Appendix C

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

NARRATIVE STATEMENT – 2022/2023

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.147 million[1] spread across five districts of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland in the North East of England. The population density of the Tyne and Wear area is comparable to that of other Metropolitan areas of the country, (Greater Manchester, Merseyside, South Yorkshire, West Midlands and West Yorkshire), and accounts for 43% of the North East's population in just 6% of the total land mass. The area covered by the Service is 538 square kilometres and borders with the Counties of Durham to the south and west, Northumberland to the north and with the North Sea coast line to its eastern boundary.

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

Traditional employment areas of shipbuilding, coal mining and heavy industries have declined significantly over the last 35 years, giving rise to a changing risk profile, and changes in unemployment rates. Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's GDP). Some of the largest employers in the area include Nissan Motor Manufacturing (UK) Ltd, Virgin Money, Greggs, Proctor & Gamble, The Sage Group, Nestle and Barbour & Sons.

Vision and Purpose

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

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

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

[1] Source – ONS 2021 mid-year estimate

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

The Authority publishes an Annual Report to highlight its successes over the previous 12 months, including its performance against national indicators and the opinions of external inspectors, as well as outlining details of the improvements introduced to meet the Authority's vision of "Creating the Safest Community".

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

Performance

The Fire Authority is responsible for Tyne and Wear Fire and Rescue Service and is required by law to publish certain performance indicators annually in the local press. These show the statistical performance of the service but cannot provide any indication of the true quality or scope of the service delivered every day to the citizens of Tyne and Wear. It is also important to note that the Service remained effective and fully operational throughout the pandemic although some of our key performance indicators were affected. More detail about the work the service carried out to help our communities during 2022/2023 is also set out later in this summary for information.

Summary of Performance

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

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

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is targeted Home Safety Checks, or Safe and Well visits, which involve Community Firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and practical support, such as installing smoke detectors. During 2022/2023, the Service carried out 21,078 Safe and Well visits (12,037 in 2021/2022) and attended a total of 18,729 incidents (17,922 in 2021/2022).

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:

Performance Indicator	2020/2021	2021/2022	2022/2023
Average Response time of all incidents (mins)	6.00	5.53	**5.44**
Number of fatalities from all fires	1	2	**10**
Number of fatalities in accidental dwelling fires	0	2	**10**
Number of injuries from accidental dwelling fires (excluding precautionary checks)	38	26	**34**
Number of accidental fires in dwellings	501	463	**470**
Number of false alarms due to automatic fire detection from non-domestic properties	1,371	1,461	**1,539**
Number of primary fires	1,632	1,738	**1,825**
Number of deliberate fires	4,362	6,211	**6,380**

The Authority has a long track record of reducing fires but, sadly, in 2022/2023 there were ten deaths attributed to fire. On a pleasing note, average response times reduced slightly to 5 minutes 44 seconds.

The service will continue to strive to work towards the reduction of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2022/2023. More detail on performance can be found on the Authority’s website.

Performance Improvement

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

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

Efficiency and the Integrated Risk Management Plan (IRMP)

Following the end of the Four Year Grant Funding Settlement covering 2016/2017 to 2019/2020, the Authority has had no formal requirement to produce a formal Efficiency Plan in order to secure Government funding.

All Fire and Rescue Authorities however are expected to set out budget efficiencies made during each financial year by the Home Office. The principles that were used to develop the Efficiency Plan, which set out the Authority’s detailed approach to the delivery of savings needed to address the reductions in funding over this four year period, have been maintained for the purposes of setting out each year the level of efficiency savings the Authority has achieved, which totalled £3.712m in 2022/2023 (£4.711m for 2021/2022). These savings have not only helped to balance the budget but have also been re-invested into priority areas of the Service identified by the IRMP process.

The Authority continues to identify and make budget efficiencies each year to assist with its overall spending plans.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2023, the Government confirmed the Local Government finance settlement for 2023/2024. The Authority's Core Spending Power (CSP) has increased by 5.99% rising to 7.32% when the council tax £5 Band D was accepted, less than the national average increase for all standalone Fire and Resuce Authorities of 9.4%.

The Service Delivery Grant, which according to the Government was one-off funding for 2022/2023, has been retained although reduced to £0.604m from £1.072m. Although welcomed, it is not certain if this grant will remain a permanent feature of future grant settlements.

The Government continued to assume that the Authority can grow its Council Tax base by 0.79% in 2023/2024 and would increase its precept by at least 2.99% wth additional flexibility of a £5 Band D increase equivalent to a 5.72% increase in council tax without any growth in the Tax Base. This continues the Government's policy of shifting some of the funding of Local Government services directly on to the council tax payer through assumed annual council tax increases.

The Government have assumed that there will be no Business Rates detriment to the income yield expected in 2023/2024 despite the continued adverse trading conditions post COVID-19 and the significant impact of the cost of living crisis on businesses. The assumption is that income will reduce to £3.965m for 2023/2024 compared to £4.088m in 2022/2023 (when actual income in 2021/2022 was only £2.270m).

The key elements of the Authority's settlement for 2023/2024 are:

- An increase in the Government's Core Spending Power of £3.892m or 7.32% with a council tax £5 Band D increase;
- An increase in the Settlement Funding Assessment (SFA) of £1.521m or 5.78%; and
- Confirmation of the Revenue Support Grant element of the settlement. This includes core revenue grant funding allocations of Formula Grant and previous Council Tax Freeze Grants. Only the Revenue Support Grant will increase by 10.1% in line with inflation continuing the government's policy of providing at lease inflationary increases for public sector services.

This improved position however needs to be taken in the context of past settlements as there are still funding inequities in the current system which still need to be addressed. It is disappointing that these will not be amended as part of the government's proposed changes to the funding system. The fact that this is a further one year Finance Settlement with one-off funding included also means that it will make budget planning more difficult compared to a clear and transparent three year settlement that would have been much more helpful to the Authority in planning its services.

The Authority published a revised Medium Term Financial Strategy (MTFS), covering the period 2023/2024 to 2026/2027 and this can be found on the Authority's website (13 February 2023 Authority meeting; Item 6). This aims to:

- provide an analysis of the financial position likely to face the Authority over the medium term taking into account the National Economic context, the potential local funding position, internal spending pressures and commitments and the revenue implications of the capital programme; and

- set out the medium term financial position which the Authority is likely to face and to update the Budget Planning Framework for the preparation of future Revenue and Capital Budgets in the next four year period to 2026/2027.

This MTFS projects a funding gap of £2.920m by the end of the four year period. The current financial climate over the medium term remains unclear with only another one year 2023/2024 financial settlement being provided by the government.

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

The financial aim of the Authority therefore continues to be one of remaining sustainable so that it can continue to work effectively and efficiently and to collaborate with partners, other blue light and public sector organisations, residents and communities to deliver positive outcomes on its key service priorities to the communities it serves and will always manage service capacity within its available resources.

Although the financial context continues to be challenging and uncertain the Authority has a proven and strong track record of meeting its financial obligations and maintaining its financial sustainability. Over the past ten years the Authority has always delivered an outturn (actual position) within its original budget. An Authority wide approach to the budget, which is service priority driven and set over a medium-term planning horizon, ensures that this continues to be the case.

COVID-19 Pandemic

During 2022/2023, the after effects of the COVID-19 pandemic continued to have an impact on service delivery especially with regards to delivery lead times and delays in some of the planned Capital Works.

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

Financial Performance of the Fire Authority 2022/2023

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2022/2023 to be met from Government Grants and local taxpayers was approved by the Authority at £51.487million*. 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 £87.35 for 2022/2023. This represented a 1.99% increase in Band D, below the Government’s 2% referendum threshold level. The following table summarises the financial position for the year:

	2022/2023 Original Estimate £'000	2022/2023 Revised Estimate £'000	2022/2023 Actual Outturn £'000		2021/2022 Actual Outturn £'000
Community Safety	**6,156**	**6,396**	**5,162**		**4,604**
Fire Fighting and Rescue Operations	**46,312**	**46,344**	**31,202**		**30,609**
Corporate and Democratic Core	**212**	**212**	**177**		**139**
Non Distributed Costs	**(494)**	**(494)**	**89**		**12**
Net Cost of Services	**52,186**	**52,458**	**36,630**		**35,364**
Interest Payable	**258**	**258**	**1,491**		**1,860**
Contingencies	**2,291**	**2,201**	**0**		**0**
Interest on Balances	**(41)**	**(41)**	**(994)**		**(59)**
Pension Interest Cost and Expected Return on Pension Assets	**(620)**	**(620)**	**25,260**		**19,230**
Net Operating Expenditure	**54,074**	**54,256**	**62,387**		**56,395**
Capital Financing:					
Reversal of Capital Charges and Impairments	**(4,479)**	**(4,479)**	**(4,221)**		**(3,651)**
Minimum Revenue Provision	**1,574**	**1,574**	**1,652**		**1,570**
Revenue Contribution to Capital Outlay	**250**	**250**	**4,922**		**2,784**
Total Net Operating Expenditure	**51,419**	**51,601**	**64,740**		**57,098**
Contribution to/(from) IAS 19 Pension Reserve	**(85)**	**(85)**	**(10,450)**		**(7,520)**
Contribution to/(from) Collection Fund Account	**0**	**0**	**(1,298)**	*	**119**
Contribution to/(from) Accumulated Absences Account	**0**	**0**	**(91)**		**129**
Contribution to/(from) Earmarked Reserves	**152**	**(30)**	**(1,847)**		**170**
Net Budget	**51,486**	**51,486**	**51,054**		**49,996**
Resources:					
Revenue Support Grant and General Grants	**(9,263)**	**(9,263)**	**(9,263)**	*	**(8,989)**
Top Up Grant	**(11,457)**	**(11,457)**	**(11,457)**	*	**(11,457)**
Business Rates and Collection Fund	**(3,858)**	**(3,858)**	**(3,615)**	*	**(3,256)**
Precepts and Collection Fund	**(25,836)**	**(25,836)**	**(24,708)**	*	**(25,334)**
Local Council Tax Support Scheme Grant	**0**	**0**	**0**		**(826)**
Service Delivery Grant	**(1,072)**	**(1,072)**	**(1,072)**		**0**
Section 31 Non-Specific Grants	**0**	**0**	**(939)**		**(134)**
Total Resources	**51,486**	**51,486**	**51,054**		**49,996**
(Increase) / Reduction to General Balances in year	**0**	**0**	**0**		**0**
Opening General Fund Balance	**(4,089)**	**(4,089)**	**(4,089)**		**(3,943)**
Closing General Fund Balance	**(4,089)**	**(4,089)**	**(4,072)**		**(4,089)**

* In the accounts, the Net Budget Requirement for 2022/2023 of £51.054m is made up of Total Resources of £51.487m, as set out in the estimates in the above table, adjusted for a difference in government Settlement Funding Assessment (SFA) grant funding of £0.076m, an amendment required under the Code in respect of the Collection Fund Account of £1.298m, section 31 non-specific grant income of (£0.939m), and a debtor for section 31 non-specific grant income of (£0.003m).

The variances between the Estimates and Actual Outturn 2022/2023 on Firefighting and Rescue Operations and the Return on Pensions Assets are compensating variances arising from the actuarial valuations on the Pensions Assets which can, and invariably do, change between budget and outturn stages. The key comparator for actual expenditure against budget in the above statement is the "Net Budget" figure which, as explained above mainly relates to the adjustments required in the Collection Fund.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the full Authority. These reports detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also includes a review of certain other key financial items, including Treasury Management and Prudential Indicators. Again, this process reflects strong and robust financial management in 2022/2023, continuing the Authority's sound track record in this regard.

The Revenue Budget Outturn position for 2022/2023 was reported to the Fire Authority on 26 June 2023 and showed a net overall underspend of £1.914m, at £49.573m compared with an original budget of £51.487m.

It is important for Members to understand the continued positive drive the Authority has made during the financial year to achieve this level of savings, with a number of initiatives and delays in filling corporate roles as the Authority made adjustments to accommodate the higher than expected pay awards for all of its staff.

- Improved financial management is embedded throughout the Authority, with increased financial awareness and tighter budgetary control achieving a net delegated budget savings of £0.116m across the full service;

- Employee budgets are set based on assumptions relating to staff turnover and vacancy levels, firefighter pension scheme membership and the numbers of operational staff who are at the development stage in their roles. As the year progresses, employee costs reflect the actual position on all of these factors which, in reality, can vary considerably against the budget assumptions made.

  We have experienced significantly higher levels of corporate staff vacancies than the budget assumed over most of this financial year, which was anticipated to ease during the latter stages of the fiscal year. This factor shows staff vacancies were 14% on average across the year which has created a saving of almost £1.4m. Whilst this is a one-off saving provided the posts are filled, the service is to review the roles and necessity of some of the longer dated vacant posts to ensure they are needed.

  The pay award for corporate staff was agreed at a flat cash increase of £1,925 per employee which equated to a 7% increase for Tyne and Wear and the pay award from July 2022 for firefighters was agreed at 7%. At the end of the financial year, some of the contingency budget set aside for potential costs when the budget was established for 2022/2023 has not been required. This has been reallocated to fund the increased pay awards.

- Members will be aware that during the 2022/2023 financial year, two further Trainee courses were completed bringing 42 additional staff into operational crews. This has reduced overtime costs and has also contributed towards the additional underspend on the overall employee budgets highlighted;

- The Authority has also had to manage and contend with significant budgetary pressures caused by the very high levels of inflation which, although have reduced a little, continues to be an ongoing issue. However, the increase in interest rates has had a positive impact on the budget and this has helped to fund some of the budget pressures benefitting by almost £1m excess interest received because of the high interest rates experienced across the financial year ,which could not have been anticipated when the budget for 2022/2023 was approved; and

- All aspects of the Authority's finances continue to be reviewed and a more commercially based approach to income generation is carefully and sensibly applied where appropriate to ensure Best Value is achieved for the Authority. Increases in income above budget during the year help to show this is continuing to be a success and income generation is expected to increase in future years as a result.

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

The table below shows the actual outturn for 2022/2023 as compared with the original and revised budget positions as reported to the Fire Authority in June 2023.

	Original Estimate (For Information)	**Revised Budget**	**Outturn**	**Variance to Revised Budget**
	£'000	**£'000**	**£'000**	**£'000**
Expenditure				
Employees	45,819	48,387	46,197	(2,190)
Premises	2,844	2,852	2,537	(315)
Transport	1,051	1,051	1,138	87
Supplies and Services	8,270	8,315	8,575	260
Contingencies	2,291	0	0	0
Support Services	15,030	15,030	14,914	(116)
Capital Financing	939	939	898	(41)
Total Expenditure	**76,244**	**76,574**	**74,259**	**(2,315)**
Income				
Grants and Contributions	(8,837)	(8,837)	(8,697)	140
Receipts	(170)	(170)	(371)	(201)
Fees and Charges	(1,125)	(1,161)	(1,306)	(145)
Interest Earned	(41)	(41)	(994)	(953)
Recharge Income	(14,736)	(14,736)	(14,608)	128
Reserve Appropriations	152	(142)	1,290	1,432
Total Income	**(24,757)**	**(25,087)**	**(24,686)**	**401**
NET BUDGET	**51,487**	**51,487**	**49,573**	**(1,914)**

While the budget figures above are presented on a cash basis, the Statement of Accounts is prepared on an accruals basis, which also has to comply with statutory requirements and International Accounting Standards. This is the main reason why the two sets of figures differ, as the information is presented on two different bases, however the financial underspend compared to the budget reported to members for 2022/2023 is fully reflected within the Statement of Accounts.

The main budget variations are detailed below:

- Employee costs (£2.190m net underspend) – the main reason for the underspend relates to the level of operational and corporate vacancies and the higher number of operational staff in development. Along with these, savings have been made on employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme altogether.

  Operational overtime costs continue to be a significant budget pressure, particularly working with the increased vacancy levels experienced. The savings in salaries and pensions have accommodated these increased costs however. Overtime continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate.

- Premises (£0.315m net underspend) – as reported at third review, a refund in respect of Business Rates was expected to be received before the end of the financial year. The Authority has now received this one –off refund of £479,000 which has helped to absorb the overspend on electricity and gas charges of £113,000 incurred during the financial year. Energy charges are being closely monitored with information from Sunderland City Council and increased tariffs have been accommodated in the budget for 2023/2024.

- Transport (£0.087m net overspend) – increased fuel costs during the first part of the financial year have had an impact on the transport budget in addition to an increased cost for outside contractors and an increase in travel across the service.

- Supplies and Services (£0.260m net overspend) – as reported at third review, work has been carried out by the PFI providers resulting in an increase in the unitary charge payment for the full year and future years due to the rise in utility charges. The PFI smoothing reserve will be utilised next year to help fund these additional costs.

- Contingencies – an adjustment has been made in the final quarter of the year to reallocate the full contingency budget to partly finance the firefighters pay award.

- Support Services and Recharges (£0.012m net overspend) – there has been an in year change to the staffing model recharges for the USAR National Resilience responsibilities.

- Income (£0.206m overachieved) – the year end position shows an increase in total income received against the revised budget.

  Reductions in income from Princes Trust Courses, Contract Income from Primary Authority Scheme arrangements and under-recovery of catering income due to reduced sales have been offset by additional income from training courses, a one-off PFI Authority Support repayment, additional secondment income, and income from sale of equipment.

- Interest Received (£0.953m overachieved) – the budget was significantly reduced in 2022/2023 and set at £0.041m due to a drop in interest rates to 0.5%. At Third Review, it was estimated that the Authority would receive a total of £0.500m for 2022/2023 due to an increase in the bank base rate, but rates have continued to rise during the final quarter of the financial year, resulting in interest received of £0.994m in total. The budget set for 2023/2024 reflects the improved interest rate position, although this very high level is not expected to be a long term gain.

- Reserves and Provisions Appropriations (£1.432m decrease) – underspends against budget have reduced the need to draw down from Reserves in year. Adjustments have also been made to reflect the IFRS Employee Benefit accounting entry and the Council Tax and Business Rates Collection Fund balance required for 2022/2023.

Members agreed to appropriate the surplus funds of £1.914m to a new Mobilisation Smoothing Reserve to support a business critical new system that is required. This was expected to be a capital programme issue where borrowing could have been considered, but is now a revenue budget cost pressure which will need to be accommodated within the Authority's existing resource. The Authority has no firm understanding of the increased costs of this solution at this initial stage but expects costs of the revised system to create a cost pressure of at least £500k per annum on an ongoing basis. The Smoothing Reserve will therefore help bridge the gap for this additional cost until the savings from the end of the PFI Contract in 2028/2029 can be accessed.

The total resources at the end of the financial year included within the Authority's Statement of Accounts was £51.054m, £0.432m less than that set out in the budget of £51.487m for 2022/2023:

- As part of the finance settlement, the Authority received slightly less government grant funding of £0.076m and a year-end accounting adjustment of £1.298m was required to the Collection Fund, resulting in an decrease in overall resources of £1.374m compared to the budget figures for 2022/2023.

- The Authority received Section 31 non-specific grants of £0.939m and the year end NNDR returns from the District Councils notified the Authority that its share of section 31 grant from Government will be £0.003m and a debtor for this grant funding has been raised in the accounts.

Injury Pension Grant Repayment (Firefighter Pension Scheme)

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

	Statutory Accounts			True Reserve Position		
	Balance as at 31 March 2022 £'000	Net Transfer * £'000	Balance as at 31 March 2023 £'000	Balance as at 31 March 2022 £'000	Net Transfer * £'000	Balance as at 31 March 2023 £'000
Capital Developments Reserve	4,582	13,424	18,006	7,901	16,244	24,145
Transformation and Reform Reserve	9,680	(9,180)	500	13,000	(12,500)	500
Injury Pension Adjustment	0	0	0	(6,639)	500	(6,139)
	14,262	**4,244**	**18,506**	**14,262**	**4,244**	**18,506**

Accounting for Pensions

International Accounting Standard 19 (IAS19)

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

The last actuarial valuation of the Firefighter's Pension Scheme (FPS) was at 31 March 2020. This has been rolled forward to reflect the position as at 31 March 2023, in particular allowing for service accrued between 1 April 2020 and 31 March 2023 and known pension and salary increases that would have applied.

A triennial actuarial valuation of the Local Government Pension Scheme (LGPS) was carried out at 31 March 2022.

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

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

The financial health of the Authority is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit, as assessed by the Actuary as at 31 March 2023, is being addressed by the Authority in line with Government regulations. The Authority can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

Arrangements for Funding and Accounting for Firefighter Pensions

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

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

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

Immediate Detriment

Immediate Detriment is where a member has been transitioned to the Firefighter Pension Scheme 2015 (FPS2015) and has retired or is due to retire and cannot access their legacy pension (Firefighters Pension Scheme 1992) prior to remedying legislation being put in place in October 2023.

On 8 October 2021 the Local Government Association (LGA) and Fire Brigades Union (FBU) agreed a Memorandum of Understanding (MOU) and the Immediate Detriment Framework (MOU and IDF) to enable Fire Authorities to process immediate claims.

After the Authority initially adopted the MOU and IDF, this process was paused due to government guidance not to process immediate detriment cases due to uncertainties and risks to the authority and the pension member. These risks according to the government relate to the interaction between remedy and tax legislation.

Although government guidance is not to process immediate detriment claims, it is the Fire Authority who ultimately needs to make this decision.

On 13 February 2023 the Authority recommenced immediate detriment for members coming up to retirement, and members who had retired within the last 12 months. This decision was in part due to the growing threat of High Court legal action.

The remedying legislation is due to be in place in October 2023.

Balance Sheet Position

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

	Balance at 31 March 2022 **£'000**	**Balance at 31 March 2023** **£'000**
Non-current assets	86,568	88,867
Net current assets	42,889	39,252
Long term liabilities and provisions	(993,049)	(717,717)
Net Assets / (Liabilities)	**(863,593)**	**(589,598)**
Represented by:		
Usable reserves	40,908	39,061
Unusable reserves	(904,501)	(628,659)
	(863,593)	**(589,598)**

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

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

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

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

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of £589.598m on its Balance Sheet, most of the ‘deficit’ relates to the pensions deficiency of £688.580m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

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

If this element is removed, the Authority has a ‘real’ net surplus of £98.982m. The Authority also has assets worth £88.867m and cash backed reserves of £39.061m 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 2022, the Authority approved a capital programme for 2022/2023 of £12.655m which was subsequently revised to £19.427m during the year.

Actual capital expenditure at the end of the financial year was £5.025m, financed from a combination of revenue contributions of £0.250m, earmarked reserves of £4.612m, external contributions of £0.076m and Section 31 grant of £0.087m. The main reasons for the variation in spending of £14.402m have arisen due to the following:

- Expenditure on a number of projects planned for 2022/2023 of £13.472m slipped in to 2023/2024:

    - Delays in the genous security system due to a new tender, this will be complete early in 2023/2024;
    - Delayed progress on the PFI element of the security upgrade programme but a new contractor is finishing of the gates and wil be complete early in 2023/2024;
    - Outstanding legal costs that will need to be paid for the MRU development;
    - A payment withheld for the Fire Behaviour Units until technical issues are resolved;
    - Stage payments for Hebburn Station will be made in 2023/2024 now that the build has started;
    - Delayed progress on Information Screens due to other priorities;
    - DCS/LifeX and Telent Mobs Hardware Refresh will continue in 2023/2024 as multi year projects;
    - Continued delays on the national government led Emergency Services Mobile Communications Project in to future years;

- Delayed delivery of operational equipment and slippage to cover purchase of a new pump;
- Purchase of Foam and Firefghting Equipment pending a decision on the type of foam that will be purchased;
- Remaining PPE will issued early in 2023/2024;
- Delayed replacement of the small fleet pending further consideration of options; and
- Final stage payment for the ten remaining new appliances due early 2023/2024 before they can become operational.

- Net underspend of £0.163m across a number of schemes completed during 2022/2023.

- Addition of £0.045m required to the upgrade to the Dispath Communication Server (DCS) / LifeX required to support the Emergency Services Network (ESN).

- Members will recall that the Capital Programme for 2022/2023 was set with an additional £0.850m for a number of business critical, invest to save schemes, that were slipped from 2020/2021. Plans for the two projects, repairs to Barmston Mere Training Centre and relocation of Safetyworks have continued to be impacted and as a result the £0.850m funding for these schemes will need to be reviewed in 2023/2024.

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 14 February 2022, which detailed the 2022/2023 borrowing limits for the Authority. All borrowing is undertaken by the Lead Authority (Sunderland City Council) on the Authority's behalf.

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

- Authorised Limit for External Debt for 2022/2023 of £52.816 million;

- Operational Boundary for External Debt for 2022/2023 of £47.816 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 2022/2023. The highest level of external debt incurred by the Authority during 2022/2023 was £33.235m on 1 April 2022. This includes borrowing debt of £10.778m, injury pension liability of £6.639m, and £15.819m in relation to the Authority's long term liabilities (consisting of its PFI Schemes commitments and finance leases) which forms part of both borrowing limits in order to comply with IFRS accounting requirements.

Private Finance Initiative (PFI)

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

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

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

Estates and Facilities Asset Plan

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

The key activities are:

- Continue to implement the findings and recommendations of a service wide Access Audit using a prioritised phased approach to ensure all our buildings and facilities comply with The Equalities Act 2010 and are accessible to all.
- Commissioned a comprehensive Stock Condition Survey (SCS) to inform and drive future capital investment.
- Completed a detailed service wide building and asset review that is resulting in the disposal/remodelling of surplus assets and the generation of both capital receipts and revenue savings. The review has primarily focussed on the identification of surplus assets, leases and license reviews and a re-evaluation of all third party business arrangements within the premises portfolio.
- Continue to explore collaborative and co-location opportunities with partner agencies. To date we have North East Ambulance Service (NEAS), Northumbria Police, Great North Air Ambulance Service, The Army, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, The Princes Trust and Northumbria Blood Bikes, and a number of other smaller third party partners operating from our locations.

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

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

In 2021/2022, the HMICFRS carried out its second full inspection of the Service, which, like the first inspection in 2018/2019, continued to look at how effectively and efficiently the Service prevents and protects the public from, and responds to, fires and other emergencies, as well as examining how well we look after our people.

TWFRS was graded as 'Good' once again in all three key areas listed below, as it was in 2018/19, although the criteria to achieve 'Good' was much more challenging:

- How effective we are in keeping people safe from fire and other risks;
- How efficient we are in keeping people safe from fire and other risks;
- How well we look after our people.

The Inspection which was formally announced in July 2022 also identified fewer Areas For Improvement (AFI's) across all three pillars of inspection although the Authority is not complacent and will use the inspection report to support the continuous improvement agenda by addressing all of these areas for improvement.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2022/2023. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023' and are based on International Financial Reporting Standards (IFRS), known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989.

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

1. **Statement of Responsibilities**
This discloses the respective responsibilities of the Authority and the Finance Officer.

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

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

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

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

6. **Notes (including a summary of significant accounting policies and other explanatory information)**
The Notes to the financial statements have three significant roles. They:
    - Present information about the basis of preparation of the financial statements and the specific accounting policies used;
    - Disclose information that is required by the Code that is not presented elsewhere in the financial statements; and
    - Disclose information that is not presented elsewhere in the financial statements but is relevant to an understanding of them.

7. **Supplementary Statements**
Firefighters' Pensions – Fund Account, Net Assets Statement and Notes
These statements summarise the transactions and the net assets relating to the Firefighters' Pension Fund, which are required to be reported separately within the Statement of Accounts for the Authority.

Dennis Napier
Finance Director

Dated: 30 June 2023