

# Narrative Statement – 2023/2024

## Tyne and Wear Fire and Rescue Service

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

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

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 Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's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

## Vision and Purpose

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

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

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

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

## Performance

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

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 2023/2024 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 Community Risk Management Plan (CRMP), 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 2023/2024, the Service carried out 22,012 Safe and Well visits (21,078 in 2022/2023) and attended a total of 16,827 incidents (18,729 in 2022/2023).

## 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:

	2021/2022	2022/2023	2023/2024
<b>Performance Indicator</b>			
Average Response time of all incidents (mins)	5.53	5.44	5.36
Number of fatalities from all fires	2	10	6
Number of fatalities in accidental dwelling fires	2	10	5
Number of injuries from accidental dwelling fires (excluding precautionary checks)	26	34	30
Number of accidental fires in dwellings	463	470	482
Number of false alarms due to automatic fire detection from non-domestic properties	1,461	1,539	1,604
Number of primary fires	1,738	1,825	1,681
Number of deliberate fires	6,211	6,380	4,438

The Authority has a long track record of reducing fires but, sadly, in 2023/2024 there were six deaths attributed to fire. On a pleasing note, average response times reduced slightly to 5 minutes 36 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 2023/2024. 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 Community Risk Management Plan (CRMP)**

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 publish an annual Efficiency and Productivity Plan which sets out the efficiencies the Authority proposes to make. The efficiencies the Authority makes are used to balance the budget and to reinvest in services as outlined in the Community Risk Management Plan, where we assess existing and potential risks to the communities of Tyne and Wear to identify how we can best utilise our resources to reduce those risks.

## **Funding Context and Financial Planning**

### **Financial Outlook for the Authority**

In February 2024, the Government confirmed the Local Government finance settlement for 2024/2025. The Authority's Core Spending Power (CSP) increased by £3.120m or 5.22% with increases seen across most of the resources due to changes announced in the settlement.

The Government continued to assume that the Authority can grow its Council Tax base by 0.88% in 2024/2025 and would increase its precept by at least 2.99%. This continues the Government's policy of shifting some of the funding of Local Government services directly on to the council tax payer through assumed annual council tax increases.

The key elements of the Authority's settlement for 2024/2025 are:

- An increase in the Government's Core Spending Power of £3.120m or 5.22%;
- An increase in the Settlement Funding Assessment (SFA) of £1.418m or 4.67%; 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. This Grant also now includes the Pensions Grant allocation of £2.593m which was paid to the Authority as specific grant funding in previous years (and as such is not new monies). Only the Revenue Support Grant will increase by 6.62% in line with inflation continuing the government's policy of providing at least inflationary increases for public sector services.
- Business Rates income forecast at £4.156m, a slightly higher projection than that used by the government in 2023/2024;
- An estimated increase of 3.87% in total council tax income for 2024/2025 through growth in the council tax base of 0.88% and an assumed precept increase of 2.99%; and

- Continuation of the Service Grant for 2024/2025, although significantly reduced, which has still been allocated based on the SFA of the Authority. The Authority will receive £0.109m, compared to £0.629m in 2023/2024.

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. 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 2024/2025 to 2027/2028 and this can be found on the Authority's website. 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 2027/2028.

This MTFS projects a funding gap of £3.287m by the end of the four year period. The current financial climate over the medium term remains unclear with only another one year 2024/2025 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.

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.

## **Financial Performance of the Fire Authority 2023/2024**

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

The estimated net revenue expenditure for 2023/2024 to be met from Government Grants and local taxpayers was approved by the Authority at £57.201million\*. 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 £92.35 for 2023/2024. This represented a £5 flat cash increase in Band D. The following table summarises the financial position for the year:

	2023/2024	2023/2024	2023/2024	2022/2023
	Original Estimate	Revised Estimate	Actual Outturn	Actual Outturn
	£'000	£'000	£'000	£'000
Community Safety	6,693	7,053	3,464	5,101
Fire Fighting and Rescue Operations	49,122	51,250	25,245	30,762
Corporate and Democratic Core	219	219	185	177
Non Distributed Costs	(495)	(472)	153	89
<b>Net Cost of Services</b>	<b>55,539</b>	<b>58,050</b>	<b>29,047</b>	<b>36,129</b>
Gains/Losses on Disposal of Non Current Assets	0	0	2,135	0
Interest Payable	260	260	1,700	1,852
Contingencies	4,266	1,801	0	0
Interest on Balances	(613)	(613)	(1,970)	(994)
Pension Interest Cost and Expected Return on Pension Assets	(620)	(620)	31,890	25,260
<b>Net Operating Expenditure</b>	<b>58,832</b>	<b>58,878</b>	<b>62,802</b>	<b>62,247</b>
Capital Financing:				
Reversal of Capital Charges and Impairments	(4,479)	(4,479)	(4,049)	(4,221)
Minimum Revenue Provision	1,973	1,973	1,839	1,792
Revenue Contribution to Capital Outlay	250	250	9,669	4,922
Reversal of Loss on Disposal of Fixed Assets	0	0	(2,135)	0
<b>Total Net Operating Expenditure</b>	<b>56,576</b>	<b>56,622</b>	<b>68,126</b>	<b>64,740</b>
Contribution to/(from) IAS 19 Pension Reserve	(85)	(85)	(3,804)	(10,450)
Contribution to/(from) Collection Fund Account	0	0	251 *	(1,298)
Contribution to/(from) Accumulated Absences Account	0	0	129	(91)
Contribution to/(from) Earmarked Reserves	710	664	(6,526)	(1,847)
<b>Net Budget</b>	<b>57,201</b>	<b>57,201</b>	<b>58,176</b>	<b>51,054</b>
<b>Resources:</b>				
Revenue Support Grant and General Grants	(10,203)	(10,203)	(10,203) *	(9,263)
Top Up Grant	(12,162)	(12,162)	(12,162) *	(11,457)
Business Rates and Collection Fund Precepts and Collection Fund	(6,317)	(6,317)	(6,114) *	(3,615)
Local Council Tax Support Scheme Grant	(27,890)	(27,890)	(28,220) *	(24,708)
Service Delivery Grant	(629)	(629)	(629)	(1,072)
Section 31 Non-Specific Grants	0	0	(848)	(939)
<b>Total Resources</b>	<b>(57,201)</b>	<b>(57,201)</b>	<b>(58,176)</b>	<b>(51,054)</b>
(Increase) / Reduction to General Balances in year	0	0	0	0
<b>Opening General Fund Balance</b>	<b>(4,089)</b>	<b>(4,089)</b>	<b>(4,072)</b>	<b>(4,089)</b>

**Closing General Fund Balance****(4,089)****(4,089)****(4,072)****(4,072)**

\* In the accounts, the Net Budget Requirement for 2023/2024 of £57.201m is made up of Total Resources of £57.201m, as set out in the estimates in the above table, adjusted for a difference in government Settlement Funding Assessment (SFA) grant funding of £0.091m, an amendment required under the Code in respect of the Collection Fund Account of (£0.218m) and section 31 non-specific grant income of (£0.848m)

The variances between the Estimates and Actual Outturn 2023/2024 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 2023/2024, continuing the Authority's sound track record in this regard.

The Revenue Budget Outturn position for 2023/2024 was reported to the Fire Authority on 24 June 2024 and showed a net overall underspend of £1.842m, at £55.359m compared with an original budget of £57.201m.

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 £0.299m 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.

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 2023 for firefighters was agreed at 5%. The pay awards were managed within existing budgets; and

- 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, this continues to be an ongoing issue for the Authority. On the positive side however the increase in interest rates has had a positive impact on the budget and this has helped to fund some of our budget pressures as we hold a high level of reserves which are fully earmarked mainly to fund our ambitious Capital Programme. We have benefitted by over £1m in excess interest received because of the high interest rates experienced across the financial year which could not have been anticipated when the budget for 2023/24 was approved.

The table below shows the actual outturn for 2023/2024 as compared with the original and revised budget positions as reported to the Fire Authority in June 2024.

	<b>Original Estimate (For Information)</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance to Revised Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>				
Employees	49,046	51,165	51,989	824
Premises	2,972	3,001	2,876	(125)
Transport	1,101	1,081	1,101	20
Supplies and Services	8,467	8,706	8,783	77
Contingencies	4,266	2,367	0	(2,367)
Support Services	15,055	14,983	14,977	(6)
Capital Financing	924	929	1,010	81
Reserve Appropriations	710	658	2,354	1,696
<b>Total Expenditure</b>	<b>82,541</b>	<b>82,890</b>	<b>83,090</b>	<b>200</b>
<b>Income</b>				
Grants and Contributions	(8,414)	(8,754)	(9,200)	(446)
Receipts	(337)	(337)	(613)	(276)
Fees and Charges	(1,240)	(1,249)	(1,280)	(31)
Interest Earned	(613)	(613)	(1,970)	(1,357)
Recharge Income	(14,736)	(14,736)	(14,668)	68
<b>Total Expenditure</b>	<b>(25,340)</b>	<b>(25,689)</b>	<b>(27,731)</b>	<b>(2,042)</b>
	<b>57,201</b>	<b>57,201</b>	<b>55,359</b>	<b>(1,842)</b>
<b>NET BUDGET</b>				

While the budget figures above are presented on a cash basis, the Statement of Accounts is prepared on an accruals basis, which also has to comply with statutory requirements and International Accounting Standards. This is the main reason why the two sets of figures differ, as the information is presented on two different bases, however the financial underspend compared to the budget reported to members for 2023/2024 is fully reflected within the Statement of Accounts.

The main budget variations are detailed below:

- Employee costs (£0.824m net overspend) – overspend mainly due to ill health pensions and overtime costs, partly absorbed by underspends due to vacancies. An adjustment has also been required to reverse a prepayment of the pension fund deficit contributions.

Operational overtime costs continue to be a significant budget pressure. Savings in salaries have helped to accommodate these increased costs. Overtime continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate.

- Premises (£0.125m net underspend) – savings have been made on business rates from a review that was completed at the end of the last financial year. This has helped to absorb an overspend on water charges due to a leak at Wallsend Fire Station. Energy charges are being closely monitored with information from Sunderland City Council and increased tariffs have been accommodated in the budget for 2024/25.

- Transport (£0.020m net overspend) – transport insurance costs charged at the end of the financial year were higher than anticipated. The additional costs have been partly absorbed by the savings on travel expenses.
- Supplies and Services (£0.077m net overspend) – there has been an in year one off cost to write off obsolete COVID related stock, increased legal fees and additional subsistence costs for essential water training courses to comply with new legislation.
- Contingencies (£2.367m underspend) – all of the budget set aside for pay awards and inflation above the levels estimated has not been required during the year.
- Support Services and Recharges (£0.062m net overspend) – there has been an in year change to the staffing model recharges for the USAR National Resilience responsibilities.
- Income (£0.753m overachieved) – the year end position shows an increase in total income received against the revised budget. There has been one off income from sales of equipment, contributions for assisting at incidents, apprenticeship payments and additional income from training courses. The authority has also received additional Section 31 Grants relating to Business Rates and New Burden funding.
- Interest Received (£1.357m overachieved) – The interest paid to the authority is based on the average SONIA (Sterling Overnight Index Average) over the period. As this is a variable rate, heavily influenced by the prevailing Base Rate, it is not known with any certainty what future daily rates will be. At third review, it was estimated that the authority would receive a total of £1.361m for 2023/24 but rates have continued to rise above the level anticipated during the final quarter of the financial year, resulting in interest received of £1.970m in total. The budget set for 2024/25 reflects the improved interest rate position.
- Capital Financing (£0.081m over budget) – a higher debt charge interest has created a small overspend.
- Reserves and Provisions Appropriations (£1.696m increase) – appropriations were agreed when setting the budget for 2024/25 to reallocate some of the in year contingency budget to the Mobilising Reserve for future commitments. In addition, appropriations into the Revenue Budget Carry Forward Reserve have been made for known future requirements, including transfer of Fire Protection Grant and New Burdens Grant to be used in 2024/25.

Members agreed to appropriate £1m of the surplus funds to the Budget Carry Forward Reserve to fund the backdated holiday payments expected to be paid out during 2024/2025 and the remaining £0.8142m to the Development Reserve to finance the challenging Capital Programme in future years.

The total resources at the end of the financial year included within the Authority's Statement of Accounts were £58.176m, £0.975m more than that set out in the budget of £57.201m for 2023/2024:

- As part of the finance settlement, the Authority received less government grant funding of £0.091m.
- The year end NNDR returns from the District Councils notified the Authority of a net increase to the Collection Fund of £0.218m and the Authority received Section 31 non-specific grants of £0.848m, a net increase in funding of £1.066m.



## 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 2023 £'000	Net Transfer * £'000	Balance as at 31 March 2024 £'000	Balance as at 31 March 2023 £'000	Net Transfer * £'000	Balance as at 31 March 2024 £'000
Capital Developments Reserve	18,006	(6,970)	11,036	24,145	(7,470)	16,675
Injury Pension Adjustment	0	0	0	(6,139)	500	(5,639)
	<b>18,006</b>	<b>(6,970)</b>	<b>11,036</b>	<b>18,006</b>	<b>(6,970)</b>	<b>11,036</b>

## Accounting for Pensions

### International Accounting Standard 19 (IAS19)

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

A triennial actuarial valuation of the Local Government Pension Scheme (LGPS) was carried out at 31 March 2022 and of the Firefighter's Pension Scheme (FPS) was at 31 March 2023.

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 2024, 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 six 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 an 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:

	<b>Balance at 31 March 2023</b>	<b>Balance at 31 March 2024</b>
	<b>£'000</b>	<b>£'000</b>
Non-current assets	88,867	95,130
Net current assets	39,252	32,594
Long term liabilities and provisions	(731,637)	(724,665)
<b>Net Assets / (Liabilities)</b>	<b>(603,518)</b>	<b>(596,941)</b>
<b>Represented by:</b>		
Usable reserves	39,061	32,535
Unusable reserves	(642,579)	(629,476)
	<b>(603,518)</b>	<b>(596,941)</b>

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

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

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

Reserves are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred. Not all reserves can be used to fund services and these are reported in two groups; 'usable' and 'unusable' reserves. Usable reserves, such as the General Fund and earmarked reserves, are those where members will be involved in deciding

on the levels maintained and their use. Full details of the Authority's Reserves and their specified use are outlined in the Reserves Policy published on the TWFRS website. Unusable reserves, such as the Revaluation Reserve and the Capital Adjustment Account, are technical accounting requirements and are therefore not cash reserves, which is why they are classified as unusable.

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of 596.941m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £698.400m 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 £101.459m. The Authority also has assets worth £95.130m and cash backed reserves of £32.535m 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 2023, the Authority approved a capital programme for 2023/2024 of £14.184m which was subsequently revised to £14.158m during the year.

Actual capital expenditure at the end of the financial year was £9.802m, financed from a combination of revenue contributions of £0.250m, earmarked reserves of £9.436m, external contributions of £0.053m and section 31 grants of £0.063m. The main reasons for the variation in spending of £4.356m have arisen due to the following:

- Expenditure on a number of projects planned for 2023/2024 of £4.408m slipped in to 2024/2025:
  - Final payment outstanding for the genous security system will be made in 2024/2025;
  - Outstanding legal costs for the MRU development;
  - Delays in the USAR rig refurbishment until a co-ordinator is appointed;
  - Final stage payments for Hebburn Station will be made in 2024/2025;
  - Viable procurement options being reviewed for replacement of the Fuel Management System;
  - Final works on the fire safety accommodation will be completed in 2024/2025;
  - Works will commence on the female firefighter facilities in 2024/2025; and
  - Works will commence on the next phase of the BTC developments.
- Net underspend of £0.030m across a number of schemes completed during 2023/2024.
- Addition of £0.011m required for additional ICT hardware equipment need to support the Safer Streets Initiative.
- Reversal of slipped small fleet budget of £0.071m as vans on order were delivered in to the service sooner than expected and in operation before the end of the financial year.

### **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 13 February 2023, which

detailed the 2023/2024 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 2023/2024 of £54.607 million;
- Operational Boundary for External Debt for 2023/2024 of £49.607 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 2023/2024. The highest level of external debt incurred by the Authority during 2023/2024 was £30.942m on 1 April 2023. This includes borrowing debt of £10.346m, injury pension liability of £6.139m, and £14.456m 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 focused 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)**

The Service has undergone two full HMICFRS inspections in 2018/2019 and 2021/2022, and received a 'Good' grade across the three pillars of inspection:

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

In April 2024, the Service underwent a third full inspection that lasted 10 weeks. The Inspectorate has replaced the overall graded judgements at pillar level from the previous rounds of inspection with graded judgements for 11 diagnostic inspection questions. We are currently awaiting the final report and graded judgements for this most recent inspection.

In December 2023, the Service was one of ten fire and rescue services visited as part of a thematic inspection focusing on the handling of misconduct cases in fire and rescue services in England. The results of this thematic inspection will inform a national report on the handling of misconduct, to be published in summer 2024 by HMICFRS.

The Authority will continue to use improvements identified via HMICFRS inspections as an important tool to support our overall continuous improvement agenda.

### **Financial Statements**

The Statement of Accounts shows the Authority's final accounts for 2023/2024. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2023/2024' 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.



**Michelle Ronan**  
**Director of Finance, Estates and Facilities**

Dated: 28 June 2024