governance Statement the Authority has observed and complied with the revised principles contained within the Framework of the updated CIPFA Code of Corporate Governance 2016. The Authority has well established policies, procedures and controls that satisfy all of the new requirements in detail. The TWFRS Code of Corporate Governance is revised to reflect the changes made in the 2016 Framework.

This Statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement of internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework primarily includes systems, processes, culture and values by which the Authority directs and controls its activities and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those 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 the Authority's 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.

The governance framework has been in place at the Authority for the year ending 31 March 2019 and during the approval of the Statement of Assurance and Annual Report and Statement of Accounts.

THE GOVERNANCE FRAMEWORK

There is a clear vision of the Authority's purpose and intended outcomes for service users that is clearly communicated, both within the organisation and to external stakeholders:

- The Strategic Community Safety Plan (SCSP) / Integrated Risk Management Plan (IRMP) draws together a shared vision, principles for action and priorities (strategic objectives). For each strategic objective, key targets have been identified. The Plan sets out explicitly the key actions and performance targets for the future, and these are clearly linked with departmental / district service plans and resources. The Plan outlines the Authority's roles and responsibilities, the context in which it operates, what the strategic priorities and improvement objectives are, how the Authority will realise its vision, what its performance improvement and monitoring arrangements are, performance indicators and a financial overview. The financial overview section provides background commentary

to the issues the Authority has considered in setting the budget and in preparing the Medium Term Financial Strategy.

- The SCSP and IRMP contain actions which recognises the risks within the Authority boundaries that are identified in the Community Risk Profile and need to be addressed, and ensures that the available resources are targeted at these risks.
- Communication of objectives to employees and stakeholders takes place through the following means:
 - Distribution of the SCSP / IRMP on the Authority's website and intranet;
 - Consultation with employees, members of the public and other stakeholders on IRMP proposals;
 - The issue of a Statement of Assurance and Annual Report setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been;
 - Through the Authority's Investors in People processes;
 - Internal communication channels, including listening events, management / employee briefings and Vlogs; and
 - Posters throughout the Authority's premises.

Arrangements are in place to review the Authority's vision and its implications for the Authority's governance arrangements:

- The Strategic Community Safety Plan / Integrated Risk Management Plan and all priorities are regularly reviewed to provide a long-term focus for the Authority.
- Through reviews by external bodies the Authority constantly seeks ways of securing continuous improvement. The Authority has professional and objective relationships with these external bodies.
- There are comprehensive annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.

Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources:

- There are clear and effective performance management arrangements including personal development plans for all employees, which address financial responsibilities and include equality objectives.
- There is regular reporting of performance against key targets and priorities to the Authority's Executive Leadership Team, the Governance Committee and the Policy and Performance Committee.
- Services are delivered by suitably qualified / trained / experienced employees and all posts have detailed job profiles / descriptions and person specifications.
- External auditors deliver an opinion annually on whether the Authority is providing value for money.

The roles and responsibilities of all officers and employees 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.

- The Standing Orders contain the Terms of Reference of the full Authority and other committees, setting out executive and scrutiny functions within these.

Codes of Conduct defining the standards of behaviour for Members and employees are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:

The following are in place:

- Members' Codes of Conduct;
- Employees' Code of Conduct;
- Registers of Interests, Gifts and Hospitality; and
- Monitoring Officer Protocols.

Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:

- The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations. The Strategic Finance Manager employed by the Authority is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs. The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.
- The Authority has in place up to date financial procedure rules and procurement rules which are subject to regular review.
- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:
 - Whistle Blowing Policy
 - Anti-Fraud and Corruption Policy
 - Codes of Conduct
 - Health and Safety Policy
 - Compliments, Comments and Complaints Policy
 - Corporate Risk Management Strategy
 - Procurement Codes of Practice
 - Partnerships Procedure
 - Treasury Management Strategy based upon CIPFA's Treasury Management Codes
 - Functional budget management schemes
- There are robust and well embedded risk management processes in place, including:
 - Risk Management Strategy and Policy Statement
 - Corporate Risk Profile
 - Community Safety Strategy
 - Organisational Development Strategy
 - SCSP / Integrated Risk Management Plan
 - Nominated Risk Manager
 - Corporate Risk Management Group
 - Partnerships Risk Register
 - Member Risk Champion
 - Risk Management and Assurance Database
 - Information Asset Register
 - Information Asset Management Policy.

- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.
- The Authority aligns with ISO22301 for Business Continuity, and Business Continuity Plans are in place which are subject to ongoing review, development and testing.
- There are clearly defined capital expenditure guidelines and capital appraisal procedures in place.
- Appropriate project management disciplines are utilised.
- The Authority participates in the National Fraud Initiative and subsequent investigations.

The core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities, are undertaken by members.

The Authority has a Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- Consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it.
- Receive and consider (but not direct) internal audit's strategy, plan and monitor performance.
- Receive and consider the external audit plan.
- Review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary.
- Receive and consider the annual report of internal audit.
- Consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit, and
- Make recommendations or comments to the Authority as appropriate.

Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members:

- The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers, to safeguard the legality of all Authority activities.
- The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent periodic review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:

- The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, a Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way.
- The framework in place to ensure the aims of this policy are met are set out in the 'Whistle Blowing Policy Arrangements' procedure for Authority staff. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and there is also a whistle blowing policy and procedure for members of the public.
- Monitoring records held by the Deputy Clerk on behalf of Members, and the Chief Fire Officer on behalf of employees and members of the public reveal that the whistle blowing arrangements are being used, and that the Authority is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

Arrangements exist for identifying the development needs of members and Principal officers in relation to their strategic roles:

- The Authority has a Members Learning and Development Programme in place which sets out a clear commitment to Members to provide a range of learning and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Authority strategic objectives. In addition Members have access to their nominating authority learning and development policies, plans and procedures.
- The Elected Member Learning and Development Programme aims:
 - To provide comprehensive Member development;
 - To ensure that all newly elected Members are properly inducted into the Authority;
 - To ensure that all emerging needs for both individuals and across the board are identified and addressed; and
 - To ensure that resources available for Member development are effectively used.
- The Authority has an Organisational Development Strategy to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices and is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual performance review focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Authority.

Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- The Authority has a Consultation policy which aims to ensure that consultation activity is effectively co-ordinated across the Authority and with partner agencies, impacts on service delivery, and is delivered to a high standard.
- The consultation policy is complemented by the Community Safety Strategy which outlines the Authority's approach to engaging with the community, in particular minority and vulnerable sectors of society.

Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the Authority's overall governance arrangements:

- The Authority has published a Partnerships Procedure which includes a template for Partnership Agreements and a Partnership Toolkit. This was revised in 2015. The procedure is designed to provide a corporate framework for all employees involved in considering new partnership working, and to assist Members and officers to review existing arrangements.

- A Register of Partnerships is maintained. The deliverables of all prospective and existing partnership is closely measured using a standard framework.
- A review of all partnerships is presented to the Executive Leadership Team.
- An Information Sharing Protocol is published which underpins Information Sharing Agreements with partners.
- The Authority's governance arrangements extend to cover the wholly owned subsidiary "TWFRS Ltd".

REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by feedback from Members and the work of all senior managers within the authority 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.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

The role of the Authority:

- Elected Members have participated in the annual review of the Authority's Corporate Governance arrangements.
- The Chair of the Authority, the Chief Fire Officer and the Strategic Finance Manager have overseen the review and signed the Annual Governance Statement.

The role of the Executive Leadership Team:

- The findings of the Annual Governance Review have been reported to the Executive Leadership Team for their consideration and comment.

The role of the Governance Committee:

- The findings of the Annual Governance Review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- There is a system of scrutiny delivered through the HR Committee, Governance Committee and the Policy and Performance Committee including scrutiny of:
 - The effectiveness of corporate governance arrangements;
 - The Authority's treasury management policy and strategy, including the annual borrowing and investment strategy;
 - Organisational performance; and
 - Potential for future changes in service provision based on relevant performance information, risk analysis and changes in economic, social and environmental conditions or statutory requirements.

All Area Managers including the Strategic Finance Manager have participated in the annual governance review relating to their areas of responsibility by providing Controls Assurance Statements relating to their area of responsibility, following consideration of their department heads' detailed self-assessments / questionnaires.

Internal audit planning processes include consultation with the Principal Officers, reviews of the Strategic Community Safety Plan / Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based and includes risks in relation to the achievement of Service objectives, and Internal Audit Services

carry out regular systematic auditing of key financial and non-financial systems. In concluding their report on the 2017/18 Audit activities, they stated “Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken in 2017/18, it is considered that overall throughout the Service there continues to be a good internal control environment.”

External audit is undertaken by Mazars, a limited liability partnership appointed by Public Sector Audit Appointments Limited for this purpose. The Annual Audit Letter gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority’s arrangements).

The Group considered the Annual Audit Letter and Audit Completion Report prepared by the Authority’s external auditors, Mazars, covering 2017/2018, which gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).

Mazars issued an unqualified conclusion on both financial management arrangements and Value for Money. Their report included comments that:

- The Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of delivering planned budget reductions.
- In the 2018/19 budget, the Authority identified that over the medium term of 2018/19 to 2021/22 it face a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap 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.
- The Authority also concluded its negotiations with the Home Office over the repayment of the £10.5m historic overpayment of fire injury pensions. 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.
- The Audit report concluded that the Auditors were 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.
- The Audit work carried out provided assurance that there was no indication of management override of controls or material estimation error in respect of pensions.

It is considered that the Annual Audit Letter provides reassurance that the Authority’s overall governance and control arrangements are satisfactory.

Findings of external bodies / audits are collated, acted upon and monitored by the Executive Leadership Team.

CONCLUSION AND AGREED ACTIONS

The 2018/19 Corporate Governance Action Plan presented to Fire Authority in June 2019 includes 17 corporate improvement objectives, 6 of which were completed during the year, leaving 11 to be carried forward to the 2019/20 Action Plan, demonstrating continued improvement in these areas. In addition, 7 new actions were identified during the annual review.

ASSURANCE STATEMENTS

The Executive Leadership Team, the Authority and the Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Authority’s Corporate Governance and Internal Control Arrangements.

We propose over the coming year to take steps to implement the action plan to further enhance the Authority’s governance arrangements. We are satisfied that these steps will address the need for

improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Cllr Nick Forbes
Vice-Chair of the Authority

Chris Lowther
Chief Fire Officer and Chief
Executive

Dennis Napier
Finance Officer

Dated:

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more detail of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts required to be charged to the General Fund Balance. The Net (Increase) / Decrease before Transfers to / (from) Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £'000 Restated	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000 Restated	Unusable Reserves £'000 Restated	Total Authority Reserves £'000 Restated
Balance at 31 March 2017 (Restated)	(3,943)	(19,324)	(3,285)	(26,552)	805,287	778,735
<u>Movement in reserves during 2017/2018</u>						
(Surplus) or Deficit on provision of services	5,121	0	0	5,121	0	5,121
Other Comprehensive Income and Expenditure	0	0	0	0	26,438	26,438
Total Comprehensive Income and Expenditure	5,121	0	0	5,121	26,438	31,559
Adjustments between accounting basis & funding basis under regulations	(7,006)	0	0	(7,006)	7,006	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(1,885)	0	0	(1,885)	33,444	31,559
Transfers to / (from) Earmarked Reserves	1,885	(1,716)	(169)	0	0	0
(Increase) / Decrease in 2017/2018	0	(1,716)	(169)	(1,885)	33,444	31,559
Balance at 01 April 2018 (Restated)	(3,943)	(21,040)	(3,454)	(28,437)	838,731	810,294
<u>Movement in reserves during 2018/2019</u>						
(Surplus) or Deficit on provision of services	1,886	0	0	1,886	0	1,886
Other Comprehensive Income and Expenditure	0	0	0	0	22,367	22,367
Total Comprehensive Income and Expenditure	1,886	0	0	1,886	22,367	24,253
Adjustments between accounting basis & funding basis under regulations	(5,836)	0	0	(5,836)	5,836	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(3,950)	0	0	(3,950)	28,203	24,253
Transfers to / (from) Earmarked Reserves	3,950	(4,392)	442	0	0	0
(Increase) / Decrease in 2018/2019	0	(4,392)	442	(3,950)	28,203	24,253
Balance at 31 March 2019	(3,943)	(25,432)	(3,012)	(32,387)	866,934	834,547

Comprehensive Income and Expenditure Statement

The statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/2018					2018/2019		
Gross Expenditure £'000 Restated	Gross Income £'000	Net Expenditure £'000 Restated		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
3,683	(823)	2,860	Community Safety		2,596	(1,022)	1,574
19,596	(5,286)	14,310	Fire Fighting and Rescue Operations		17,095	(5,091)	12,004
11,896	0	11,896	Management and Support Services		12,201	0	12,201
923	(5)	918	Corporate Support Services		116	0	116
36,098	(6,114)	29,984	Cost of Services		32,008	(6,113)	25,895
0	0	0	Other Operating Expenditure	9	0	0	0
24,280	(126)	24,154	Financing and Investment Income and Expenditure	10	24,716	(221)	24,495
0	(49,017)	(49,017)	Taxation and Non-Specific Grant Income	11	0	(48,504)	(48,504)
60,378	(55,257)	5,121	(Surplus) or Deficit on Provision of Services		56,724	(54,838)	1,886
		(14,982)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	20			897
		41,420	Re-measurement of the Net Defined Benefit Liability/(Asset)	33			21,470
		26,438	Other Comprehensive Income and Expenditure				22,367
		31,559	Total Comprehensive Income and Expenditure				24,253

Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority. Reserves are allocated into two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudential level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable reserves, i.e. those that the Authority is not able to use to provide services. This category of reserves holds unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018 £'000 Restated		Notes	31 March 2019 £'000
80,138	Property, Plant and Equipment	11	77,572
20	Long Term Investments	14	20
227	Long Term Debtors	14	227
80,385	Long Term Assets		77,819
1,675	Assets Held for Sale	13	1,617
428	Inventories		543
10,464	Short Term Debtors	15	11,715
31,505	Cash and Cash Equivalents	16	33,103
44,072	Current Assets		46,978
(508)	Short Term Borrowing	14	(487)
(5,572)	Short Term Creditors	17	(5,334)
(1,387)	Other Short Term Liabilities	14	(1,489)
(392)	Short Term Provisions	18	(517)
(160)	Grant Receipts in Advance	27	(16)
(8,019)	Current Liabilities		(7,843)
(236)	Long Term Provisions	18	(192)
(12,182)	Long Term Borrowing	14	(11,695)
(282)	Donated Assets Account	27	(188)
(914,032)	Other Long Term Liabilities	33	(939,426)
(926,732)	Long Term Liabilities		(951,501)
(810,294)	Net Assets / (Liabilities)		(834,547)
28,437	Usable Reserves	8	32,387
(838,731)	Unusable Reserves	20	(866,934)
(810,294)	Total Reserves		(834,547)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute towards the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2017/2018 £'000 Restated		Notes	2018/2019 £'000
5,121	Net (surplus) or deficit on the provision of services		1,886
(5,742)	Adjustments to net surplus or deficit on the provision of services for non cash movement		(6,581)
395	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		243
(226)	Net cash flows from operating activities		(4,452)
1,073	Investing activities	22	861
1,245	Financing Activities	23	1,993
2,092	Net (increase) or decrease in cash and cash equivalents		(1,598)
(33,597)	Cash and cash equivalents at the beginning of the reporting period	16	(31,505)
(31,505)	Cash and cash equivalents at the end of the reporting period		(33,103)

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Notes to the Core Financial Statements

Note 1 – Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/2019 financial year and its position at the year-end of 31st March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 and these Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019, based on International Financial Reporting Standards (IFRS). The Code no longer requires statements or notes to be prepared in accordance with the CIPFA Service Reporting Code of Practice 2018/2019 (SeRCOP). Instead, the Code requires that the service analysis is based on the organisational structure under which the authority operates. However, the provisions of SeRCOP are still relevant and have been referred to and applied where appropriate, along with CIPFA guidance notes for practitioners.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

1.2 Financial Instruments (continued)

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Other Investments

Investments in companies and in marketable securities are shown in the balance sheet at cost. Provision for losses in value is made where appropriate in accordance with the Code of Practice on Local Authority Accounting. No such provisions have been considered necessary at this time.

1.3 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost;

1.3 Property, Plant and Equipment (continued)

- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years. To ensure that this takes place a rolling programme of valuations has been put in place by the Head of Land and Property. Assets are valued in accordance with the principles of the RICS (Royal Institution of Chartered Surveyors) Appraisals and Valuation Standards. The valuations are supervised by M. Whitaker, ARICS, of the Authority. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De Minimis Levels

The Authority also operates a de-minimis level, under which expenditure on fixed assets is charged to revenue as it is incurred. The de-minimis level has been established at a value of £20,000 for the recording of capital assets in respect of properties. The de-minimis level for equipment remains at a value of £10,000. All vehicles are recorded as fixed assets irrespective of cost.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

1.3 Property, Plant and Equipment (continued)

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment has been calculated on a straight line basis by taking the net asset value divided by the future life expectancy and is charged in the year following acquisition.

The life expectancy for each asset category falls within the following ranges:

Asset Category	Years
Buildings	12 - 60
Vehicles, plant and furniture	5 - 15

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A de-minimis level for considering componentisation has been set at £1m.

A standard list of components is used by the Authority:

- Building structure;
- Mechanical and electrical

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals & Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains

1.3 Property, Plant and Equipment (continued)

accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against taxpayers, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.4 Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Accruals of Income & Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Authority has set a de-minimis level of £5,000 for the recording of accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. A full year's charge is included in the accounts for those supplies and services used continuously and charged on a periodic basis (e.g. gas, electricity and water), but the period covered by the payments does not always coincide with the financial year.

1.6 Cost of Support Services

External support services are provided to the Authority by Sunderland City Council, based upon a scheme approved by the Home Office. Support service costs from Sunderland City Council are charged on an estimated time or actual time spent basis, with the exception of the Financial Resources and Personnel Departments, which are charged on the basis of a Service Level Agreement.

Both internal and external support service costs are accounted for under Management and Support Services in the Comprehensive Income and Expenditure Account, with the exception of Corporate and Democratic Core Costs and Non-Distributed Costs. These are defined in SeRCOP as follows:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These costs are accounted for as a separate heading under Corporate Support Services in the Comprehensive Income and Expenditure Account.

1.7 Provisions

Provisions are made where an event has taken place that gives the Authority an obligation that will probably require settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the probable obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

1.8 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is to be financed from a reserve, it is charged to the revenue account in that year to score against the Provision of Services, in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance statement in Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

In addition, certain accounts and reserves are maintained to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These do not represent usable resources for the Authority, however, as they are accounting requirements, not physical cash reserves.

1.9 Internal Interest

Interest is credited to the Revenue Account from the Lead Authority's Capital Advances and Borrowing Pool based on cash flow and fund balances. The amounts are calculated using 7-day money market rates in accordance with guidance contained within the Code of Practice on Local Authority Accounting.

1.10 Employee Benefits (including Pensions)

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-

1.10 Employee Benefits (including Pensions) (continued)

monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Corporate Support Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable unpaid at the year-end.

Post Employment Benefits

The pension costs that are charged to the Authority's accounts can be divided into two types of pension arrangements. These have different accounting treatments, set out below for information:

Firefighters' Pension Scheme

The firefighters' pension scheme is an unfunded, final salary defined benefit scheme, the rules of which are set out in The Firemen's Pension Scheme Order 1992, The Firefighters' Pension Scheme (England) Order 2006 and The Firefighters' Compensation Scheme (England) Order 2006, The Firefighters' Pension Scheme Regulations 2015 and subsequent amendments.

The last actuarial valuation of the scheme was 31st March 2016 and has been rolled forward to reflect the position as at 2019, in particular allowing for service accrued between 1st April 2016 and 31st March 2019 and known pension and salary increases,.

Employer and employee contributions are paid into the pension fund, together with a contribution from the Authority for the cost of ill health early retirements. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus being recouped by Government.

The pension fund is ring-fenced to ensure accounting clarity. As such, a Pensions Fund Account and Net Assets Statement are reported as supplementary financial statements within the Authority's Statement of Accounts.

Local Government Pension Scheme

All non-operational staff of the Authority have the right to join the Local Government Pension Scheme (LGPS), which South Tyneside Council administers on behalf of all of the Tyne and Wear local authorities and other admitted bodies. The scheme is a funded, defined benefit plan, the rules of which are set out in The Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

1.10 Employee Benefits (including Pensions) (continued)

Benefits earned up to 31st March 2014 are linked to final salary and benefits after 31st March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. The last actuarial valuation was at 31st March 2016 and has been rolled forward to reflect the position as at 31st March 2019.

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is set out in the Statement of Accounts.

IAS19 requires the Authority to disclose certain information concerning assets, liabilities, income and expenditure related to the LGPS for its employees. The liabilities of the pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method. The liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted Securities – current bid price;
- Unquoted Securities – professional estimate;
- Unitised Securities – current bid price;
- Property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - Current Service Costs – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
 - Past Service Costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Support Services;
 - Net Interest on the Net Defined benefit Liability (Asset), i.e. net interest expense for the authority – the change during the year in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure Income line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking in to account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
 - Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pension Reserve.

1.10 Employee Benefits (including Pensions) (continued)

- Contributions paid to the Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and any amount payable to the fund but un-paid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.12 Long Term Borrowing

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP) and, as such, the Authority does not undertake borrowing in its own name. The amount of borrowing undertaken by the Lead Authority on the Authority's behalf has been recognised within the Long Term Borrowing liabilities within the Statement of Accounts.

1.13 External Interest

All interest payable on external borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

1.14 Other Investments

Investments in companies and in marketable securities are shown in the Authority's Balance Sheet at cost. Investments are all made via the Lead Authority's Consolidated Advances and Borrowing Pool.

1.15 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The relevant note and information relating to the Authority's PFI scheme is detailed in the Statement of Accounts.

Recognising assets and liabilities

Property used in a PFI and similar contract shall be recognised as an asset or assets of the Fire Authority. A related liability shall also be recognised at the same time. The asset shall be recognised in accordance with the Code of Practice on Local Authority Accounting; this will be when the asset is made available for use unless the Fire Authority bears an element of the construction risk, which will not be the case where standard PFI contract terms are used. Where the Authority bears the construction risk, it shall recognise an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the Authority. In accordance with the Code of Practice on Local Authority Accounting, separate assets shall be recognised in respect of land and buildings where appropriate. The related liability shall initially be measured at the value of the related asset, and subsequently shall be calculated using the same actuarial method used for finance leases under the Code of Practice on Local Authority Accounting.

Prepayments

PFI and similar contracts may be structured to require payments to be made (either as part of a unitary payment or a lump sum contribution) before the related property is recognised as an asset on the Balance Sheet. Such payments shall be recognised as prepayments. At the point that the infrastructure is recognised as an asset, the related liability shall also be recognised. The prepayments shall be applied to reduce the outstanding liability.

Depreciation, impairment and revaluation

Once recognised on the Balance Sheet, property under a PFI and similar contract is depreciated, impaired and re-valued in the same way as for any other fixed asset.

MRP (England and Wales)

Assets acquired under a PFI and similar contract that are recognised on the Authority's Balance Sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The amounts of MRP to be charged to the General Fund for the year shall be in accordance with the appropriate regulations and statutory guidance. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Capital financing requirement

When PFI contracts or similar arrangements are recognised on the Balance Sheet, the Capital Financing Requirement is adjusted to reflect this and the authorised limits and operational boundaries set accordingly.

1.16 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

1.17 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Key sources of estimation are disclosed in the Statement of Accounts.

1.18 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.19 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.20 Cash and Cash Equivalents

The Authority's cash and cash equivalents is held within the Lead Authority's bank accounts and investments. Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Authority's cash and cash equivalents is held within the Lead Authority's bank accounts and investments.

1.21 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will

1.21 Contingent Liabilities (continued)

be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of precept.

Note 2 – Accounting standards that have been issued but have not yet been adopted

The Authority is required to disclose the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted in the CIPFA Accountancy Code of Practice for the relevant year.

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 (The Code) has adopted a number of new standards from 1st April 2019:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property Annual Improvements to IFRS Standards 2014-2016 Cycle;
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-17 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration; and
- IFRIC 23 Uncertainty over Income Tax Treatment.

It is not anticipated that these amendments will have a material impact upon the information provided in the financial statements.

Note 3 – Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Retirement benefit obligations – the Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS19 'Employee Benefits'. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. The key assumptions made are set out in Note 33.

- Provisions – provisions are measured at the Finance Officers' best estimate of the expenditure required to settle the obligation at the Balance Sheet date and are discounted to present value where the effect is material.

Note 4 – Assumptions made about the Future and Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2019, for which there is a significant estimate uncertainty in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £82,825 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effect on the net pension liability from changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Local Government pension liability of £1.6m and a decrease in the Firefighters' pension liability of £81m. However, in practice the assumptions interact in complex ways and changes may be interrelated.

Note 5 – Events After the Balance Sheet Date

Adjusting Post Balance Sheet Events

No events have taken place since the accounts were closed on 31st March 2019 which are judged to be adjusting post balance sheet events.

Non Adjusting Post Balance Sheet Events

No events have taken place since the accounts were closed on 31st March 2019 which are judged to be non-adjusting post balance sheet events.

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations

This note reconciles the adjustments that are made to the Comprehensive Income and Expenditure Statement in the financial year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

2017/2018		Notes	2018/2019		
General Fund Balance £000	Movement in Unusable Reserves £000		General Fund Balance £000	Movement In Unusable Reserves £000	
Restated					
Adjustments to Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
0	(7,851)	Pensions costs – transferred to (or from) the Pensions Reserve	20,33	0	(5,164)
0	121	Council Tax and NDR – transfers to or from the Collection Fund Adjustment Account	20	0	(73)
0	(43)	Holiday Pay – transferred to the Accumulated Absences Reserve	20	0	(55)
(1,897)	0	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	12,20,29	(2,738)	0
(1,897)	(7,773)	Total Adjustments to Revenue Resources		(2,738)	(5,292)
Adjustments between Revenue and Capital Resources					
1,196	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	29	1,091	0
1,073	0	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	29	861	0
2,269	0	Total Adjustments between Revenue and Capital Resources		1,952	0
Adjustments to Capital Resources					
395	0	Application of capital grants to finance capital expenditure	27	243	0
395	0	Total Adjustments to Capital Resources		243	0
767	(7,773)	Total Adjustments		(543)	(5,292)

Note 7 – Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices which is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2018/2019

	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Community Safety	1,376	198	1,574
Firefighting and Rescue Operations	10,554	1,450	12,004
Management Support Services	12,934	(733)	12,201
Corporate Support Services	116	0	116
Net Cost of Services	24,980	915	25,895
Other Income and Expenditure	(28,930)	4,921	(24,009)
(Surplus) or Deficit	(3,950)	5,836	1,886
Opening General Fund Balance and Earmarked Reserves	28,437		
Plus Surplus in Year	3,950		
Closing General Fund Balance and Earmarked Reserves at 31 st March	32,387		

2017/2018

	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000 Restated	£'000 Restated	£'000 Restated
Community Safety	2,776	84	2,860
Firefighting and Rescue Operations	13,037	1,273	14,310
Management Support Services	13,047	(1,151)	11,869
Corporate Support Services	918	0	918
Net Cost of Services	29,778	206	29,984
Other Income and Expenditure	(31,663)	6,800	(24,863)
(Surplus) or Deficit	(1,885)	7,006	5,121
Opening General Fund Balance and Earmarked Reserves	26,552		
Plus Surplus in Year	1,885		
Closing General Fund Balance and Earmarked Reserves at 31 st March	28,437		

Note 8 – Movements in Earmarked Reserves

The following table reports the movement on the Authority's Earmarked Reserves during the year.

	Balance at 1st April 2017 £000	Transfers out 2017/2018 £000 Restated	Transfers in 2017/2018 £000	Balance at 31st March 2018 £000 Restated	Transfers out 2018/2019 £000	Transfers in 2018/2019 £000	Balance at 31st March 2019 £000
General Fund Balance	3,943	0	0	3,943	0	0	3,943
Capital Reserves							
Usable Capital Receipts	3,285	(487)	0	2,798	(406)	63	2,455
Emergency Services Mobile Communications Capital Reserve	0	0	656	656	(99)	0	557
Total Capital Reserves	3,285	(487)	656	3,454	(505)	63	3,012
Revenue Reserves							
PFI Smoothing Reserve	7,508	0	356	7,864	0	262	8,126
Insurance Reserve	1,000	(236)	0	764	(370)	283	677
Early Retirement Reserve	20	(4)	0	16	(3)	0	13
Capital Developments Reserve	245	(4,320)	7,190	3,115	0	2,745	5,860
Resilience Reserve	1,512	0	500	2,012	0	1,488	3,500
Budget Carry Forward Reserve	445	(47)	329	727	(10)	1,274	1,990
New Dimensions Reserve	754	0	27	781	(50)	51	782
Community Safety Reserve	240	0	0	240	(240)	0	0
Civil Emergency Reserve	200	0	0	200	(200)	0	0
Carbon Management Plan Reserve	87	(26)	0	61	(61)	0	0
Transformation and Reform Reserve	5,404	(4,329)	1,922	2,997	(1,560)	431	1,868
Medium Term Planning Reserve	700	0	300	1,000	0	336	1,336
Command and Control Reserve	55	(55)	0	0	0	0	0
Emergency Services Mobile Communications Revenue Reserve	1,154	(9)	118	1,264	(70)	86	1,280
Total Revenue Reserves	19,324	(9,026)	10,742	21,040	(2,564)	6,956	25,432
Total Reserves	26,552	(9,513)	11,398	28,437	(3,069)	7,019	32,387

Note 8 - Movements in Earmarked Reserves (continued)

The table, above, shows the movement on the Authority's earmarked reserves for the year ended 31st March 2019. Detail on the purpose of each reserve is provided below:

- **PFI Smoothing Reserve** - Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure. This has the effect of smoothing the impact of PFI schemes on the Authority's revenue budget over the lifetime of the scheme.
- **Insurance Reserve** - this reserve is held to protect the Authority from:
 - any unexpected volatility;
 - potential future changes in legislation that could be retrospective;
 - any unknown exposures that may arise in the future; and
 - the Municipal Mutual Insurance Scheme of Arrangement reserve that was established in 1993/1994 to cover a possible shortfall in the eventual settlement of claims against MMI.

The reserve also includes accumulated insurance premium discounts received, arising from the Authority's positive approach to risk management. These sums are retained to offset the cost of further risk management initiatives in future years.

- **Early Retirement Reserve** - this reserve was established in order to cover future compensatory added years payments, associated with an early retirement during 2002/2003. This has ensured that the costs are covered in the year of retirement and will not lead to on-going revenue implications. The reserve will be reduced each year as payments are made to the Tyne and Wear Pension Fund.
- **Capital Developments Reserve** - this reserve was created to fund medium term and long term capital and revenue developments.
- **Resilience Reserve** - this reserve was established following a review of the potential liabilities arising from a major industrial dispute. Having considered the principles, criteria and framework upon which the Authority's Business Continuity Strategy should be based, the reserve is intended to ensure that the communities of Tyne and Wear are protected in the event of a major industrial dispute.
- **Budget Carry Forward Reserve** - this reserve is used to fund the slippage of specific items of revenue expenditure.
- **New Dimensions Reserve** - this reserve is used to provide for any adverse effect of planned changes in funding from specific to general grant and to provide resources to meet future specific costs in relation to delivering an appropriate response.
- **Community Safety Reserve** - this reserve was established to deliver community safety initiatives in future years. This follows the success of similar schemes carried out during previous years.
- **Civil Emergency Reserve** - this reserve was established to enable the Authority to respond to a major catastrophic event, either within Tyne and Wear, or another region, where there would likely be additional cost pressures placed upon the Authority (over and above the reimbursement level that might be expected from other Fire Authorities or through the Bellwin scheme). This reserve enables the Authority to deliver the necessary level of support without impacting on its revenue budget.
- **Carbon Management Plan Reserve** - this reserve was established as the Authority is currently working in partnership with the Carbon Trust and other Fire and Rescue Authorities in the region to develop a Carbon Reduction Plan. The implementation of this plan will necessitate some investment in order to make future savings, both in carbon emissions and energy bills.

Note 8 - Movements in Earmarked Reserves (continued)

- **Transformation and Reform Reserve** - this reserve was created to cover the expected costs of all major organisational changes and transformation projects required for the Authority to operate more efficiently and effectively.
- **Medium Term Planning Reserve** - this reserve was established to plan for the impact of government reductions in funding, due to localisation of the business rates retention system and the impact on precepting authorities of localisation of the council tax benefit scheme.
- **Command and Control Reserve** – this reserve was established for the Command and Control Grant received from DCLG, to be used during the year to finance replacement of the Command and Control System.
- **Emergency Services Mobile Communications Reserve** – this reserve was established for the ESMCP grant received from Home Office, to be used to implement the new wide area communications system.

Note 9 – Other Operating Expenditure

2017/2018 £'000		2018/2019 £'000
0	(Gain)/Loss on Disposal of Fixed Assets	0
0	Total	0

Note 10 – Financing and Investment Income and Expenditure

2017/2018 £'000		2018/2019 £'000
2,320	Interest Payable	2,346
21,960	Net Interest on the Net Defined Benefit Liability (Asset)	22,370
(126)	Interest and Investment Income	(221)
24,154	Total	24,495

Note 11 – Taxation and Non Specific Grant Income

2017/2018 £'000		2018/2019 £'000
(22,136)	Council Tax Income	(23,119)
(14,932)	Non Domestic Rate Income	(15,620)
(10,898)	Non Ringfenced Government Grants	(9,620)
(395)	Government Capital Grant Applied	(243)
(656)	Government Capital Grant Unapplied	0
(49,017)	Total	(48,602)

Note 12 – Property, Plant and Equipment

Movement on Balances 2018/2019

	Land & Buildings	Vehicles, Plant Furniture & Equipment	Assets Under Construction	TOTAL	PFI Assets included in Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2018	73,555	23,622	253	97,430	38,011
Additions	154	563	387	1,104	1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(621)	0	0	(621)	(621)
Revaluation increases/(decreases) recognised in the Provision of Services	487	0	0	487	487
Other Movements in Cost or Valuation	0	18	(18)	0	0
At 31 March 2019	73,575	24,203	622	98,400	37,878
Accumulated Depreciation and Impairment					
At 1 April 2018	1,642	15,649	0	17,291	708
Depreciation Charge	1,984	1,652	0	3,636	967
Depreciation written out to Revaluation Reserve	(36)	0	0	(36)	(36)
Depreciation recognised in the Provision of Services	(63)	0	0	(63)	(63)
At 31 March 2019	3,527	17,301	0	20,828	1,576
Net Book Value at 31st March 2018	71,913	7,973	253	80,138	37,303
Net Book Value at 31st March 2019	70,048	6,902	622	77,572	36,302

Note 12 – Property, Plant and Equipment (continued)

Movement on Balances 2017/2018

	Land & Buildings	Vehicles, Plant Furniture & Equipment	Assets Under Construction	TOTAL	PFI Assets included in Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2017	61,767	22,480	213	84,460	29,972
Additions	286	1,080	102	1,468	134
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,551	0	0	12,551	8,641
Revaluation increases/(decreases) recognised in the Provision of Services	626	0	0	626	(36)
Other Movements in Cost or Valuation	(1,675)	62	(62)	(1,675)	(700)
At 31 March 2018	73,555	23,622	253	97,430	38,011
Accumulated Depreciation and Impairment					
At 1 April 2017	3,004	14,086	0	17,090	2,050
Depreciation Charge	1,690	1,563	0	3,253	814
Depreciation written out to Revaluation Reserve	(2,431)	0	0	(2,431)	(2,013)
Depreciation recognised in the Provision of Services	(621)	0	0	(621)	(143)
At 31 March 2018	1,642	15,649	0	17,291	708
Net Book Value at 31st March 2017	58,763	8,394	213	67,370	27,922
Net Book Value at 31st March 2018	71,913	7,973	253	80,138	37,303

Capital Commitments

At 31 March 2019, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/2020, budgeted to cost £5.108m (as at 31 March 2018 £1.612m). A summary of the commitments are:

- ICT Software and Hardware (£1.728m)
- Estates (£0.170m)
- Community Safety (£0.100m)
- Operational Equipment (£0.096m)
- Technical Services Centre (£0.114m)
- Learning and Organisational Development (£0.150m)
- Vehicle Replacement Programme (£2.750m)

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued with sufficient regularity to ensure the carrying amount does not differ materially from the value at the end of the reporting period. All valuations are carried out by the Lead Authority and valuations of Land and Buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historical cost as a proxy for non-property assets that have short useful lives.

Note 12 – Property, Plant and Equipment (continued)

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Total £'000
Carried at historic cost	0	24,203	24,203
Valued as at: 31 March 2019	73,022	0	73,022

Note 13 – Assets Held for Sale

2017/2018 £'000		2018/2019 £'000
0	Balance Outstanding at start of year	1,675
0	Assets Sold	0
0	Revaluation (Losses) / Gains	(58)
1,675	Net transfer from non-current assets to current assets at year end	0
1,675	Balance Outstanding at the year end	1,617

Note 14 – Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Debtors				
Financial assets carried at contract amount**	227	227	8,789	8,378
Total Debtors	227	227	8,789	8,378
Borrowings				
Financial liabilities at amortised costs *	(11,695)	(12,182)	(487)	(508)
Total Borrowings	(11,695)	(12,182)	(487)	(508)
Other Long Term Liabilities				
PFI and finance lease liabilities	(18,316)	(19,403)	(989)	(887)
Injury Pension Liability	(7,639)	(8,139)	(500)	(500)
Total Other Long Term Liabilities	(25,955)	(27,542)	(1,489)	(1,387)
Creditors				
Financial liabilities carried at contract amount**	0	0	(3,235)	(3,714)
Total Creditors	0	0	(3,235)	(3,714)

Note 14 – Financial Instruments (continued)

* All borrowing and investments for the Authority are carried out by the Lead Authority, Sunderland City Council. These issues are considered in more detail in the Authority's Treasury Management Strategy.

** The figures exclude Collection Fund debtors and creditors in accordance with the Code.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2018/2019	Financial Liabilities measured at Amortised Cost £'000	Financial Assets Loans and Receivables £'000
Interest expense	2,346	0
Interest income	0	(221)
Net gain (-) / loss for the year	2,125	

Comparative figures as at 31st March 2018 are as follows:

2017/2018	Financial Liabilities measured at Amortised Cost £'000	Financial Assets Loans and Receivables £'000
Interest expense	2,320	0
Interest income	0	(126)
Net gain (-) / loss for the year	2,194	

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (both revised in 2017). Overall, these procedures require the Authority to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
 - the Authority's overall borrowing;
 - its maximum and minimum exposure to fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt; and
 - its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

Note 14 – Financial Instruments (continued)

The Annual Treasury Management Strategy includes these procedures in order to manage the risks of the Authority's financial instrument exposure. It is approved at the Authority's annual budget meeting before the beginning of the financial year and actual performance is reported annually to Members.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Sunderland City Council (SCC) provide Treasury Management arrangements for short term investments of the Authority's daily balances and deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Treasury Management Strategy for 2018/2019. This requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poor's Credit Ratings Services. In addition, to minimise risk, the Council stipulate a maximum sum to be invested with a financial institution located within each category and place deposits only with a limited number of high quality banks, building societies and money market funds that are on the Council's Approved Lending List.

As the portfolio of the Authority's investments lies entirely with SCC, the credit risk exposure is minimal.

The Authority does not generally allow credit for customers, £0.477m is beyond its due date for payment. The past due amount can be analysed by age as follows:

31 st March 2018 £'000		31 st March 2019 £'000	
246	Less than 3 months	477	
1	Between 3 and 6 months	0	
0	Between 6 months to one year	0	
1	More than one year	0	
248		477	

Liquidity Risk

The Authority manages its liquidity position through risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury management strategy report).

Sunderland City Council operate a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. If unexpected movements happen the Council has ready access to a facility to borrow from the Public Works Loan Board and from money markets. As a result there is no significant risk that the Authority will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods.

The Authority's Annual Treasury Management Strategy draws together the prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set by Sunderland City Council which provides maximum limits for fixed and variable interest rate exposure. The central treasury team at the Council monitor market and forecast interest rates within the year to adjust exposures appropriately.

Note 15 – Short-Term Debtors

2017/2018 £'000 Restated		2018/2019 £'000
3,918	Central government bodies	4,653
552	Other local authorities	842
2	NHS bodies	2
11	Public corporations and trading funds	2
5,981	Other entities and individuals	6,216
10,464	Total	11,715

Note 16 – Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2017/2018 £'000		2018/2019 £'000
1	Cash held by the Authority	1
3,990	Bank Current Accounts	5,588
27,514	Short Term Investments held with Lead Authority	27,514
31,505	Total	33,103

Note 17 – Short-Term Creditors

2017/2018 £'000		2018/2019 £'000
(1,250)	Central government bodies	(1,733)
(2,818)	Other local authorities	(2,354)
(117)	Public corporations and trading funds	(109)
(1,387)	Other entities and individuals	(1,138)
(5,572)	Total	(5,334)

Note 18 – Provisions

	Insurance Provision £'000	Business Rates Appeal Provision £'000	Other Provision £'000	Total £'000
Balance at 1 April 2017	(165)	(444)	(10,532)	(11,141)
Additional provisions made in 2017/2018	(158)	(120)	0	(278)
Amounts used in 2017/2018	87	172	10,532	10,791
Balance at 31 March 2018	(236)	(392)	0	(628)
Additional provisions made in 2018/2019	(21)	(258)	0	(279)
Amounts used in 2018/2019	65	133	0	198
Balance at 31 March 2019	(192)	(517)	0	(709)

The nature of the individual provisions held at 31st March 2019 is detailed below:

	Short Term £'000	Long Term £'000	2018/2019 Total £'000
Insurance provision	0	(192)	(192)
Business rates appeal provision	(517)	0	(517)
	(517)	(192)	(709)

Note 19 – Usable Reserves

Movements in the Authority's usable reserves are detailed in Note 8 – Movements in Earmarked Reserves on pages 51 to 53.

Note 20 – Unusable Reserves

2017/2018 £'000 Restated		2018/2019 £'000
23,909	Revaluation Reserve	23,011
24,403	Capital Adjustment Account	23,861
(887,181)	Pensions Reserve	(913,816)
366	Collection Fund Adjustment Account	294
(228)	Accumulated Absence Account	(284)
(838,731)	Total Unusable Reserve	(866,934)

Note 20 – Unusable Reserves (continued)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/2018 £'000		2018/2019 £'000
8,959	Balance at 1 April	23,909
17,927	Upward Revaluations of Assets	39
(2,945)	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(933)
23,941	Surplus/Deficit on Revaluation of Non Current Assets not posted to the Surplus/Deficit on the Provision of Services	23,012
(32)	Difference between Fair Value Depreciation and Historical Cost Depreciation	(1)
23,909	Balance at 31 March	23,011

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 on page 49 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Note 20 – Unusable Reserves (continued)

2017/2018 £'000		2018/2019 £'000
23,604	Balance at 1 April	24,403
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,974)	Charges for depreciation and impairment of non-current assets	(2,831)
21,630		21,572
	Capital financing applied in the year;	
395	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	243
1,196	Statutory provision for the financing of capital investment charged against the General Fund balance	1,091
1,073	Capital expenditure charged against the General Fund balance	861
109	Movement in the Donated Asset Account credited to the Income and Expenditure Statement	94
24,403	Balance at 31 March	23,861

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/2018 £'000 Restated		2018/2019 £'000
(837,910)	Balance at 1 April	(887,181)
(41,420)	Re-measurement of the net defined benefit liability / (asset)	(21,470)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	
(34,701)		(32,805)
26,850	Employers pensions contributions and direct payments to pensioners payable in the year	27,640
(887,181)	Balance at 31 March	(913,816)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rating income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Note 20 – Unusable Reserves (continued)

2017/2018 £'000		2018/2019 £'000
245	Balance at 1 April	366
121	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(73)
366	Balance at 31 March	294

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/2018 £'000		2018/2019 £'000
(185)	Balance at 1 April	(228)
185	Settlement or cancellation of accrual made at the end of the preceding year	228
(228)	Amounts accrued at the end of the current year	(284)
(228)	Balance at 31 March	(284)

Note 21 – Cash Flow Statement – Operating Activities

The cash flows from operating activities is detailed in the Financial Instruments note

Note 22 – Cash Flow Statement – Investing Activities

2017/2018 £'000		2018/2019 £'000
1,073	Purchase of property, plant and equipment	861
1,073	Net cash flows from Investing Activities	861

Note 23 – Cash Flow Statement – Financing Activities

2017/2018 £'000		2018/2019 £'000
529	Repayments of short and long term borrowing	508
716	Other payments and financing activities	1,485
1,245	Net cash flows from Financing Activities	1,993

Note 24 – Members' Allowances and Expenses

The amount paid to Authority members during the year was:

	2018/2019 £'000	2017/2018 £'000
Total Members' Allowances and Expenses Paid	102	70

Note 25 – Officers' Remuneration

The number of employees (excluding 'Senior' officers) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000:

Remuneration Band	2018/2019 Number of Employees	2017/2018 Number of Employees
£50,000-£54,999	15	4
£55,000-£59,999	0	7
£60,000-£64,999	10	8
£65,000-£69,999	1	0
£70,000-£74,999	0	2
£75,000-£79,999	0	1
£80,000-£84,999	2	0
	28	22

The tables below disclose the specific remuneration information in relation to 'Senior' officers. The senior officers are those who are involved in influencing and making strategic decisions and developing policies for the organisation. For Tyne and Wear Fire and Rescue Authority, this is the Chief Fire Officer, the Assistant Chief Fire Officers and the Strategic Finance Manager.

Note 25 – Officers’ Remuneration (continued)

Post Holder Information	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of Office	Total Remuneration excluding Pension Contributions 2018/2019	Employer's Pension Contributions	Strain on Fund	Total Remuneration including Pension Contributions 2018/2019
2018/2019	£	£	£	£	£	£	£
Chief Fire Officer and Chief Executive	149,507	0	0	149,507	21,379	0	170,886
Assistant Chief Fire Officer – Organisational Development	119,606	0	0	119,606	17,104	0	136,710
Assistant Chief Fire Officer – Community Safety	119,067	0	0	119,067	25,837	0	144,904
Strategic Finance Manager	79,001	61	0	79,062	13,825	0	92,887

Post Holder Information	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of Office	Total Remuneration excluding Pension Contributions 2017/2018	Employer's Pension Contributions	Strain on Fund	Total Remuneration including Pension Contributions 2017/2018
2017/2018	£	£	£	£	£	£	£
Chief Fire Officer and Chief Executive (from 10.04.17)	147,341	0	0	147,341	20,942	0	168,283
Chief Fire Officer and Chief Executive (to 09.04.17)	398	0	0	398	86	0	484
Assistant Chief Fire Officer – Organisational Development	117,500	0	0	117,500	16,754	0	134,254
Assistant Chief Fire Officer – Community Safety	99,492	0	0	99,492	18,909	0	118,401
Strategic Finance Manager	77,419	0	0	77,419	13,621	0	91,040

Note 26 – External Audit Costs

Tyne and Wear Fire Authority has incurred the following costs in relation to the audit of the Statement of Accounts provided by the Authority's external auditors.

	2018/2019 £'000	2017/2018 £'000
Fees paid to external auditors with regard to external audit services carried out by the appointed auditor (Mazars LLP)	24	31
	24	31

Note 27 – Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/2019:

	2018/2019 £'000	2017/2018 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	9,620	10,898
National Non Domestic Rates	4,589	4,236
Top Up Grant	11,031	10,688
Transparency Grant	0	8
Council Tax Income	23,119	22,136
Government Capital Grant Applied	243	395
Government Capital Grant Unapplied	0	656
	48,602	49,017
Credited to Services		
PFI Grant	3,358	3,358
New Dimensions	871	877
Firelink	256	248
Emergency Services Mobile Communications	608	176
USAR Long Term Capability	1	143
	5,094	4,802

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2018/2019 £'000	2017/2018 £'000
Capital Grants Receipts in Advance		
Fire Capital Grant	16	160
Emergency Services Mobile Communications	557	656
	573	816
Donated Assets Account		
New Dimensions Equipment	188	282
	188	282

Note 28 – Related Parties

The 'Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019' requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in Note 27 on page 66.

Authority Members: Disclosures in respect of members' interests are required to be reported. After consultation with Members there are no disclosures to report.

Chief Officers: Disclosures in respect of Chief Officers' interests are also required to be reported. After consultation with Chief Officers there are no disclosures to report.

Other Relevant Information: Details of the Authority's transactions with Sunderland City Council for provision of support services are shown in the appropriate sections of the Income and Expenditure Account as disclosed in Accounting Policy 1.6 on page 41. The cost of Support Services received by the Authority total £305,570 (£301,511 in 2017/2018).

Trading Arrangements:

TWFRS Ltd

The Authority has a trading company TWFRS Ltd which commenced operating on 1st April 2015. This is a 100% fully owned company of the authority operating on a local authority trading company basis. The Authority acquired an additional £20,000 £1 shares in the company during the year 2016/2017 to provide a cash flow funding reserve to ensure the company can maintain its business operations and plan. The company reported a net profit (subject to audit) of £22,790 in 2018/2019 (£25,265 in 2017/2018). No dividends have been paid or are being proposed.

Impeller Foundation and Impeller Assurance and Resilience Ltd

Commencing from 1st April 2015, the Authority also set up a separate independent Charitable Company known as the Impeller Foundation. The Charity also established a subsidiary Trading Company, Impeller Assurance and Resilience Ltd, to carry out the main activities of the Foundation. The Charity remains independent from the Fire Authority and its operations, although the Foundation may make donations to the Fire Authority to help further the Fire Authority's objectives which are the same as the aims of the Foundation.

The Authority has provided a loan to Impeller Ltd of £225,000 as part of establishing the charitable company arrangements. The loan was paid initially to TWFRS Ltd and market rates of interest were applied, then passed onto Impeller Ltd. The loan is shown under long term debtors in the Authority's balance sheet until the principal is repaid.

Note 29 – Capital Expenditure and Capital Financing

The total amount of capital expenditure in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

Note 29 – Capital Expenditure and Capital Financing (continued)

	2018/2019 £'000	2017/2018 £'000
Opening Capital Financing Requirement	9,991	11,187
Capital Investment:		
Property, Plant and Equipment	1,104	1,468
Intangible Assets	0	0
Sources of Finance		
Government grants and other contributions	(243)	(395)
Sums set aside from		
Direct Revenue Contributions	(861)	(1,073)
MRP	(1,091)	(1,196)
Closing Capital Financing Requirement	8,900	9,991
Explanation of movements in year:		
Assets acquired under PFI contracts	0	0
Minimum Revenue Provision	(1,091)	(1,196)
Increase / (Decrease) in Capital Financial Requirement	(1,091)	(1,196)

Note 30 – Private Finance Initiatives and Similar Contracts

In March 2003, the Authority entered into a PFI contract to provide six new Fire Stations, a Service Headquarters and a new Technical Services Centre. The contract expires in May 2029.

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

The Authority makes agreed fixed payments to the contractors each year. Indexation is applied annually and payments can be reduced should the contractor fail to meet availability and performance standards. The estimated contract payments remaining for both the PFI and NEFRA contracts (excluding any estimation of inflation and availability/performance deductions), are shown in the table below.

Note 30 – Private Finance Initiatives and Similar Contracts (continued)

	2019/2020	2020/2021	2024/2025	2029/2030	2034/2035	
		–	–	–	–	
	2023/2024	2028/2029	2033/2034	2035/2036	Total	
	£'000	£'000	£'000	£'000	£'000	£'000
Finance Lease Creditor Repayment	1,087	5,140	10,210	1,837	455	18,729
Finance Lease Creditor Interest	1,738	5,845	3,980	743	37	12,343
Lifecycle Maintenance Costs	64	271	378	428	139	1,280
Contingent Rentals	166	553	1,377	128	(12)	2,212
Operating Costs	2,208	9,949	12,967	1,860	451	27,435
PFI Grant	(3,358)	(13,432)	(16,790)	(8,378)	(1,108)	(43,066)
Total Net Expenditure	1,905	8,326	12,122	(3,382)	(38)	18,933

Note 31 – Exit Packages

There were no exit packages in 2018/2019.

Note 32 – Contingent Liability

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in the pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud and others) was brought in November 2016 against the Lord Chancellor and the Ministry of Justice. The tribunal ruled in favour of the claimants and at the Employment Appeal Tribunal in January 2018 the decision was upheld. The Lord Chancellor and Ministry of Justice lodged an appeal to the Court of Appeal.

The second case (Sargeant and others) was brought in January 2017 against the Fire & Rescue Authorities and the Government (in England and Wales) and the tribunal ruled against the claimants. The claimants appealed this decision to the Employment Appeal Tribunal, which led to further appeals to the Court of Appeal by both parties.

These two cases have now been combined by the Court of Appeal. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. The Government is currently seeking permission to appeal this decision with an unknown timeframe for this permission to be granted or denied.

If permission to appeal is denied, it would likely result in a requirement to compensate certain members for any discrimination suffered as a result of the transitional protections. At the moment there is uncertainty over the form that this compensation would take. The read across to other public service pension schemes is unknown but given that the transitional protection arrangements are very similar, it would be reasonable to assume that the implications would be the same.

Note 32 – Contingent Liability (continued)

Impact on pension scheme accounts

If compensation is payable to employees who were transferred to the reformed 2015 schemes, it is expected to lead to an increase in pension scheme liabilities. Due to the uncertainty surrounding this legal case against the Government and the unknown compensation arrangement that will be put in place should they ultimately lose, the actuaries have not adjusted the 31st March 2019 accounting disclosures. As such the authority is treating this as a contingent liability.

Note 33 – Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The firefighters' pension scheme for operational employees is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities. The cost of pension payments is met from employer and employee contributions, with the balance being funded by the government through a top-up grant. The employers' contributions to the firefighters' pension fund account are 21.7% in respect of the 1992 Scheme, 11.9% in respect of the 2006 Scheme and 14.3% in respect of the 2016 Scheme.
- The Local Government Pension Scheme for non-operational employees, administered by South Tyneside Council is a funded defined benefit salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employers' contributions to the local government fund account are 17.5%.

Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement, including Past Service Costs which are treated as Non Distributed Costs in Corporate Support Services, and are removed from the General Fund Balance via the Movement in Reserves Statement during the year:

Note 33 – Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Service Cost comprising:						
Current Service Cost	1,990	1,950	8,790	9,310	10,780	11,260
Past Service Costs	0	90	0	520	0	610
Financing and Investment Income and Expenditure:						
Net Interest Expense	560	530	21,810	21,430	22,370	21,960
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,550	2,570	30,600	31,260	33,150	33,830
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement						
Re-measurement of the Net Defined Benefit Liability comprising:						
Local Government Scheme						
Return on Plan Assets	(3,120)	(820)	0	0	(3,120)	(820)
Actuarial (Gains) and Losses arising on changes in Demographic Assumptions	(3,210)	0	0	0	(3,210)	0
Actuarial (Gains) and Losses arising on changes in Financial Assumptions	3,130	10	0	0	3,130	10
Other	170	510	0	0	170	510
Firefighters' Scheme						
Experience (Gains) and Losses arising on Pension Liabilities	0	0	990	43,190	990	43,190
Changes in Assumptions underlying the Present Value of the Pension Liabilities	0	0	23,510	(1,470)	23,510	(1,470)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(480)	2,270	55,100	72,980	54,620	75,250

Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
£'000	£'000	£'000	£'000	£'000	£'000

Movement in Reserves Statement

Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code

1,075	1,041	4,090	6,810	5,165	7,851
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Actual amount charged against General Fund Balance for pensions in the year:

Employers Contributions Payable to the Scheme
Retirement Payments Payable to Pensioners

1,130	2,220	0	0	1,130	2,220
0	0	26,510	24,630	26,510	24,630

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
	£'000	Restated £'000	£'000	£'000	£'000	Restated £'000
Present value of the defined benefit obligation	(79,350)	(76,370)	(892,980)	(864,390)	(972,330)	(940,760)
Fair value of plan assets	58,860	54,270	0	0	58,860	54,270
Sub-total	(20,490)	(22,100)	(892,980)	(864,390)	(913,470)	(886,490)
Other movements in the liability (asset)	(345)	(691)	0	0	(345)	(691)
Net liability arising from defined benefit obligation	(20,835)	(22,791)	(892,980)	(864,390)	(913,815)	(887,181)

Note 33 – Defined Benefit Pension Schemes (continued)

Reconciliation of the Movements in the Fair Value of Local Government Scheme (Plan) Assets

	Local Government Pension Scheme	
	2018/2019 £'000	2017/2018 £'000
Opening fair value of scheme assets	54,270	51,250
Interest income	1,410	1,360
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	3,120	820
Contributions from employer	1,130	2,220
Contributions from employee in to the scheme	400	380
Benefits paid	(1,470)	(1,760)
Closing balance at 31 March	58,860	54,270

The firefighters' pension scheme has no assets to cover its liabilities.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000
Opening Balance at 1 April	76,370	73,300	864,390	815,860	940,760	889,160
Current Service Cost	1,990	1,950	8,790	9,310	10,780	11,260
Interest Cost	1,970	1,890	21,810	21,430	23,780	23,320
Contributions by scheme participants	400	380	2,420	2,540	2,820	2,920
Re-measurement (gains) and losses:						
<i>Local Government Scheme</i>						
Actuarial (gains)/losses arising from changes in demographic assumptions	(3,210)	0	0	0	(3,210)	0
Actuarial (gains)/losses arising from changes in financial assumptions	3,130	10	0	0	3,130	10
Other	170	510	0	0	170	510
<i>Firefighters' Scheme</i>						
Experience (gains) and losses arising on pension liabilities	0	0	990	43,190	990	43,190
Changes in assumptions underlying the present value of the pension liabilities	0	0	23,510	(1,470)	23,510	(1,470)
Past service cost	0	90	0	520	0	610
Benefits paid	(1,470)	(1,760)	(28,930)	(27,170)	(30,400)	(28,930)
Pension transfers in	0	0	0	180	0	180
Liabilities extinguished on settlements	0	0	0	0	0	0
Closing balance at 31 March	79,350	76,370	892,980	864,390	972,330	940,760

Note 33 – Defined Benefit Pension Schemes (continued)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The net liability of £913.470m has a substantial impact on the negative net worth of £834.547m recorded on the balance sheet of the Authority. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2020 is £1.10m.

Local Government Pension Scheme Assets

The approximate split of assets for the local government pension scheme is shown below. The firefighters' pension scheme has no assets to cover its liabilities.

	Asset split at 31 March 2019			Asset split at 31 March 2018
	Quoted %	Unquoted %	Total %	%
Equities	58.0	7.0	65.0	67.0
Government Bonds	4.1	0.0	4.1	4.0
Corporate Bonds	11.7	0.0	11.7	11.7
Property	0.0	8.8	8.8	8.5
Cash	2.7	0.0	2.7	3.7
Other Assets	3.5	4.2	7.7	5.1
Total	80.0	20.0	100.0	100.0

Basis for Estimating Assets and liabilities

The liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The local government pension scheme has been assessed by Aon Hewitt Limited, an independent firm of actuaries and the firefighters' pension scheme liabilities have been assessed by the Government Actuary's Department.

The principal assumptions used by the actuary are:

Note 33 – Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2018/2019	2017/2018	2018/2019	2017/2018
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2 years	22.9 years	22.0 years	21.9 years
Women	25.3 years	26.4 years	22.0 years	21.9 years
Longevity at 65 for future pensioners (aged 45):				
Men	23.9 years	25.1 years	23.9 years	23.9 years
Women	27.2 years	28.7 years	23.9 years	23.9 years
CPI	2.10%	2.00%	2.35%	2.30%
Rate of increase in salaries	3.60%	3.50%	4.35%	4.30%
Rate of increase in pensions	2.10%	2.00%	2.35%	2.30%
Rate for discounting scheme liabilities	2.50%	2.60%	2.45%	2.55%
Commutation – Pre 2008	75.00%	75.00%	N/A	N/A
Commutation – Pre 1 st April 2010	N/A	N/A	N/A	N/A
Commutation – Post 31 st March 2010	N/A	N/A	N/A	N/A

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation			
	Local Government Pension Scheme		Firefighters' Pension Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	+2,430	-2,410		
Rate of increase in salaries (increase or decrease by 0.1%)	+500	-500		
Rate of increase in pensions (increase or decrease by 0.1%)	+1,160	-1,150		
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	-1,640	+1,670		
Longevity (increase or decrease in 1 year)			+23,000	-23,000
Rate of increase in salaries (increase or decrease by 0.50%)			+9,000	-9,000
Rate of increase in pensions (increase or decrease by 0.50%)			+67,000	-67,000
Rate for discounting scheme liabilities (increase or decrease by 0.50%)			-81,000	+81,000

Note 33 – Defined Benefit Pension Schemes (continued)

Impact on the Authority's Cash Flows

The weighted average duration of the defined benefit obligation for scheme members in the local government scheme is 21.1 years (21.1 years, 2017/18) and in the firefighter scheme is 20 years (19 years, 2017/18).

Note 34 – Prior Period Adjustments

There has been a requirement to restate the Authority's previous published accounts for two prior period adjustments.

(i) Pension Fund Deficit Contributions (LGPS) Payment in Advance

The Authority prepaid pension fund deficit contributions of £1.037m for the three year period 2017/2018 to 2019/2020 covered by the Rates and Adjustments Certificate. The Authority agreed to prepay as this reduced the total deficit contribution payable. This was treated as a payment in advance in the 2017/2018 published accounts, but statutory accounting guidance requires the general fund to be charged with the amount payable for the year rather than the amount paid.

In accordance with the requirements of the Code, the Authority has restated the 2017/2018 published accounts. A disconnect between the amount paid and the amount payable results in an imbalance between the pension reserve and the pension liability. As a result, there is a difference between the pension liability and reserve on the balance sheet of £0.691m as at 31st March 2018 and £0.346m as at 31st March 2019. This will reduce to zero at 31st March 2020.

The resulting changes affect the Core Statements, Notes 6, 15, 20 and 33. The tables below only show the lines that have been amended and not the complete Statement or Note. Each Financial Statement or note that has been restated is clearly identified throughout the accounts.

	Original 2017/2018 Published Figure £'000	Restated 2017/2018 £'000	Movement £'000
Comprehensive Income & Expenditure Statement			
Net Cost of Services	29,293	29,984	691
Deficit on Provision of Services	4,430	5,121	691
Total Comprehensive Income & Expenditure	30,868	31,559	691
Movement in Reserves Statement			
Total Comprehensive Income & Expenditure (Total Usable Reserves)	4,430	5,121	691
Adjustments between Accounting Basis & Funding Basis (Total Usable Reserves)	(6,315)	(7,006)	(691)
Adjustments between Accounting Basis & Funding Basis (Total Unusable Reserves)	6,315	7,006	691
Unusable Reserves Balance 31 March 2018	838,040	838,731	691
Total Authority Reserves Balance 31 March 2018	809,603	810,294	691
Balance Sheet			
Current Assets	44,763	44,072	(691)
Net Assets / (Liabilities)	(809,603)	(810,294)	(691)
Unusable Reserves	(838,040)	(838,731)	(691)
Total Reserves	(809,603)	(810,294)	(691)

	Original 2017/2018 Published Figure £'000	Restated 2017/2018 £'000	Movement £'000
Cash Flow Statement			
Net deficit on the provision of services	4,430	5,121	691
Adjustments to net deficit on the provision of services for non cash movement	(5,051)	(5,742)	(691)
Cash and cash equivalents at the end of the reporting period	(31,505)	(31,505)	0
Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations			
Pensions costs – transferred to (or from) the Pensions Reserve	(7,160)	(7,851)	(691)
Total Adjustments to Revenue Resources	(7,082)	(7,773)	(691)
Note 15 Short Term Debtors			
Other entities and individuals	6,672	5,981	(691)
Total	11,155	10,464	(691)
Note 20 Unusable Reserves			
Pensions Reserve	(886,490)	(887,181)	(691)
Total Unusable Reserves	(838,040)	(838,731)	(691)
Note 33 Defined Benefit Pension Schemes			
Movements in the liability (asset)	0	(691)	(691)
Net liability arising from defined benefit obligation	(886,490)	(887,181)	(691)

(ii) Injury Pension Grant Repayment (Firefighter Pension Scheme)

In 2017/2018 the Authority set up a long term pension liability of £8.639m to recognise the agreement made with the Home Office to repay over claimed injury pension grant. External Audit guidance at the time instructed that a corresponding entry was created in the Authority's equity as a negative revenue reserve, to absorb the effect on the General Fund Balance.

The External Auditor has since reviewed their guidance and, as this treatment is no longer considered to conform to the Code, the Authority has restated the 2017/2018 published accounts. The £8.639m has been transferred equally from the Capital Developments Reserve and the Transformation and Reform Reserve.

The adjustment does not affect the Core Statements. The table below shows the amended lines of Note 8. More detail is set out in the Note to the accounts and in the Narrative Statement.

Note 8 Movements in Earmarked Reserves

	Original 2017/2018 Published Figure Transfers out £'000	Original 2017/2018 Published Figure Balance at 31 st March 2018 £'000	Restated 2017/2018 Transfers out £'000	Restated 2017/2018 Balance at 31 st March 2018 £'000	Movement £'000
Capital Developments Reserve	0	7,435	(4,320)	3,115	(4,320)
Transformation and Reform Reserve	(10)	7,316	(4,329)	2,997	(4,319)
Injury Pension Reserve	(8,639)	(8,639)	8,639	0	8,639

Supplementary Statements

Firefighters' Pension Fund Account

The financial statements summarise the transactions and the net assets relating to the Firefighters' Pension Fund. The amounts that must be debited and credited to the Pension Fund Account are specified by regulation.

	2018/2019 £'000		2017/2018 £'000	
Contributions Receivable				
From employers				
- normal	(2,979)		(3,230)	
- early retirement	(45)		(45)	
From members	<u>(2,420)</u>	(5,444)	<u>(2,536)</u>	(5,811)
Transfers In				
Individual transfers in from other schemes		0		(180)
Benefits Payable				
Pensions	21,906		20,838	
Commutations and lump sum retirement benefits	5,700		5,017	
Lump sum death benefits	<u>0</u>	27,606	<u>0</u>	25,855
Payments to and on account of leavers				
Individual transfers out to other schemes		0		0
		<u>22,162</u>		<u>19,864</u>
Net amount payable/(receivable) before top up grant (receivable)/amount payable to sponsoring department				
		(22,162)		(19,864)
Top-up grant (receivable)/amount payable to sponsoring department				
Net amount payable/(receivable) for the year		0		0

Supplementary Statements (continued)

Firefighters' Pension Net Assets Statement

	2018/2019	2017/2018
	£'000	£'000
Net Current Assets and Current Liabilities		
Pension top-up grant receivable from / (due to) sponsoring department	4,288	3,684
Pre-paid pension benefits	1,882	1,800
Cash Overdrawn due to the General Fund	(6,170)	(5,484)
	0	0

Notes to the Firefighters' Pensions Statements

1. Basis of Preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain. CIPFA guidance notes for practitioners have also been referred to and applied where appropriate.

The financial statements summarise the transactions of the scheme and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amounts receivable from the Authority and the pensionable employees. The employer's contributions are made at rates determined by the Government Actuaries Department, at a nationally applied rate of 21.7% for the 1992 Firefighters' Pension Scheme, 11.9% for the 2006 Firefighters' Pension Scheme and 14.3% for the 2015 Firefighters' Pension Scheme. The employee's contributions are dependant on salaries and range from 11.0% to 17.0% for the 1992 Scheme, 8.5% to 12.5% for the 2006 Scheme and 10.0% to 14.5% for the 2015 Scheme.

In addition to these contribution payments, the Authority is also required to make payments into the Pension Fund in respect of ill-health retirements, when they are granted.

No provision is made in the accounts for employees' and employer's contributions relating to sums due on pay awards not yet settled.

Benefits and refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

Supplementary Statements (continued)

Transfer values

Transfer values are those sums paid to, or received from, other pension schemes, and the firefighters' pension scheme outside England, for individuals, and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

3. Fund's Operations

New financial arrangements came into effect from 1st April 2006. The new financial arrangements had no impact on the terms and conditions of the firefighter pension schemes.

The firefighters' schemes are statutory, unfunded pension schemes, with the benefits being defined and guaranteed in law. Each scheme is contracted out of the State Second Pension (S2P) and must provide benefits at least as good as most members would have received had they been members of S2P. Benefits provided include a tax-free lump sum and a guaranteed pension based on final salary upon retirement.

Prior to 1st April 2006, the Authority administered and paid firefighters' pensions on a 'pay-as you-go' basis, which meant that employees' contributions were paid into the Authority's operating account from which pension awards were made. Following the change in financial arrangements on 1st April 2006, the Authority has continued to administer and pay firefighters' pensions, but this is now from a new separate local firefighters' pension fund.

Employee contributions and new employer's contributions are paid into the Pension Fund from which pension payments are made. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus in the fund being recouped by Government. The fund is, therefore, balanced to nil each year by receipt of pension top-up grant or by paying the surplus back to Government. The underlying principle is that employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The fund has no investment assets.

Glossary of Terms

Accrual

A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

Accounting Policies

Those principles, bases, conventions, rules and practice applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising;
- selecting measurement bases for; and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- the actuarial assumptions have changed.

Assets

Items of worth which are measurable in terms of money (value). Current assets are ones that may change in value on a day-to-day basis (e.g. Inventories). Fixed assets are tangible assets that yield benefit to the Authority and the services it provides for a period of more than one year.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at a specific date usually at the end of an accounting period.

Balances

The capital or revenue reserves of the Authority made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

Capital Charge

The charge to the services for the use of fixed assets.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Charges

The annual charge to the Comprehensive Income and Expenditure Statement in respect of the minimum revenue provision and interest on money borrowed together with leasing rentals.

Capital Financing Requirement

The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the Authority's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.

Capital Grants

Grants received towards capital expenditure on a particular service or project.

Capital Receipts

Money received from the sale of land or other capital assets. For non-housing authorities capital receipts are held by the Authority and can be used to pay for any kind of capital expenditure, to repay debt, to meet premiums on early debt repayments and to meet liabilities under credit arrangements.

Class of Property, Plant and Equipment (PPE)

The classes of PPE included in the accounting statements are:

Operational assets:

- Land and Buildings
- Vehicles, Plant and Furniture
- Surplus Assets

Non-operational assets

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

Code of Practice on Local Authority Accounting in the UK

'The Code' specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of the Authority.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next, is the same.

Constructive Obligation

An obligation that derives from an Authority's actions where:

- By an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- As a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Liability

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or where a provision would otherwise be made but it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingencies

Sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.

Corporate Support Services

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax

The form of local taxation operated from April 1993, based on properties.

Credit Ceiling

Is a measure of the difference between the Authority's total liabilities in respect of capital expenditure financed by credit and the provision that has been made to meet those liabilities.

Creditors

Amounts owed by the Authority for goods and services provided where payment has not been made at the

date of the balance sheet.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

Debt Outstanding

Amounts borrowed to finance capital expenditure that are still to be repaid.

Debtors

Sums of money due to the Authority but not received at the date of the balance sheet.

Defined Benefit Scheme

A pension, or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions, fixed as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the cost or revalued amount of the benefits of the PPE that have been consumed during the period.

Consumption includes the wearing out, consumption, or other reduction in the useful economic life of PPE, whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- The activities related to the operation have ceased permanently;
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting in either form its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations; and
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

Emoluments

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gain losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured: where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole, rather than individual balances.

Exceptional Items

Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure

Amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received, even if they have not yet been paid for (in which case the supplier is a creditor of the Authority).

Fees and Charges

Income arising from the provision of services.

General Fund

This accounts for the services of the Authority. The net cost is met by the Council Tax, Government Grants and National Non Domestic Rates.

Going Concern

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

Impairment

A reduction in the value of PPE below its carrying amount on the balance sheet.

Income

Amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment - income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Authority).

Intangible Fixed Assets

These are non financial PPE, such as software licences, that do not have physical substance but are identifiable and are controlled through custody or legal rights.

Interest Cost (Pension)

For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS)

Standards issued by the International Accounting Standards Board (IASB) which present the Authority's accounts in a consistent and comparable format with other Fire and Rescue Services internationally.

Inventories

The amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventory comprises the following categories:

- Goods or other assets purchased for resale;
- Consumable goods;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long term contract balances; and
- Finished goods.

Investments (Pension Fund)

The investments of the pension fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investments (Non Pension Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

Leasing

The method of financing the provision of capital assets to discharge the Authority's functions outside normal borrowing procedures but within criteria laid down in the Local Authorities (Capital Finance) Regulations 1990.

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources

Current asset investments that are readily disposable by the Authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Loans Outstanding

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

Long Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision

Is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government Act 1989.

National Non-Domestic Rate (NNDR)

With effect from April 1990 all non-domestic properties were revalued and the Government determines a national rate poundage every year which is applicable to all local authorities. From 1st April 2013, only 50% of the proceeds are pooled and re-distributed by Central Government. The remainder are retained locally, placing risk on the billing authority to collect the business rates income due and a passed on risk of this to the Authority. Appeals and avoidance tactics can also have a significant impact on the level of income collected each year. The Authority has a business rates appeal provision based on information provided from the billing authorities.

Net Book Value

The amount at which PPE are included in the balance sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating PPE in its existing condition and in its existing use, i.e. the cost of its replacement, or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

The Authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net Realisable Value

The open market value of the PPE in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Operational Assets

PPE held by a local authority but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include; investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and rental income is negotiated at arms length.

Operational Assets

PPE held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Past Service Costs

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The amount levied by the Tyne and Wear Fire and Rescue Authority which is collected by the Tyne and Wear

District Councils on their behalf.

Prior Period Adjustments

Those material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior periods.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants. Allowing where appropriate for future increases; and
- The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provisions

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

Private Finance Initiatives (PFI)

PFI's are method of funding/acquiring assets such as schools, but the supplier of the building is usually an agreed contractor or bidder, usually over a 25 year term. The Authority pays for the use of the asset by means of a unitary charge and can acquire the asset after this term if included in the terms of the contract. Up until this point the Authority does not own the asset and simply pays for the use of the asset. Government grant is available to assist authorities who enter into these arrangements, however, known as PFI credits. These have a direct impact upon the level of government grant paid each year to help pay for the scheme.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form of cash, or of other assets and the ultimate cash realisation can be assessed with reasonable certainty.

Prudential Framework

One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Authority before the start of the relevant financial year as part of their budget setting process.

Public Works Loan Board (PWLb)

A Central Government agency, which lends money to Local authorities at lower interest rates than those generally available from the private sector. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or

- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. Examples of related party transactions include:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- The provision of services to a related party, including the provision of pension fund administration services; and
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, Rents and payable of benefits.

Reserves

These are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date, or;
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Balances

These are the accumulated surpluses on the General Fund. They can be applied to reduce borrowing, reduce the Council Tax, or held to be applied in future years.

Revenue Contributions

The method of financing capital expenditure directly from revenue. The Authority may determine that certain capital schemes should be financed in this way or alternatively may include a prescribed sum in the revenue budget for this purpose.

Revenue Expenditure

Expenditure incurred on the day to day running of the Authority, the costs principally include employee expenses, capital financing charges and general running costs.

Revenue Support Grant (RSG)

A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. The grant helps to bridge the gap between Council Tax and NNDR income on one hand and the total assessment of the Authority's need to spend on the other. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP)

The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP applies to all Local Authorities from the 1 April 2013 for the preparation of budgets, performance indicators and Statement of Accounts. The aim of SeRCOP is to establish proper practice with regard to consistent financial reporting for services.

Settlement

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Specific Grants

Government grants to Local Authorities in aid of particular services, e.g. community fire safety.

Total Cost

The total cost of a service or activity includes all costs, which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Unapportionable Central Overheads

These are overheads for which there are no user benefits and should not be apportioned to services.

Useful Life

The period over which the Authority will derive benefits from the use of PPE.

Vested Rights

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.129 million spread amongst the five constituent councils of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland in the North East of England. The population density of the area is comparable to that of other Metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, West Midlands and West Yorkshire), and accounts for 43% of the North East's population in just 6% of the total land area. The area covered by the Service covers 538 square kilometres and borders with Counties of Durham to the south and Northumberland to the north.

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

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

Vision and Purpose

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

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

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

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

The Authority publishes an Annual Report to highlight its successes over the previous twelve months, including its performance against national indicators and the opinions of external inspectors, as well as outlining details of the improvements introduced to meet the Authority's vision of "Creating the Safest Community".

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

Performance

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

Summary of Performance

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

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

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is targeted home safety checks, which involve Community Firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and practical support, such as installing smoke detectors. During 2018/2019, the Service carried out 28,267 home safety checks (31,134 in 2017/2018) and attended a total of 17,328 incidents (17,083 in 2017/2018).

Service Led Priorities

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

	2016/2017	2017/2018	2018/2019
Performance Indicator			
Number of fatalities from all fires	4	4	5
Number of injuries from accidental dwelling fires (excluding precautionary checks)	43	37	47
Number of accidental fires in dwellings	563	531	545
Number of false alarms due to automatic fire detection from non-domestic properties	1,803	1,745	1,717
Number of primary fires	1,719	1,797	1,870
Number of deliberate fires	4,461	5,592	5,722

The Authority has a long track record of reducing fires but, sadly, in 2018/2019 there were five deaths attributed to fire. The service will continue to strive to work towards the target of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2018/2019. Over the past ten years, there has been a number of significant performance achievements, including a 10% reduction in the number of fire calls attended, 22% reduction in the number of primary fires attended, 23% reduction in the number of accidental fires in dwellings, 11% reduction in the number of deliberate fires and a 51% reduction in the number of false alarms due to automatic fire detection from non-domestic properties.

Performance Improvement

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

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

Efficiency Plan and Implications

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

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

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

	Published 4 Year Efficiency Plan	Actuals Achieved *
	£'000	£'000
2016/17 – Budget Efficiencies	1,323	1,323
IRMP Actions	1,184	1,184
2017/18 – Budget Efficiencies	1,394	1,441
IRMP Actions	1,773	2,267
2018/19 – Budget Efficiencies	4	948
IRMP Actions	1,081	923
Total as at 31st March 2019	6,759	8,086
Further Proposed Savings:		
2019/20 – Budget Efficiencies	0	346
IRMP Actions	1,489	110
Total	8,248	8,542

*The Actuals Achieved reflect the fact that the Authority implemented the Organisational Management Review in full from 2017/2018 saving £1.690m. In the original Efficiency Plan this was expected to straddle both 2017/2018 and 2018/2019 financial years.

Although the Authority has found savings of £8.086m by the end of 2018/2019, £1.327m more than that set out in the Efficiency Plan, it still has to deal with, not only grant funding reductions, but also spending pressures, such as significant inflationary cost increases and pay awards. A further £0.162m still has to be found in the remaining year of the four year Efficiency Plan, for which planned savings totalling £0.456m have been identified to date. Any additional savings beyond the total in the Efficiency Plan will help to address the increased future Budget Gap that has developed since the original Plan was drafted. It should be noted that the Authority has already made very difficult budget cost reductions that have impacted upon all areas of the service. Front line services have been affected, both in terms of reducing firefighter numbers and changes to the response model in operation. The base budget has been reduced by £11.3m or 19% since 2010/2011 and the Revenue Budget Gap identified in the MTFS up until 2022/2023 of £4.088m will become much more challenging for the Authority to address as a result.

New actions are currently being examined to make the further budget efficiencies needed. The current IRMP 2017/20 contains three broad reviews covering, Response, Collaboration and Ways of Working. Once savings can be quantified, and the actions approved, they will be factored in to an updated Medium Term Financial Strategy. In the medium term it is recognised that temporary use of reserves may be needed until these actions can be implemented and permanent budget reductions achieved.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2019, the Government confirmed the local government finance settlement for 2019/2020, the final year of the four year settlement. The Authority continues to face a disproportionately greater reduction in funding compared to most other Fire Authorities. The Settlement appears to show that the more deprived areas, mainly the Metropolitan Fire Authorities, have lower overall percentage cuts to government funding because of a fairer approach adopted by government. However, when locally generated resources are also taken in to account, the more deprived areas still show greater reductions to their overall resources, known as the Core Spending Power, than other types of Fire Authority. The revised grant distribution methodology also does not address the inequalities experienced by the Authority from 2010/2011 to 2015/2016 where it received some of the greatest government grant funding reductions within the fire service.

The Government increased the threshold council tax limit to hold a referendum from 2% to 3% for both 2018/2019 and 2019/2020 and has assumed annual increases to both business rates and council tax. There is an expectation within the Settlement that the Authority will grow Council Tax alone by 4.65% through a combination of increases in the tax base and precept. This continues the government's policy of shifting some of the cuts to local government services directly on to the council tax payer through anticipated annual council tax increases.

The key elements of the Authority's settlement for 2019/2020 are:

- An increase in the Government's Core Spending Power of £0.732m or 1.54%;
- A reduction in the Settlement Funding Assessment (SFA) of £0.481m or 1.96%; and
- Confirmation of the Revenue Support Grant (RSG) element of the settlement. However this is no longer a comparable measure of funding as those authorities taking part in the 100% Business Rates Retention pilots do not receive RSG.

Against this context of significant and continuing grant reductions, and the fact the Authority has to also meet significant cost pressures from its Budget, the Authority has published a revised Medium Term Financial Strategy (MTFS), which covers the period 2019/2020 to 2022/2023 and can be found on the Authority's website (18th February 2019 Authority meeting). This aims to:

- provide an analysis of the financial position likely to face the Authority over the medium term and establish approaches to address the Strategic Priorities of the Authority as set out in the current Integrated Risk Management Plan which will achieve value for money in the use of the resources available;
- set out the medium term financial position which the Authority is likely to face and to update the Budget Planning Framework for the preparation of future Revenue and Capital Budgets; and
- set out actions to be taken in the short to medium term to mitigate against the significant grant reductions already detailed and the additional cost pressures the Authority faces, and to plan for the additional grant reductions and increased costs expected in the next four year period to 2022/2023.

As set out in the previous section, the MTFS over the four year period up to the end of 2022/2023 using the government's funding projections, shows that the Authority is facing an increased budget gap of £4.088m. In light of this position and the anticipated prolonged funding reductions over the next four years, the Authority's decision to earmark reserves to temporarily help support the budget over the medium term until it can implement its IRMP actions, will now be necessary on a continuing basis and considered prudent.

Financial Performance of the Fire Authority 2018/2019

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2018/2019 to be met from Government Grants and local taxpayers was approved by the Authority at £48.096million*. This meant that the precept, at the Band D level of Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates receipts, was set at £79.94 for 2018/2019. This represented a 2.99% increase in Band D, below the Government's 3% referendum threshold level. The following table summarises the financial position for the year:

	2018/2019 Original Estimate £000	2018/2019 Revised Estimate £000	2018/2019 Actual Outturn £000	2017/2018 Actual Outturn £000 Restated
Community Safety	4,861	5,222	3,810	5,068
Fire Fighting and Rescue Operations	43,198	43,425	21,924	23,954
Corporate and Democratic Core	249	249	209	185
Non Distributed Costs	(74)	(74)	(48)	777
Exceptional Items	0	0	0	0
Net Cost of Services	48,234	48,822	25,895	29,984
Interest Payable	0	0	2,346	2,320
Contingencies	2,021	1,023	192	309
Interest on Balances	(135)	(135)	(221)	(126)
Pension Interest Cost and Expected Return on Pension Assets	590	590	22,370	21,960
Net Operating Expenditure	50,710	50,300	50,582	54,447
Capital Financing:				
Reversal of Capital Charges and Impairments	(3,286)	(3,286)	(2,738)	(1,897)
Minimum Revenue Provision	1,445	1,445	1,091	1,196
Revenue Contribution to Capital Outlay	932	932	1,104	1,468
Government Capital Grant Applied	0	0	(243)	(395)
Government Capital Grant Unapplied	0	0		(656)
Total Net Operating Expenditure	49,801	49,391	49,796	54,163
Contribution to/(from) IAS 19 Pension Reserve	(947)	(947)	(5,164)	(7,851)
Contribution to/(from) Collection Fund Account	0	0	(73)	121
Contribution to/(from) Accumulated Absences Account	0	0	(55)	(43)
Contribution to/(from) Earmarked Reserves	(758)	(348)	3,855	1,576
Net Budget	48,096	48,096	48,359	47,966
Resources:				
Revenue Support Grant and General Grants	(9,620)	(9,620)	(9,620)	(10,898)
Top Up Grant	(11,031)	(11,031)	(11,031)	(10,688)
Business Rates and Collection Fund	(4,159)	(4,159)	(4,589)	(4,244)
Precepts and Collection Fund	(23,286)	(23,286)	(23,119)	(22,136)
Total Resources	(48,096)	(48,096)	(48,359)	(47,966)
(Increase) / Reduction to General Balances in year	0	0	0	0
General Fund Balance Brought Forward	(3,943)	(3,943)	(3,943)	(3,943)
General Fund Balance Carried Forward	(3,943)	(3,943)	(3,943)	(3,943)

* In the accounts, the Net Budget Requirement for 2018/2019 of £48.359m is made up of Total Resources of £48.096m, as set out in the estimates in the above table, adjusted for additional section 31 grant funding of £0.336m less an amendment required under the Code in respect of the Collection Fund Account of £0.073m.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the full Authority. These reports detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also include a review of certain other key financial items, including Treasury Management and Prudential Indicators. Again, this reflects strong and robust financial management in 2018/2019, continuing the Authority's strong track record in this regard.

The Revenue Budget Outturn for 2018/2019 is showing a net overall underspend of £1.681m, at £46.415m compared with an original budget of £48.096m. This will be reported to a meeting of the Fire Authority on 10th June. The Authority has made a huge positive drive during the year to achieve this level of saving with a number of significant initiatives:

- Improved financial management throughout, with increased financial awareness and tighter budgetary control, has achieved savings of £0.225m across the full service;
- A review of insurance services provided by the Lead Authority and a new approach adopted by Sunderland whereby all policies are separately tendered to ensure best value, has led to a significant year-end saving on premiums of £0.154m;
- A move to riding four on all appliances, phased in from 1st January 2018 and completed in June 2018, has made in year budget savings in line with expectations. The new response model is operating well with no reported near misses and supports the evidence led approach adopted. In addition, this measure has had a positive impact on helping to reduce overtime;
- Overtime costs have been significantly reduced during the year largely due to proactive management actions such as swap a shift (optimum staffing pilot), balancing leave groups, and establishing a temporary operational resource planner post within the staffing team. In addition, the 23 trainees now operational on fire stations have contributed to the reduction in requirements for overtime during the last quarter of the financial year;
- All aspects of the Authority's finances have now been reviewed and a more commercially based approach to income generation has been carefully and sensibly applied where appropriate, to ensure Best Value is achieved for the Authority. Increases in income above budget during the year help to show this is continuing to bear fruit and income generation is expected to increase in future years as a result of this new impetus; and
- A review of the property portfolio by Finance and Estates has also identified a number of surplus assets which are being actively progressed with a view to either generating a much needed capital receipt or, where appropriate, a sustainable income stream to the Authority. Some of these disposals are nearing completion and revenue budget savings have been identified as a result.

The main variations, are detailed subjectively below, for information:

- Employee costs – a net underspend of £1.472m. Savings have been made from a significantly greater number of operational staff retirements than anticipated, resulting in a net reduction in salaries and oncosts after taking into account the additional twenty three new Firefighters. Along with this, savings have continued to be made during the year from reduced employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme. These savings have absorbed overtime costs during the year which, although have reduced from 2017/2018 by £0.22m, have continued to be a feature of this year's expenditure against budget. In addition there have been savings against training costs and Employee insurance budgets;

- Premises – an overspend of £0.012m on utility budgets across the Authority's estate from higher bills than estimated and rate increases from phased rate revaluations impacting in 2018/2019, as well as a small increase in Premises insurance costs;
- Transport – an underspend of £0.118m due to revised travel arrangements across the service and reduced vehicle insurances. An overspend on fuel has been met by savings elsewhere in the revenue budget and allowances for price fluctuations have been made when setting the budget for 2019/2020;
- Supplies and Services – an underspend of £0.212m on supplies and services due to continued prudent spend across a number of areas. Subsistence costs continue to reduce following the implementation of revised policies and practices. An overspend on equipment maintenance and repair has been met by savings elsewhere in the revenue budget;
- Contingencies – an underspend of £0.734m as some budget set aside for potential costs identified when the budget was established for 2018//2019 has not been required during the year. This is in part due to the operational service delivery actions, the successful completion of the IRMP action of riding four on all appliances, and the recruitment of the 23 new firefighters reducing the call on overtime costs;
- Support Services and Recharges – a net underspend of £0.027m after changes made to the service level agreement with the Lead Authority once the budget had been set;
- Income – a net overachievement of £0.291m, largely due to one-off sales of vehicles and equipment, additional income for the Princes Trust programme, increased income from Primary Authority Scheme and COMAH activity, ESMCP transitional funding received late in the year, and additional rental income, partially offset by a reduction in the course and conference income;
- Interest received - £0.086m over budget as increases to cash flow levels has resulted in more interest received on the Authority's cash working balances during the year;
- Capital Financing – an underspend of £0.504m from savings on debt charges, lower MRP charges and use of revenue to finance the capital programme; and
- Reserves and Provisions Appropriations - £1.751m decrease predominantly due to underspends against budget reducing the need to draw from Reserves in year, along with agreed appropriations in to the Revenue Budget Carry Forward Reserve for known future requirements, and year end accounting entries required for the IFRS employee benefits and Collection Fund.

It will be recommended to Members to appropriate the surplus funds of £1.681m as follows:

- Transfer £1.0m to the Capital Developments Reserve to help future proof the reserve and the known additional capital works that are scheduled for future years. This will also help to delay the need to borrow to fund the Capital Programme;
- Transfer £0.5m to the Resilience Reserve for contingency arrangements to ensure continued service delivery; and
- Transfer the remaining balance of £0.181m to the Transformation and Reform Reserve to temporarily fund the budget gap over the medium term while longer term IRMP changes are being made.

The total resources at the end of the financial year were £48.359m, £0.263m more than that set out in the budget set for 2018/2019. As part of the finance settlement, the Authority received additional government grant funding of £0.336m to reimburse for business rates retention tax losses and the government made a retrospective adjustment for small business rates relief. In addition to this, a year end adjustment of £0.073m was required to the Collection Fund, resulting in a net £0.263m increase in resources. It is recommended to transfer the additional grant to the Medium Term Planning Reserve as a prudent measure for the uncertainty around future government funding.

Prior Period Adjustments

There has been a requirement to restate the Authority's previous published accounts for two prior period adjustments.

(i) Pension Fund Deficit Contributions (LGPS) Payment in Advance

The Authority prepaid pension fund deficit contributions of £1.037m for the three year period 2017/2018 to 2019/2020 covered by the Rates and Adjustments Certificate. The Authority agreed to prepay as this reduced the total deficit contribution payable. This was treated as a payment in advance in the 2017/2018 published accounts, but statutory accounting guidance requires the general fund to be charged with the amount payable for the year rather than the amount paid.

In accordance with the requirements of the Code, the Authority has restated the 2017/2018 published accounts. Full details of the adjustments are outlined in note 34 to the accounts.

(ii) Injury Pension Grant Repayment (Firefighter Pension Scheme)

In 2017/2018 the Authority set up a long term pension liability of £8.639m to recognise the agreement made with the Home Office to repay over claimed injury pension grant. External Audit guidance at the time instructed that a corresponding entry was created in the Authority's equity as a negative revenue reserve, to absorb the effect on the General Fund Balance.

The External Auditor has since reviewed their advice and, as this treatment is no longer considered to conform to the Code, the Authority has restated the 2017/2018 published accounts. The £8.639m has been transferred equally from the Capital Developments Reserve and the Transformation and Reform Reserve. Full details of the adjustments are outlined in note 34 to the accounts.

The table below reconciles the position shown in the statutory accounts and the true position as shown in the reserves statement:

	Statutory Accounts			True Reserve Position		
	Re stated Balance as at 31 st March 2018 £'000	Net Transfer * £'000	Balance as at 31 st March 2019 £'000	Balance as at 31 st March 2018 £'000	Net Transfer * £'000	Balance as at 31 st March 2019 £'000
Capital Developments Reserve	3,115	2,745	5,860	7,435	2,495	9,930
Transformation and Reform Reserve	2,997	(1,129)	1,868	7,316	(1,379)	5,937
Injury Pension Adjustment				(8,639)	500	(8,139)
	6,112	1,616	7,728	6,112	1,616	7,728

*The net transfer in the Statutory Accounts includes the agreed in-year repayment of £0.5m of the over claimed Grant split equally between the two affected reserves.

Accounting for Pensions

International Accounting Standard 19 (IAS19)

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

An actuarial valuation of both the Local Government Pension Scheme (LGPS) and the Firefighter's Pension Scheme (FPS) was carried out at 31st March 2016 and have been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2019.

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

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

The financial health of the Authority is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit, as assessed by the Actuary as at 31st March 2019, is being addressed by the Authority in line with government regulations whereby a period of 21 years to correct the deficit position has been agreed. The Authority can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

Arrangements for Funding and Accounting for Firefighter Pensions

From 1st April 2006, revised arrangements came into effect for funding firefighter pensions, with Fire and Rescue Authorities administering and paying firefighters' pensions through a local firefighters' pension fund.

Together, employee and employer contributions meet the accruing pension liabilities of currently serving firefighters, meaning that Fire and Rescue Authorities meet all of the costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them.

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

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

Balance Sheet Position

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the

Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority. The following table summarises the balance sheet position:

	Balance at 31 st March 2018 £'000 Restated	Balance at 31 st March 2019 £'000
Non-current assets	80,385	77,819
Net current assets	36,053	39,135
Long term liabilities and provisions	(926,732)	(951,501)
Net Assets	(810,294)	(834,547)
Represented by:		
Usable reserves	28,437	32,387
Unusable reserves	(838,731)	(866,934)
	(810,294)	(834,547)

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

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

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

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

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of £834.547m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £913.470m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

The fact that all pension costs would never be incurred in one year (as implied by IAS19), coupled with the fact that the Authority is addressing this potential deficiency over a 21 year period in accordance with pension regulatory requirements by making additional annual pension deficiency payments, means the Balance Sheet Net Worth is effectively being distorted by this reporting standard.

If this element is removed, the Authority has a 'real' net worth of £78.923m. The Authority also has assets worth £77.819m and cash backed reserves of £32.387m which support the view that the Authority's Balance Sheet and finances are in fact healthier than implied by the published accounts.

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

Capital Expenditure

In February 2018, the Authority approved a capital programme for 2018/2019 of £6.983m which was subsequently revised to £3.039m during the year. This was largely due to delayed replacement of Hebburn Station until options could be fully appraised and slippage of the fire appliance replacement programme to streamline the procurement process and accommodate the lead in time.

Actual capital expenditure at the end of the financial year was £1.205m, financed from a combination of revenue contributions of £0.505m, earmarked reserves of £0.050m, deferred grant funding of £0.145m, capital receipts applied of £0.406m and Home Office Section 31 grant of £0.099m. The main reasons for the variation in spending of £1.834m have arisen due to the following:

- Expenditure on a number of projects planned for 2018/2019 of £1.804m slipped in to 2019/2020:
 - Completion of the recruitment module and phase 2 of the Integrated Data System extended in to 2019/2020;
 - Delayed replacement of ICT hardware into 2019/2020;
 - Re-schedule of the national government led Emergency Services Mobile Communications Project with subsequent re-profiling over future years;
 - Balance remaining on disposal works at the site of Fulwell Community Station slipped until sale completes in early 2019/2020;
 - Final payment withheld for the appliance closed circuit television until outstanding issues are resolved;
 - Delayed purchase of Fit for Life Gym Equipment into 2019/2020; and
 - Delayed replacement of the small fleet pending further consideration of options.
- Net underspend of £0.035m across a number of schemes completed during 2018/2019; and
- Additional spend of £0.005m for purchase of extra smoke detectors as part of the IRMP initiative to ensure risk reduction.

Disposals

The Authority is actively progressing some asset disposals that are expected to be completed in the next financial year. One of these is the sale of land at the former Fulwell Community Fire Station. The Authority has received a holding deposit of £62,677 during the year to secure the sale.

Authority's Current Borrowing and Capital Borrowing Provision

The Capital Programme report, incorporating the Prudential Indicators and the Treasury Management Strategy, was submitted to the Authority meeting on 12th February 2018, which detailed the 2018/2019 borrowing limits for the Authority. All borrowing is undertaken by the Lead Authority (Sunderland City Council) on the Authority's behalf.

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

- Authorised Limit for External Debt for 2018/2019 of £47.213 million;
- Operational Boundary for External Debt for 2018/2019 of £42.213 million.

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP). The above two statutorily required Prudential Indicators are monitored on a daily basis and neither limit has been exceeded during 2018/2019. The highest level of external debt incurred by the Authority during 2018/2019 was £41.618m on 1st April 2018. This includes borrowing debt of £12.689m, injury pension liability of £8.639m, and £20.290m in relation to the Authority's long term

liabilities (consisting of its PFI Schemes commitments and finance leases) which forms part of both borrowing limits in order to comply with IFRS accounting requirements.

Private Finance Initiative (PFI)

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

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

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

Estates Development Plan

The Authority is delivering the current estates development plan in conjunction with the Lead Authority and its partners.

The key action points are:

- Continue to implement the findings and recommendations of a service wide Access Audit. This will ensure all our buildings and facilities comply with The Equalities Act 2010 and are accessible to all.
- Commissioned a comprehensive Stock Condition Survey (SCS). The findings of this survey will drive future capital investment and forms a key element in our Medium Term Financial Planning (MTFP).
- Completed a detailed service wide building and asset review that, when implemented, will result in the disposal/remodelling of surplus assets. This in turn will yield both capital receipts and revenue savings.
- Continue to explore collaborative and co-location opportunities with partner agencies. To date we now have North East Ambulance Service (NEAS), Northumbria Police, Great North Air Ambulance Service, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, The Princes Trust and Northumbria Blood Bikes operating from our locations.

The Authority has a Capital Developments Reserve to assist in implementing the estates development plan over the medium to long term.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2018/2019. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019' and are based on International Financial Reporting Standards (IFRS), known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2011, and the Local Government and Housing Act 1989.

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

1. **Statement of Responsibilities**
This discloses the respective responsibilities of the Authority and the Finance Officer.
2. **Movement in Reserves Statement (MiRS)**

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

3. **Comprehensive Income and Expenditure Statement**

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

4. **Balance Sheet**

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

5. **Cash Flow Statement**

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

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

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

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

7. **Supplementary Statements**

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

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

Dennis Napier
Finance Officer

Dated:

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2018/19

1 SCOPE OF RESPONSIBILITY

- 1.1 Tyne and Wear Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Authority has had a Code of Corporate Governance in place since 2003, which was revised during 2017/2018. The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. The revised Code is available on the Authority's website (www.twfire.gov.uk) or can be obtained from the Fire and Rescue Service Headquarters.
- 1.4 In providing the Annual Governance Statement the Authority has observed and complied with the revised principles contained within the Framework of the updated CIPFA Code of Corporate Governance 2016. The Authority has well established policies, procedures and controls that satisfy all of the new requirements in detail. The TWFRS Code of Corporate Governance is revised to reflect the changes made in the 2016 Framework.
- 1.5 This Statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement of internal control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework primarily includes systems, processes, culture and values by which the Authority directs and controls its activities and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 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 the Authority's 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.
- 2.3 The governance framework has been in place at the Authority for the year ending 31 March 2019 and during the approval of the Statement of Assurance and Annual Report and Statement of Accounts.

3 THE GOVERNANCE FRAMEWORK

3.1 **There is a clear vision of the Authority's purpose and intended outcomes for service users that is clearly communicated, both within the organisation and to external stakeholders:**

- The Strategic Community Safety Plan (SCSP) / Integrated Risk Management Plan (IRMP) draws together a shared vision, principles for action and priorities (strategic objectives). For each strategic objective, key targets have been identified. The Plan sets out explicitly the key actions and performance targets for the future, and these are clearly linked with departmental / district service plans and resources. The Plan outlines the Authority's roles and responsibilities, the context in which it operates, what the strategic priorities and improvement objectives are, how the Authority will realise its vision, what its performance improvement and monitoring arrangements are, performance indicators and a financial overview. The financial overview section provides background commentary to the issues the Authority has considered in setting the budget and in preparing the Medium Term Financial Strategy.
- The SCSP and IRMP contain actions which recognise the risks within the Authority boundaries that are identified in the Community Risk Profile and need to be addressed, and ensures that the available resources are targeted at these risks.
- Communication of objectives to employees and stakeholders takes place through the following means:
 - Distribution of the SCSP / IRMP on the Authority's website and intranet;
 - Consultation with employees, members of the public and other stakeholders on IRMP proposals;
 - The issue of a Statement of Assurance and Annual Report setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been
 - Through the Authority's Investors in People processes
 - Internal communication channels, including listening events, management / employee briefings and Vlogs
 - Posters throughout the Authority's premises.

3.2 **Arrangements are in place to review the Authority's vision and its implications for the Authority's governance arrangements:**

- The Strategic Community Safety Plan / Integrated Risk Management Plan and all priorities are regularly reviewed to provide a long-term focus for the Authority.
- Through reviews by external bodies the Authority constantly seeks ways of securing continuous improvement. The Authority has professional and objective relationships with these external bodies.
- There are comprehensive annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.

3.3 **Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources:**

- There are clear and effective performance management arrangements including personal development plans for all employees, which address financial responsibilities and include equality objectives.

- There is regular reporting of performance against key targets and priorities to the Authority's Executive Leadership Team, the Governance Committee and the Policy and Performance Committee.
- Services are delivered by suitably qualified / trained / experienced employees and all posts have detailed job profiles / descriptions and person specifications.
- External auditors deliver an opinion annually on whether the Authority is providing value for money.

3.4 The roles and responsibilities of all officers and employees 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.
- The Standing Orders contain the Terms of Reference of the full Authority and other committees, setting out executive and scrutiny functions within these.

3.5 Codes of Conduct defining the standards of behaviour for Members and employees are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:

The following are in place:

- Members' Codes of Conduct
- Employees' Code of Conduct
- Registers of Interests, Gifts and Hospitality
- Monitoring Officer Protocols

3.6 Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:

- The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations. The Strategic Finance Manager employed by the Authority is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs. The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.
- The Authority has in place up to date financial procedure rules and procurement rules which are subject to regular review.
- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:
 - Whistle Blowing Policy
 - Anti-Fraud and Corruption Policy
 - Codes of Conduct
 - Health and Safety Policy
 - Compliments, Comments and Complaints Policy

- Corporate Risk Management Strategy
- Procurement Codes of Practice
- Partnerships Procedure
- Treasury Management Strategy based upon CIPFA's Treasury Management Codes
- Functional budget management schemes
- There are robust and well embedded risk management processes in place, including:
 - Risk Management Strategy and Policy Statement
 - Corporate Risk Register
 - Community Safety Strategy
 - Organisational Development Strategy
 - SCSP / Integrated Risk Management Plan
 - Nominated Risk Manager
 - Corporate Risk Management Group
 - Partnerships Risk Register
 - Member Risk Champion
 - Risk Management and Assurance Database
 - Information Asset Register
 - Information Asset Management Policy.
- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.
- The Authority aligns with ISO22301 for Business Continuity, and Business Continuity Plans are in place which are subject to ongoing review, development and testing.
- There are clearly defined capital expenditure guidelines and capital appraisal procedures in place.
- Appropriate project management disciplines are utilised.
- The Authority participates in the National Fraud Initiative and subsequent investigations.

3.7 The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*, are undertaken by members.

The Authority has a Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- Consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it.
- Receive and consider (but not direct) internal audit's strategy, plan and monitor performance.
- Receive and consider the external audit plan.
- Review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary.

- Receive and consider the annual report of internal audit.
- Consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit, and
- Make recommendations or comments to the Authority as appropriate.

3.8 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members:

- The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers, to safeguard the legality of all Authority activities.
- The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

3.9 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:

- The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, a Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way.
- The framework in place to ensure the aims of this policy are met are set out in the 'Whistle Blowing Policy Arrangements' procedure for Authority staff. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and there is also a whistle blowing policy and procedure for members of the public.
- Monitoring records held by the Deputy Clerk on behalf of Members, and the Chief Fire Officer on behalf of employees and members of the public reveal that the whistle blowing arrangements are being used, and that the Authority is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

3.10 Arrangements exist for identifying the development needs of members and Principal officers in relation to their strategic roles:

- The Authority has a Members Learning and Development Programme in place which sets out a clear commitment to Members to provide a range of learning and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Authority strategic objectives. In addition Members have access to their nominating authority learning and development policies, plans and procedures.
- The Elected Member Learning and Development Programme aims:

- To provide comprehensive Member development
 - To ensure that all newly elected Members are properly inducted into the Authority
 - To ensure that all emerging needs for both individuals and across the board are identified and addressed
 - To ensure that resources available for Member development are effectively used.
- The Authority has an Organisational Development Strategy to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices and is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual performance review focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Authority.
- 3.11 **Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**
- The Authority has a consultation policy which aims to ensure that consultation activity is effectively co-ordinated across the Authority and with partner agencies, impacts on service delivery, and is delivered to a high standard.
 - The consultation policy is complemented by the Community Safety Strategy which outlines the Authority's approach to engaging with the community, in particular minority and vulnerable sectors of society.
- 3.12 **Governance arrangements with respect to partnerships and other group working incorporate good practice as identified in guidance on the governance of partnerships, and are reflected in the Authority's overall governance arrangements:**
- The Authority has published a Partnerships Procedure which includes a template for Partnership Agreements and a Partnership Toolkit. This was revised in 2015. The procedure is designed to provide a corporate framework for all employees involved in considering new partnership working, and to assist Members and officers to review existing arrangements.
 - A Register of Partnerships is maintained. The deliverables of all prospective and existing partnership is closely measured using a standard framework.
 - A review of all partnerships is presented to the Executive Leadership Team.
 - An Information Sharing Protocol is published which underpins Information Sharing Agreements with partners.
 - The Authority's governance arrangements extend to cover the wholly owned subsidiary "TWFRS Ltd".

4 REVIEW OF EFFECTIVENESS

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by feedback from Members and the work of all senior managers within the authority 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.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

The role of the Authority:

- Elected Members have participated in the annual review of the Authority's Corporate Governance arrangements.
- The Chair of the Authority, the Chief Fire Officer and the Strategic Finance Manager have overseen the review and signed the Annual Governance Statement.

The role of the Executive Leadership Team:

- The findings of the Annual Governance Review have been reported to the Executive Leadership Team for their consideration and comment.

The role of the Governance Committee:

- The findings of the Annual Governance Review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- There is a system of scrutiny delivered through the HR Committee, Governance Committee and the Policy and Performance Committee including scrutiny of:
 - The effectiveness of corporate governance arrangements;
 - The Authority's treasury management policy and strategy, including the annual borrowing and investment strategy;
 - Organisational performance; and
 - Potential for future changes in service provision based on relevant performance information, risk analysis and changes in economic, social and environmental conditions or statutory requirements.

- 4.3 All Area Managers including the Strategic Finance Manager have participated in the annual governance review relating to their areas of responsibility by providing Controls Assurance Statements relating to their area of responsibility, following consideration of their department heads' detailed self-assessments / questionnaires.
- 4.4 Internal audit planning processes include consultation with the Principal Officers, reviews of the Strategic Community Safety Plan / Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based and includes risks in relation to the achievement of Service objectives, and Internal Audit Services carry out regular systematic auditing of key financial and non-financial systems. In concluding their report on the 2017/18 Audit activities, they stated "Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken in 2017/18, it is considered that overall throughout the Service there continues to be a good internal control environment."
- 4.5 External audit is undertaken by Mazars, a limited liability partnership appointed by Public Sector Audit Appointments Limited for this purpose. The Annual Audit Letter gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority's arrangements).
- 4.6 The Group considered the Annual Audit Letter and Audit Completion Report prepared by the Authority's external auditors, Mazars, covering 2017/2018, which gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).
- 4.7 Mazars issued an unqualified conclusion on both financial management arrangements and Value for Money. Their report included comments that:

- The Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of delivering planned budget reductions.
- In the 2018/19 budget, the Authority identified that over the medium term of 2018/19 to 2021/22 it face a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap 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.
- The Authority also concluded its negotiations with the Home Office over the repayment of the £10.5m historic overpayment of fire injury pensions. 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.
- The Audit report concluded that the Auditors were 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.
- The Audit work carried out provided assurance that there was no indication of management override of controls or material estimation error in respect of pensions.

4.8 It is considered that the Annual Audit Letter provides reassurance that the Authority's overall governance and control arrangements are satisfactory.

4.9 Findings of external bodies / audits are collated, acted upon and monitored by the Executive Leadership Team.

5 **CONCLUSION AND AGREED ACTIONS**

5.1 The 2018/19 Corporate Governance Action Plan presented to Fire Authority in June 2019 includes 17 corporate improvement objectives, 6 of which were completed during the year, leaving 11 to be carried forward to the 2019/20 Action Plan, demonstrating continued improvement in these areas. In addition, 7 new actions were identified during the annual review.

6 **ASSURANCE STATEMENTS**

6.1 The Executive Leadership Team, the Authority and the Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Authority's Corporate Governance and Internal Control Arrangements.

6.2 We propose over the coming year to take steps to implement the action plan to further enhance the Authority's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Cllr Nick Forbes
Vice-Chair of the Authority

Chris Lowther
Chief Fire Officer and
Chief Executive

Dennis Napier
Finance Officer

Date:- 31st May 2019

Tyne and Wear Fire and Rescue Authority

Electors' rights statement under Regulation 15(2)(b) of the Accounts and Audit Regulations 2015

Notice of the electors' rights in relation to the statement of accounts of Tyne and Wear Fire and Rescue Authority for the financial year ended 31 March 2019

Rights to inspect the statement of accounts and accounting records

Sections 25 and 26 of the Local Audit and Accountability Act 2014 ('the Act') provide local government electors with the right to inspect and make copies of the statement of accounts, accounting records and all documents relating to those records, for the financial year ended 31st March 2019.

These rights may be exercised from 3rd June 2019 to 12th July 2019, Monday to Friday between the hours of 09:30am to 16:30pm at *Fire Service Headquarters, Barmston Mere, Nissan Way, Washington, Sunderland SR5 3QY.

In accordance with Regulation 15(2) of the Accounts and Audit Regulations 2015, the Rights to inspect the accounts and relevant accounting records can be arranged by informing the Authority's Strategic Finance Manager, Dennis Napier of your intention to exercise your rights. Dennis can be contacted on 0191 444 1609 or by using the e-mail address 'Dennis.napier@TWfire.gov.uk'.

Rights to question the auditor and to make objections at audit

Under section 26 of the Act, a local government elector may question the auditor about the accounting records for the financial year ended 31 March 2019 and, under section 27 of the Act, a local government elector may make an objection to the auditor which:

- concerns a matter in respect of which the auditor could make a public interest report under section 24 of the Act; or
- concerns an item of account in respect of which the auditor could apply for a declaration that the item is unlawful under section 28 of the Act.

These rights may be exercised from 3rd June 2019 to 12th July 2019.

Any requests to question the auditor and any objections must be made in writing to the auditor at the following address:

Mr Cameron Waddell
Mazars
Salvus House,
Aykley Heads,
Durham
DH1 5TS

A copy of any objection must also be sent to Tyne and Wear Fire and Rescue Authority at the address* set out above.

Mr C Wadell
Mazars LLP
Salvus House
Ayckley Heads
Durham
DH1 5TS

APPENDIX E

Date: 31st May 2019
Our ref:
Your ref:

Dear Cameron,

Audit of Tyne and Wear Fire and Rescue Authority - Financial Statements for the year end 31 March 2019 - Understanding how those charged with governance gain assurance from management

I am writing with reference to your correspondence dated 18th March 2019, in relation to "Assurances from the Governance Committee as the body charged with Governance", which seeks relevant assurances from those charged with governance required by external auditors under the International Auditing Standards. These assurances are provided below, representing Tyne and Wear Fire and Rescue Authority's formal response from those charged with governance, which, for the purposes of the financial statements, is the Governance Committee.

As in previous years, the Governance Committee has considered the nature and extent of any significant internal and external operational, financial, compliance, fraud or other risks facing the Authority which might have an impact on the financial statements. These risks have been addressed in both the planning process for the audit of the financial statements (where officers and auditors have discussed key risks) and, to the extent that it is necessary, in the production of the financial statements.

The process for the production of the Annual Governance Statement should also mean that all key risks which would relate to the financial statements have been considered. In response to your correspondence please find responses to your questions below and also the completed Appendix 1, as requested.

Specific assurances:

1) I exercise oversight of management's processes through receiving reports as the Chair of the Governance Committee and discussions with key officers. I am aware of the following arrangements:

- ***undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);***

This responsibility is exercised through the effective functioning of the Governance Committee, the constitution and operation of which follows CIPFA guidelines.

The Strategic Finance Manager of the Authority is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Section 151 Officer attends all meetings of the Governance Committee to discuss and review findings of Internal and External Audit reviews and the level of adequacy of management's response. The Governance Committee also consider the Annual Governance Statement and the actions taken and proposed in relation to improving governance and internal controls.

The Committee reviews the Internal Audit Strategy and Annual Internal Audit Plan and is able to comment on areas proposed for review and also receives updates from the work that they have carried out. The Authority's Corporate Risks are regularly reported and reviewed by the Committee and the Authority's Anti Fraud and Corruption Policy ensures that fraud risk or related concerns are escalated through to the appropriate level, or to this committee, if appropriate. Ad-hoc meetings between the Chair and the Finance Officer also take place where necessary and additionally the Chair has full and independent access to the internal auditor, who he meets separately as required. Roles and responsibilities of members and officers are clearly set out in Codes of Conduct, the Scheme of Delegation, the Anti Fraud and Corruption Policy, and in the Risk Management Strategy and Policy Statement. These also describe the relevant registers, declarations and escalation processes to be complied with.

The Governance Committee declares that it has no knowledge of any actual, suspected or alleged fraud that could affect the Authority in relation to the 2018/2019 financial statements.

- ***identifying and responding to risks of fraud in Tyne and Wear Fire and Rescue Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances or disclosures for which a risk of fraud is likely to exist;***

The Authority has an Anti Fraud and Corruption Policy which is regularly updated and approved by the Committee. The Committee reviews the Internal Audit Strategy and Annual Internal Audit Plan, which includes the Counter Fraud Work Programme for the year. The Counter Fraud Work Programme is based on a Fraud Risk Assessment for the effective deployment of resources and includes both reactive and proactive work. The Committee receives regular updates on progress against the Counter Fraud Work Programme with any areas of suspected fraud identified, together with any necessary control measures to be implemented to mitigate the risk of further fraud. Updates are also presented on the implementation of the control improvements.

The system of internal control is a significant part of the Governance framework within the Authority 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 the Authority's 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. Internal management control arrangements are in place which should identify and prevent fraud risks from occurring and detect them if they do occur. The Authority participates in the National Fraud Initiative and subsequent investigations.

- ***communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against Tyne and Wear Fire and Rescue Authority's code of conduct) and communicating to you the processes for identifying and responding to fraud and error;***

Written procedures are in place covering financial and administrative matters which are communicated to staff through the induction process, through management and are available on the Authority's intranet site. These documents are regularly updated and set out the standards of conduct that are expected, the policies and procedures which should be followed and what to do if staff have concerns that these arrangements are not being complied with. Internal Audit carries out a programme of work which includes assessing the level of compliance against the Authority's key policies and procedures. Key procedures include:

- Codes of conduct;
- Whistle Blowing Policy;
- Anti Fraud and Corruption Policy;
- Health and Safety Policy;
- Compliments, Comments and Complaints Policy;
- Corporate Risk Management Strategy;
- Procurement Codes of Practice;
- Partnerships Procedure;
- Treasury Management Strategy;
- Functional budget management schemes.

The Governance Committee met three times during 2018/2019 with an Internal Audit Progress report being submitted to one of these meetings. The Progress report sets out the work done to identify fraud and the results of this work and the progress against the targets set. Private meetings are also held between the Head of Internal Audit, the External Auditor and members of the Governance Committee to discuss the detail of any significant investigations into suspected cases of fraud and corruption.

2) How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2018-19?

I oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control through the receiving of reports as the Chair of the Governance Committee and I also have discussions with key officers and independent access to key officers should I require it.

I am aware that arrangements are set out in the Authority's Anti Fraud and Corruption Policy. This sets out how concerns should be reported and who to, what people who suspect fraud should and should not do and what the person who receives the concerns should and should not do.

I am not aware of and have not been made aware of any breaches of internal control during 2018/2019.

3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2018-19?

I am not aware of any actual, suspected or alleged frauds. The Committee is aware that all Authority matters are reviewed for their legality to ensure Authority expenditure, services and actions are within the law. As such this Committee has reassurance that legal advice is sought where appropriate and that all reports to Authority and members must be reviewed by the legal services section of Sunderland City Council and that legal representation from the Council is made at all Authority meetings.

Fire Authority reports are vetted by or on behalf of the Monitoring Officer (Deputy Clerk of Sunderland City Council) to ensure compliance with all legal requirements and there is legal representation at Authority meetings. In addition, the Monitoring Officer and senior members of the Council's Legal Services also have access to reports. As part of their job description, solicitors are required to keep up to date with new and emerging legislation which affects local government. To assist in this role, the team subscribe to an electronic legal update service and various legal publications and regularly attend relevant training courses. As a member of the Association of Council Secretaries and Solicitors and Northern Secretaries Group, information is shared with other fire and rescue services, both regarding new legislation and case law and the approach and application of existing legal requirements.

In respect of new legislation or developments in case law, briefing notes or reports are prepared as appropriate and policies and procedures developed in conjunction with officers from the relevant areas of the Fire Service.

Regular team meetings are held within Legal Services both at "service area" level and senior management team level, at which any concerns regarding the Authority's compliance with legal requirements could be raised and addressed.

The Lead Authority's Internal Audit Team carries out audits of the Authority's corporate legality arrangements, with the objective of providing assurance that the arrangements in place ensure that the Authority remains within the law as it carries out its business, paying due regard to relevant legislation, statutory requirements and case law. The last review carried out, in summary reported that there were no issues or concerns raised and the audit gave full assurance of the legality arrangements in place. The audit concluded that the controls evaluated were well designed, appropriate in scope and applied consistently and effectively.

In addition, I am further reassured by the fact that the Authority's Monitoring Officer has carried out a self assessment of the legal service which covers the Authority's corporate legality arrangements that informs the Annual Governance Statement and has confirmed that there were no issues to raise and this provides me with the assurance that the Authority has arrangements in place to ensure that it remains within the law as it carries out its business, paying due regard to relevant legislation, statutory requirements and case law.

On behalf of the Governance Committee I declare that I have no knowledge of and have not been notified of any non-compliance with laws and regulations that could impact on the 2018/2019 financial statements other than those that will be properly disclosed in the 2018/2019 financial statements.

4) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

I am not aware of, nor have I been made aware of, any potential litigations or claims that would impact on the financial statements for 2018/19, other than those fully disclosed in the financial statements in accordance with the relevant and applicable accounting standards.

5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on Tyne and Wear Fire and Rescue Authority's ability to continue as a going concern?

The Authority is a going concern and the Committee has no reason to believe that any events would impact on this position. I am aware that the significant financial issue in respect of over claimed pension top up grant has now been resolved with the agreement from the Home Office and will be effectively managed over an agreed longer timescale. This means the Authority now no longer has this issue to deal with and the resolution has in effect helped to strengthen the financial resilience of the Authority by successfully negotiating a long term repayment plan which has been accommodated within the Revenue Budget.

The fact the Authority also shows long term assets worth over £77.8m and cash backed reserves of over £32m would support this view. Whilst recognising that the Authority has a reported negative net worth of just over £835.5m, most of this relates to the pensions deficiency of almost £913.5m which must be disclosed as part of the international financial reporting standard IAS19 requirements.

The fact all pension costs would never be incurred in one year (as implied by IAS19) and that the Authority is addressing the potential deficiency over a 21 year period in accordance with requirements by making additional annual pension deficiency payments, means the Balance Sheet Net Worth is effectively being distorted by this reporting standard. When this anomaly is 'removed' the Authority has in fact a real net worth of approximately £77.8m. The Authority is also extremely well managed and prudent in its approach to all financial matters which is reflected in the strong Balance Sheet presented to this Committee as part of the Statement of Accounts for 2018/2019.

Yours sincerely,

Geoff Cook
Chairman of the Governance Committee

No.	Questions for those charged with governance	Those charged with governance response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2018 – 31 March 2019?	No - There were no breaches of control at the Authority during 2018/2019.
2	<p>Do you suspect fraud may be occurring within Tyne and Wear Fire and Rescue Authority?</p> <ul style="list-style-type: none"> ➤ Have you identified any specific fraud risks within Tyne and Wear Fire and Rescue Authority? ➤ Do you have any concerns that there are areas within Tyne and Wear Fire and Rescue Authority that are at risk of fraud? ➤ Are there particular locations within Tyne and Wear Fire and Rescue Authority where fraud is more likely to occur? 	<p>A fraud risk assessment is in place and is regularly updated which covers all appropriate parts of the Authority. This covers areas of fraud risks, sets out the individual risks, a score for the risks and tests that are carried out to identify potential fraud taking place. A programme of proactive counter fraud work is undertaken every year by Internal Audit which did not identify any areas of concern.</p> <p>The Authority also takes part in the National Fraud Initiative which has not identified any areas of concern.</p>
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> ➤ If not where are the risk areas? ➤ What other controls are in place to help prevent, deter or detect fraud? 	<p>Internal controls regarding segregation of duties are in place and the results of Internal Audit work have not highlighted any material concerns, in fact all work carried out has provided 'substantial assurance'. An adequate opinion on the system of internal control has therefore been reported to the Governance Committee for the year.</p> <p>The Authority has an Anti Fraud and Corruption Policy and supporting documents in place which are available to all staff on the Authority intranet and included in the induction process.</p> <p>Other controls in place include a robust budget management framework carried out within the Authority's own Finance Team. This is supplemented by support from Sunderland City Council, the Authority's lead authority which provides most of the key financial used by the Authority. Appropriate controls and checks are thus provided from the city Council which includes verification checks on the Authority's key support systems</p>

		<p>such as Payroll, BACS payments and Accounts Receivable and Accounts Payable which are aimed at identifying fraud or errors. The majority of Authority payments are through the Supplier Relationship Management system which ensures authorisation of payments by an approved authorised officer.</p> <p>There has been a significant amount of work undertaken across the Authority to raise awareness of Information Governance issues and encourage staff to keep information secure.</p> <p>The Authority also has put arrangements in place to address the requirements of the new General Data Protection Regulations that came into force on 25th May 2018 and has also ensured all staff are suitably trained and aware of these requirements.</p>
4	<p>How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> ➤ What concerns about fraud are staff expected to report? 	<p>This is undertaken by officers of the Authority. A Whistle Blowing Policy is in place and is on the Authority's intranet which gives details of how staff can raise concerns. Staff are encouraged to raise concerns about any areas where controls are not being complied with, where there is significant non-compliance with policies and procedures, or where there are concerns regarding corruption or potential financial loss.</p>
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within Tyne and Wear Fire and Rescue Authority?</p> <ul style="list-style-type: none"> ➤ How are the risks relating to these posts identified, assessed and managed? 	<p>The Internal Audit Fraud Risk Assessments identifies potential fraud risks in specific areas which would cover any specific risks in relation to individual posts. Counter fraud checks would be designed to test these risks to identify any potential fraudulent activity.</p>
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> ➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>No</p> <p>The Authority has robust procedures in place to ensure all related party transactions are identified and, where appropriate, are fully disclosed in the Statement of Accounts. The Authority has an established Partnerships procedure</p>

		and maintains and updates its Partnership Register regularly. Internal practices and processes carried out as part of the closing of accounts timetable also have specific tasks and detailed analysis of all member and chief officer interests and related party transactions which are reviewed and collated to form notes in the statement of accounts. All member interests are also documented and held by democratic services within each of their Authority's for scrutiny and also help to inform the process. Reviews by senior management also help inform the control process.
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No.	Questions for those charged with governance	Those charged with governance response
7	<p>Are you aware of any entries made in the accounting records of Tyne and Wear Fire and Rescue Authority that you believe or suspect are false or intentionally misleading?</p> <ul style="list-style-type: none"> ➤ Are there particular balances where fraud is more likely to occur? ➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of Tyne and Wear Fire and Rescue Authority? ➤ Could a false accounting entry escape detection? If so, how? ➤ Are there any external fraud risk factors, which are high risk of fraud? 	<p>No</p> <p>Internal controls and internal check mitigate the risk, as does appropriately qualified and experienced staff involved in compiling the accounts.</p> <p>All areas are subject to a risk review and reports from internal and external audit help identify and report their findings in areas where risk is high. The SAP system makes false accounting unlikely because of the way it is designed and is fed by the bank reconciliation and feeder systems and that have separate controls and reconciliation processes in place to maintain the integrity of the financial system. Strong and robust budgetary control and financial practices are in place across the Authority. Areas that are identified as high risk are reviewed more regularly by internal audit as part of their risk based approach to auditing. Legal and financial review is carried out across the fire service spectrum of activity.</p>
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none"> ➤ Are you aware of any inappropriate organisational or management 	<p>No – The Medium Term Financial Plan, the budget planning process and the Annual budget, along with agreed cash limits approach is reviewed and monitored during the</p>

	<p>pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>year to review achievement and adherence to agreed budget levels agreed by members and the Fire Authority. Actual performance and any actions necessary are reviewed by management and reported to members who receive formal Authority quarterly reports during the year.</p> <p>The Authority has also published its 4 Year Efficiency Plan in accordance with government requirements in order to secure a 4 year government grant settlement fixed to 2019/20. Its proposed efficiencies, IRMP actions and cost pressures and budget position is therefore open and transparent and reflects the MTFS established by the Authority. It must also report performance against its plan to government and members of the Authority annually which it has observed.</p> <p>As a consequence of all of these controls in place within the Authority there are no inappropriate pressures or incentives being applied.</p>
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Mr C Waddell
Mazars LLP
Salvus House
Ayckley Heads
Durham
DH1 5TS

Date: 31st May 2019
Our ref:
Your ref:

Dear Cameron,

Audit of Tyne and Wear Fire and Rescue Authority - Financial Statements for the year end 31 March 2019 - Understanding your management processes and arrangements

I refer to your correspondence dated 18th March 2019 in respect of the above management arrangements and processes in place within the Authority in order to provide you with the necessary assurances from management which you require under International Auditing Standards. The assurances are provided below, representing Tyne and Wear Fire and Rescue Authority's formal response from management in this respect.

As Strategic Finance Manager and Finance Officer (Section 151 Officer) of the Authority, on behalf of management I have considered the nature and extent of any significant internal and external operational, financial, compliance, fraud or other risks facing the Authority which might have had an impact on the financial statements. These risks have been addressed in both the planning process for the audit of the financial statements (where myself and other senior officers with yourselves have identified and discussed key risks faced by the Authority) and, to the extent that it is necessary, in the production of the financial statements.

The processes and arrangements in place and adhered to by senior management in the production of the Annual Governance Statement also show that all key risks which would relate to the financial statements have been fully and appropriately considered. In response to your correspondence please find responses to your specific questions and Appendix 1, has also been completed as requested.

Specific assurances:

- 1) I can confirm the areas set out below show that appropriate management processes are in place:**

- ***undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);***

A risk management assessment is carried out and updated regularly (but at least annually) and this helps to ensure that all risks are identified and then addressed appropriately. The review of risks is reported formally to the Governance Committee throughout the year.

Along with the Executive Leadership Team, I ensure that arrangements are in place within the Authority that achieve the effective and efficient use of resources, policies and procedures are in place so that the Authority is effectively managed, and internal control mechanisms are put in place and operating effectively within the Authority to help mitigate against all identified risks. These ensure the financial statements are not materially misstated each year.

As Strategic Finance Manager and Finance Officer and Section 151 Officer, I attend all meetings of the Governance Committee to discuss and review findings of all Internal and External Audit reviews and ensure members are kept informed through the regular reporting mechanisms in place. The Committee receives and approves the accounts on behalf of the Authority and, as such, is kept informed of all issues and risks that could impact upon the financial statements and operates within the guidelines recommended by CIPFA. Management also consider and inform the Annual Governance Statement and the action plan, in order to further improve the governance arrangements in place, to achieve value for money in its use of resources, and to further improve the internal control environment.

Management also receive the independent Internal Audit Strategy and Annual Internal Audit Plan and can comment on areas proposed for review. The Authority's Corporate Risks are regularly reported and reviewed by management within the Authority and the Authority's Anti Fraud and Corruption Policy ensures that fraud risk and/or related concerns are escalated through to the appropriate level as appropriate. Ad-hoc meetings between the Chair and myself also take place, where necessary, to discuss matters as they arise. Roles and responsibilities of members and officers are clearly set out in the Codes of Conduct, the Scheme of Delegation, the Anti Fraud and Corruption Policy, and in the Risk Management Strategy and Policy Statement. These also describe the relevant registers, declarations and escalation processes to be complied with.

I would declare on behalf of management that I have no knowledge of any actual, suspected or alleged fraud that could affect the Authority in relation to the 2018/2019 financial statements.

- ***identifying and responding to risks of fraud in the Authority; including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which risk of fraud is likely to exist;***

The Authority has an Anti Fraud and Corruption Policy which is regularly updated and is also approved by the Governance Committee. Regular reviews and achievement of the annually reviewed audit plan are discussed with me, but importantly, reported separately to the Committee. It is important that the Internal Audit Strategy and Annual Internal Audit Plan, which includes the Counter Fraud Work Programme for the year, is established independently in accordance with best practice.

The Counter Fraud Work Programme is based on a Fraud Risk Assessment for the effective deployment of resources and includes both reactive and proactive work. I receive regular updates on progress against the Counter Fraud Work Programme with any areas of suspected fraud identified, together with any necessary control measures to be implemented to mitigate the risk of further fraud. Updates are also presented on the implementation of the control improvements and all findings are reported to members as appropriate.

The system of internal control is a significant part of the Governance framework within the Authority 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 the Authority's 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. Internal management control arrangements are in place which should identify and prevent fraud risks from occurring and detect them if they do occur. The Authority engages in numerous fraud prevention and identification activity, including corporate processes, such as participating in the National Fraud Initiative.

- ***communicating to employees its view on business practice and ethical behaviour and communicating to those charged with governance the processes for identifying and responding to fraud and error;***

Written procedures are in place covering financial and administrative matters which are communicated to staff through the induction process, through management and are available on the Authority's intranet site. These documents are regularly updated and set out the standards of conduct that are expected, the policies and procedures which should be followed and what to do if staff have concerns that these arrangements are not being complied with. Internal Audit carries out a programme of work which includes assessing the level of compliance against the Authority's key policies and procedures. Key procedures include:

- Codes of Conduct;
- Whistle Blowing Policy;
- Anti Fraud and Corruption Policy;
- Health and Safety Policy;
- Compliments, Comments and Complaints Policy;
- Corporate Risk Management Strategy;
- Procurement Codes of Practice;
- Partnerships procedure;
- Treasury Management Strategy;
- Functional budget management schemes.

The Anti Fraud and Corruption Policy sets out the approach used to identify potential fraud and the resources available. The Governance Committee met three times during 2017/2018 with an Internal Audit Progress report submitted to each one of these meetings. The Progress reports set out the work done to identify fraud and the results of this work and the progress against the targets set. Private meetings are held between the head of internal audit, the External Auditor and members of the Governance Committee to discuss the detail of any significant investigations into suspected cases of fraud and corruption.

I am aware that arrangements are set out in the Authority's Anti Fraud and Corruption Policy. This sets out how concerns should be reported and who to, what people who suspect fraud should and should not do, and what the person who receives the concerns should and should not do.

During 2018/19, I was not made aware of any breaches of control.

2) How do you gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018-19?

I am not aware of any actual, suspected or alleged frauds other than those (if any) reported to management and members as part of the regular updates on the Counter Fraud Work Programme. I am aware that all Authority matters are reviewed for their legality to ensure Authority expenditure, services and actions are within the law. As such we have appropriate legal arrangements in place headed by the Monitoring Officer (Deputy Clerk of Sunderland City Council) who reports to Chief Fire Officer and his Senior Management Team, and has direct access to report to me as required. This gives reassurance that legal advice is sought where appropriate, that all reports to Authority and members must be reviewed by the legal services section, and that legal representation is made at all Authority meetings.

In addition, Authority reports are vetted by or on behalf of the Monitoring Officer to ensure compliance with legal requirements and there is legal representation at Authority meetings. In addition, the Monitoring Officer and senior members of Legal Services have access to reports which are considered by the Strategic Management Team. As part of their job description, solicitors are required to keep up to date with new and emerging legislation which affects local government. To assist in this role, the team subscribe to an electronic legal update service and various legal publications and regularly attend relevant training courses. As a member of the Association of Council Secretaries and Solicitors and Northern Secretaries Group, information is shared with other fire and rescue services, both regarding new legislation and case law and the approach and application of existing legal requirements.

In respect of new legislation or developments in case law, briefing notes or reports are prepared as appropriate and policies and procedures developed in conjunction with officers from the relevant areas of the Fire Service.

Regular team meetings are held within Legal Services both at "service area" level and senior management team level, at which any concerns regarding the Authority's compliance with legal requirements could be raised and addressed.

Internal Audit services are provided by our Lead Authority, Sunderland City Council, which carries out audits of the Authority's corporate legality arrangements, with the objective of

providing assurance that the arrangements in place ensure that the Authority remains within the law as it carries out its business, paying due regard to relevant legislation, statutory requirements and case law. The last review carried out, in summary reported that there were no issues or concerns raised and the audit gave full assurance of the legality arrangements in place. The audit concluded that the controls evaluated were well designed, appropriate in scope and applied consistently and effectively.

In addition, I am further reassured by the fact that the Authority's Monitoring Officer has carried out a self assessment of the legal service which covers the Authority's corporate legality arrangements that informs the Annual Governance Statement. This confirmed that there were no issues to raise and this provides me with the assurance that the Authority has arrangements in place to ensure that it remains within the law as it carries out its business, paying due regard to relevant legislation, statutory requirements and case law.

3) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

On behalf of Management I declare that I have no knowledge of, and the Authority is not on notice of any non-compliance, with laws and regulations that could impact on the 2018/2019 financial statements other than those that will be properly disclosed in the 2018/2019 financial statements. All contingent liabilities are discussed and identified and/or updated and reviewed annually in order to reflect the known position as at the balance sheet date.

4) What controls do you have in place to: identify; authorise; approve; account for; and disclose, related party transactions and relationships? For any new related parties (i.e. any not already disclosed in your year end 31 March 2018 audited financial statements) please provide a list of them, explain the nature of these, and whether you have entered into any transactions with these related parties during the year to 31 March 2019.

On behalf of the Management I declare that I have no knowledge of any such related party transactions that require further disclosure from those previously declared.

The Authority has robust procedures in place to identify and record any related party transactions in respect of its members and senior chief officers included within the statement of accounts which has taken place during the year and is informed by the robust formal year end process of signed declarations outlining all detailed related party transactions and relationships which apply to all individual Members and Senior Chief Officers. Various sources of information held and recorded by the Authority also help to inform the robust procedures in place including its formal Committee protocols (whereby members must declare at meetings they attend any interests of a personal nature (where they can not vote on that item) or of a prejudicial nature where they will have to leave the meeting for that item); the Authority's Constitution; and the detailed policies and procedure rules and financial regulations of the Authority that are required to be observed which are also in place to ensure any related party transactions are identified, fully disclosed and recorded, properly considered and accounted for as necessary.

Yours sincerely,

Dennis Napier

Strategic Finance Manager

Appendix 1

No.	Questions for management	Management response
1	Are you aware of any instances of actual, suspected or alleged fraud either within Tyne and Wear Fire and Rescue Authority as a whole or within your own department during the period 1 April 2018 – 31 March 2019?	No - there were no breaches of control at the Authority or in my own department during 2018/2019.
2	<p>Do you suspect fraud may be occurring within Tyne and Wear Fire and Rescue Authority or your own department?</p> <ul style="list-style-type: none"> ➤ Have you identified any specific fraud risks within Tyne and Wear Fire and Rescue Authority / your own department ? ➤ Do you have any concerns that there are areas within your own department or Tyne and Wear Fire and Rescue Authority that are at risk of fraud? ➤ Are there particular locations within t Tyne and Wear Fire and Rescue Authority where fraud is more likely to occur? 	<p>A fraud risk assessment is in place and is regularly updated which covers all appropriate parts of the Authority. This covers areas of fraud risks, sets out the individual risks, a score for the risks and tests that are carried out to identify potential fraud taking place. A programme of proactive counter fraud work is undertaken every year by Internal Audit which did not identify any areas of concern for either the Authority or my own department.</p> <p>The Authority also takes part in the National Fraud Initiative which has not identified any areas of concern.</p>
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> ➤ If not where are the risk areas? ➤ What other controls are in place to help prevent, deter or detect fraud? 	<p>Internal controls regarding segregation of duties are in place and the results of Internal Audit work have not highlighted any material concerns. An adequate opinion on the system of internal control has been reported to the Governance Committee for the year.</p> <p>The Authority has an Anti Fraud and Corruption policy and supporting documents in place which is available to all staff on the Authority intranet and is included in the induction process.</p> <p>Other controls in place include a robust budget management framework carried out within the Authority's own Finance Team. This is supplemented by support from Sunderland City Council, our lead Authority which provides most of the key financial systems used by the Authority. Appropriate controls and checks are thus provided from the City Council which includes verification checks on the Authority's key support systems such as Payroll, BACS payments and Accounts Receivable</p>

		<p>and Accounts Payable which are aimed at identifying fraud or errors. The majority of the Authority payments are through the Supplier Relationship Management system, which ensures authorisation of payments by an approved authorised officer.</p> <p>There has been a significant amount of work undertaken across the Authority to raise awareness of Information Governance issues and encourage staff to keep information secure.</p> <p>The Authority also has put arrangements in place to address the requirements of the new General Data Protection Regulations that came into force on 25th May 2018 and has also ensured all staff are suitably trained and aware of these requirements.</p>
No.	Questions for management	Management response
4	<p>How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> ➤ What concerns about fraud are staff expected to report? 	<p>This is undertaken by officers of the Authority. A Whistleblowing policy is in place and is on the Authority's intranet which gives details of how staff can raise concerns. Staff are encouraged to raise concerns about any areas where controls are not being complied with, where there is significant non-compliance with policies and procedures, or where there are concerns regarding corruption or potential financial loss.</p>
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within your area of responsibility?</p> <ul style="list-style-type: none"> ➤ How are the risks relating to these posts identified, assessed and managed? 	<p>The Internal Audit Fraud Risk Assessments identifies potential fraud risks in specific areas which would cover any specific risks in relation to individual posts. Counter fraud checks would be designed to test these risks to identify any potential fraudulent activity.</p>
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> ➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>No</p> <p>The Authority has robust procedures in place to ensure all related party transactions are identified and, where appropriate, are fully disclosed in the Statement of Accounts. The Authority has a well established Partnerships procedure and maintains and updates</p>

		its Partnership Register regularly. Internal practices and processes carried out as part of the closing of accounts timetable also has specific tasks and detailed analysis of all member and chief officer interests and related party transactions which are reviewed and collated to form notes in the statement of accounts. All member interests are also documented and held by democratic services within each of their Authority's for scrutiny and also help to inform the process. Reviews by senior management also help inform the control process.
No.	Questions for management	Management response
7	<p>Are you aware of any entries made in the accounting records of the Tyne and Wear Fire and Rescue Authority that you believe or suspect are false or intentionally misleading?</p> <ul style="list-style-type: none"> ➤ Are there particular balances where fraud is more likely to occur? ➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of the Tyne and Wear Fire and Rescue Authority? ➤ Could a false accounting entry escape detection? If so, how? ➤ Are there any external fraud risk factors, which are high risk of fraud? 	<p>No</p> <p>Internal controls and internal check mitigate the risk, as does appropriately qualified and experienced staff involved in compiling the accounts.</p> <p>All areas are subject to a regular risk review and these are formally and updated and reported to the Authority's Corporate Risk Management Group. Reports from internal and external audit also help strengthen the risk process by identifying and reporting their findings in areas where risk is considered high. The SAP system makes false accounting unlikely because of the way it is designed and is fed by the bank reconciliation and feeder systems and that have separate controls and reconciliation processes in place to maintain the integrity of the financial system. Strong and robust budgetary control and financial practices are in place across the Authority. Areas that are identified as high risk are reviewed more regularly by internal audit as part of their risk based approach to auditing. Legal and financial review is carried out across the whole range of fire service activity.</p>
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none"> ➤ Are you aware of any inappropriate 	<p>No – The Medium Term Financial Plan, the budget planning process and the Annual budget, along with an agreed cash limits approach, is</p>

	<p>organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>reviewed and monitored during the year to review achievement and adherence to agreed budget levels agreed by members and the Fire Authority. Actual performance and any actions necessary are reviewed by management and reported to members who receive formal Authority quarterly update reports during the year.</p> <p>The Authority has also published its 4 year Efficiency Plan in accordance with government requirements in order to secure a 4 year government grant settlement fixed to 2019/20. Its proposed efficiencies, IRMP actions and cost pressures and budget position is therefore open and transparent and reflects the MTFS established by the Authority. It must also report performance against its plan to government and members of the Authority annually, which it has done.</p> <p>As a consequence of all of these controls in place within the Authority there are no inappropriate pressures or incentives being applied.</p>
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