Narrative Statement – 2015/2016

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.104 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 tenth 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 Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's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, AA Insurance, 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 brigade 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 - 2015/2016 (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 2015/2016, the Service carried out 29,536 home safety checks (30,504 in 2014/2015) and attended a total of 14,377 incidents (14,501 in 2014/2015).

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	2013/2014	2014/2015	2015/2016
Number of fatalities from all fires	0	3	2
Number of injuries from accidental dwelling fires	58	47	40
Number of accidental fires in dwellings	570	575	554
Number of false alarms due to automatic fire detection from non-domestic properties	2,456	2,531	1,816
Number of primary fires	1,599	1,575	1,663
Number of deliberate fires	4,815	3,989	4,045

The Authority has a long track record of reducing fires and, in 2015/2016, reported positive performance on a number of key areas relating to operational and organisational performance. The service attended 554 accidental fires in the home, a 3.7% reduction from the previous year (575 in 2014/2015). At the same time there was a 15% reduction in injuries from the accidental dwelling fires, from 40 in 2015/2016 to 47 in 2014/2015. Although the numbers of primary and deliberate fires have risen in 2015/2016, the overall trend is that of reducing numbers over the last ten year period.

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

The Authority produces a fully costed Integrated Risk Management Plan (IRMP) which reflects local needs and sets out plans to effectively tackle existing and potential risks to communities. The actions from the 2014-2017 Integrated Risk Management Plan (IRMP) reviews have been progressed during 2015/2016 and are detailed further on the next page. Additional efficiency savings of £0.614m have also been achieved over and above the IRMP actions developed during the year.

The second phase of the Response Review is almost complete, generating £1.151m of savings for the Authority in 2015/2016. Further phasing in of the Response Model Review will generate estimated savings of £2.678m over the next three years, with the total saving anticipated to be £4.795m once fully implemented in 2018/2019. In addition, a further £0.212m and £0.090m will be achieved from the final stages of bringing Control in-house and the completed and fully implemented Catering Review. These have been built in to the budget for 2016/2017.

Once the Trading Company is fully established and operational, the Authority will receive the benefit of any surplus funds, the timing of which will be included in the Authority's Budgets as they are confirmed.

A further two IRMP 2014-2017 reviews, an organisational review covering all aspects of the Authority's structures and joint working with other emergency services and key partners, are being progressed and, once completed, will help to address the budget gap in resources that the Authority faces due to continuing reductions in government funding. However, depending on the savings realised, further IRMP actions may need to be developed by the Authority.

In addition, the Authority is also committed to regularly delivering further efficiency savings through:

- following best practice in relation to procurement of goods and services;
- working in collaboration with partners both locally and regionally where practical;
- carrying out regular base budget reviews; and
- continuing policy and service reviews.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2016, the Government confirmed the local government finance settlement for 2016/2017 and projections for the following three years up to 2019/2020. The main details included the following:

The funding implications over the next four years are slightly better than forecast but the Authority's overall financial position remains very challenging. Although 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 from 2016/2017 onwards, 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.

The safety net threshold set to limit the losses on Business Rates income collected in any one year has been retained. However, the limit has been further increased to £13.160m in 2016/2017 so it is very unlikely that this threshold will be reached and, as such, provides little protection to the Authority.

The Government has retained the threshold council tax limit to hold a referendum at 2% in 2016/2017 and has advised that there will be no further allocations of Council Tax Freeze Grant. It has also built in to the four year settlement assumed increases to both business rates and council tax. This is therefore seen as a major shift in government policy, with some of the cuts to local government being passed directly on to the council tax payer through anticipated annual council tax increases up to 2019/2020.

The key elements of the Authority's settlement for 2016/2017 are:

- Compared to the national position, a reduction in the Government's Core Spending Power for the Authority of £0.925m or 1.9% to £48.394m, compared to an adjusted 2015/2016 position of £49.319m;
- The bulk of the cut is in respect of a reduction in the Settlement Funding Assessment (SFA) of £1.674m or 5.67% (the element in the grant formula that recognises need and available resources);

Narrative Statement – 2015/2016 (continued)

- An additional grant to compensate for the gap between the capped business rates of 2% and the applicable (higher) actual RPI that was prevalent in the past two financial years (2014/2015 and 2015/2016). The Authority's SFA Adjustment grant allocation for 2016/2017 is still unknown; and
- The Authority did not receive any of the £300m additional transitional grant funding announced for 2016/2017 and 2017/2018.

The Government has provided indicative funding allocations up to 2019/2020 and has made a commitment to provide central funding allocations for each year of the Spending Review, should authorities choose to accept the offer and publish an efficiency plan. The Authority will consider the position and a detailed report will be presented to members in September, in order to notify Government of their decision by the deadline of 14th October 2016. In addition, the indicative figures take no account of the proposed Business Rates Review and the move to 100% Retained Business Rates in 2020, which could impact on the final allocations.

Against this context of significant and continuing grant reductions, the Authority has published a revised Medium Term Financial Strategy (MTFS), which covers the period 2016/2017 to 2019/2020 and can be found on the Authority's website (15th February 2016 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 those resources;

- 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 to prepare for the additional grant reductions expected in the next three year period to 2019/2020.

In summary the MTFS over the 4 year period up to the end of 2019/2020, using the government's funding projections, shows that the Authority is facing an estimated budget gap of £2.830m despite taking into account anticipated future IRMP savings of £3.358m. However, this is viewed as the best case position as some of the government's estimates for growth in local resources, particularly those assumed for council tax, are considered overly optimistic and in excess of the Authority's own estimates. If the Authority's estimate for Council Tax growth is used instead of the government's figures then the projected budget gap increases to £3.648m.

In light of this position and the anticipated prolonged funding reductions over the next four years, the Authority is assessing how its current actions set out in the Integrated Risk Management Plan (IRMP 2014-2017) can help to address the significant potential funding gap that the Authority is projecting. This is particularly important as the Authority has little scope to increase its local resources as the government has already built in an assumption that council tax will increase by CPI in terms of precept levels and has also assumed growth in both business rates and council tax in its 4 year settlement.

In the meantime the Authority continues to implement a major review of its Fire Cover Response Model which, along with other measures established within the 2014-2017 IRMP, will help to address the continuing reductions in government funding. Depending on the savings realised, further IRMP actions may need to be considered and developed to address the estimated budget gap.

Financial Performance of the Fire Authority 2015/2016

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2015/2016 to be met from Government Grants and local taxpayers was approved by the Authority at £49.806million*. 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 £74.62 for 2015/2016. This represented a 1.99% increase in Band D, below the Government's 2% referendum threshold level.

Narrative Statement – 2015/2016 (continued)

The following table summarises the financial position for the year:

	2015/2016 Original Estimate £000	2015/2016 Revised Estimate £000	2015/2016 Actual Outturn £000		2014/2015 Actual Outturn £000
Community Safety	**5,835**	**6,179**	**4,408**		5,604
Fire Fighting and Rescue Operations	**44,053**	**44,318**	**25,743**		27,828
Corporate and Democratic Core	**275**	**275**	**183**		242
Non Distributed Costs	**(67)**	**(67)**	**785**		452
Exceptional Items – Revaluation Losses	**0**	**0**	**0**		2,753
Net Cost of Services	**50,096**	**50,705**	**31,119**		36,879
(Gain) / Loss on Derecognition of Non Current Assets	**0**	**0**	**564**		0
Cleaning DSO (Surplus) / Deficit	**0**	**0**	**0**		(34)
Interest Payable	**0**	**0**	**2,601**		2,662
Contingencies	**1,248**	**1,042**	**0**		0
Interest on Balances	**(225)**	**(225)**	**(153)**		(160)
Pension Interest Cost and Expected Return on Pension Assets	**590**	**590**	**25,870**		32,250
Net Operating Expenditure	**51,709**	**52,112**	**60,001**		71,597
Capital Financing:					
Reversal of Capital Charges and Impairments	**(2,968)**	**(2,968)**	**(3,821)**		(3,837)
Minimum Revenue Provision	**1,238**	**1,238**	**1,583**		1,489
Revenue Contribution to Capital Outlay	**495**	**495**	**5,738**		3,601
Reversal of Loss on Disposal of Fixed Assets	**0**	**0**	**0**		0
	50,474	**50,877**	**63,501**		72,850
Contribution to/(from) IAS 19 Pension Reserve	**(561)**	**(561)**	**(12,010)**		(18,730)
Contribution to/(from) Collection Fund Account	**0**	**0**	**147**	*	34
Contribution to/(from) Accumulated Absences Account	**0**	**0**	**(95)**		79
Contribution to/(from) Earmarked Reserves	**(107)**	**(510)**	**(1,589)**		(2,395)
Net Budget	**49,806**	**49,806**	**49,954**		51,838
Resources:					
Revenue Support Grant and General Grants	**(14,945)**	**(14,945)**	**(14,945)**	*	(17,816)
Top Up Grant	**(9,980)**	**(9,980)**	**(9,980)**	*	(9,793)
Business Rates and Collection Fund	**(4,475)**	**(4,475)**	**(4,424)**	*	(4,208)
Precepts and Collection Fund	**(20,406)**	**(20,406)**	**(20,666)**	*	(20,032)
Total Resources	**49,806**	**49,806**	**50,015**		51,849
(Increase) / Reduction to Balances in year	**0**	**0**	**(61)**		(11)
General Fund Balance Brought Forward	**(3,882)**	**(3,882)**	**(3,882)**		(3,871)
General Fund Balance Carried Forward	**(3,882)**	**(3,882)**	**(3,943)**		(3,882)

* In the accounts, the Net Budget Requirement for 2015/2016 of £50.015m is made up of Total Resources of £49.806m as set out in the estimates in the above table, plus an amendment required under the Code in respect of the Collection Fund Account of £0.147m and additional section 31 grant received during the year of £0.085m, less repayment of Business Rates Reconciliation Grant of £0.024m.

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 2015/2016, continuing the Authority's strong track record in this regard.

The Revenue Budget Outturn for 2015/2016 was reported showing a net overall underspend of £0.589m, at £49.217m compared with an original budget of £49.806m. The reasons for this variation are detailed below:

- Employee costs – a total net overspend of £0.078m. Planned lower net staffing costs in preparation for the IRMP establishment changes and a continued increase in firefighter turnover through higher than expected pension take up, along with lower employer pension costs have almost absorbed the continuing industrial action costs and the interim overtime costs while the IRMP staffing reviews are being fully reviewed and implemented;
- Premises – an underspend of £0.026m. Savings have been made on utility service costs, but these have been partly reduced by increased business rates from the move from Fulwell to the new Marley Park station during the year;
- Transport – an underspend of £0.171m primarily from reduced fuel costs and lower annual vehicle insurance charges;
- Supplies and Services – an overspend of £0.113m primarily due to payment of the agreed loan to the Trading Company (Impeller Resilience and Assurance Ltd) being absorbed from the revenue budget rather than funded from earmarked reserves, as originally planned;
- Contingencies – an underspend of £0.052m as part of the contingency set aside when setting the budget has not been required during the year;
- Income – an overachievement of £0.410m largely due to receipt of Transformation Revenue Grant and an unexpected Section 31 revenue (Response) grant, an increase in receipts from backdated NNDR refunds and an increase in fees and charges income from secondments, new police collaboration rental arrangements, and income from trading activities;
- Interest received - £0.071m under budget due to reductions in cash flow levels and a drop in interest rates for short term monies;
- Reserves and Provisions Appropriations - £0.278m increase predominantly due to the use of the Organisational Change Reserve to fund one-off transitional costs incurred during the year, and year end accounting entries required for the IFRS employee benefits; and
- Other minor miscellaneous overspendings of (£0.086m) across a number of budget headings;

At the meeting of the Fire Authority in June, Members agreed to appropriate £0.355m of the underspend to the Organisational Change Reserve to fund the cost of the agreed Leadership Development Programme, and £0.235m to the Capital Development Reserve to support the proposed Hebburn Fire Station development included in the Capital Programme for 2017/2018.

As part of the accounts process there were a number of adjustments to be made in respect of the final Government funding received, resulting in additional grant of £0.061m. This position is now reflected in the accounts and these funds have been transferred to the General Fund. The table on page 10 shows the General Fund Balance of the Authority as at 31st March 2016 has increased to £3.943m from £3.882m as a result.

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.

Narrative Statement – 2015/2016 (continued)

The last full actuarial valuation of the Pension Fund was carried out as at 31st March 2013 and has been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2016. The Authority, as such, continues to comply fully with this Standard and the

Accounting Policy 1.13 in the Statement of Accounts on pages 40 to 42 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 reflected in the Balance Sheet on Page 30 of the Statement of Accounts, as assessed by the Actuary as at 31st March 2016, 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 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 two 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 31st March 2015 £'000	Balance at 31st March 2016 £'000
Non-current assets	65,671	**67,430**
Net current assets	29,611	**33,893**
Long term liabilities and provisions	(828,336)	**(735,540)**
Net Assets	(733,054)	**(634,217)**
Represented by:		
Usable reserves	34,240	**32,712**
Unusable reserves	(767,294)	**(666,929)**
	(733,054)	**(634,217)**

Narrative Statement – 2015/2016 (continued)

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 (e.g. Inventories).

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 the Authority has a negative net worth of £634.217m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £698.540m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

The fact all pension costs would never be incurred in one year (as implied by IAS19), and coupled with the fact that the Authority is addressing this potential deficiency over a 21 year period in accordance with pension 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 then the Authority has a 'real' net worth of £64.323m. The Authority also has assets worth £67.430m and cash backed reserves of £32.712m 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

The Authority approved a capital programme for 2015/2016 of £5.302m, which was subsequently revised to £6.921m during the year. Actual expenditure for the year was £6.147m, financed from a combination of revenue contributions of £0.197m, grant funding of £3.856m and earmarked reserves of £2.094m.

The main reasons for the variation in spending of £0.774m have arisen due to the following:

- Expenditure on a number of projects planned for 2015/2016 of £0.983m slipped into 2016/2017:
    - Business case agreed to replace the HR/MIS software commenced in January 2016 to be completed by July 2017;
    - Delayed delivery of the new asset management system;
    - Delayed delivery of the vehicle charging points;
    - Delays with the contractor on the PV cells project at Tynemouth Station;
    - Late addition to the programme to reconfigure the car park at West Denton so this will continue in to 2016/2017;
    - Negotiation with the contractor on the final payment for works at Marley Park;
    - Awaiting decisions to be made on modifications to the final Targeted Response Vehicle;
    - Continuation of work on the cold cutting extinguishing system;
    - Deferred final payment of the new Command and Control system until the contract is agreed;
    - Delayed replacement of the BA compressors due to information gathering;
    - Continuation of works on the Police Integration Project; and

Narrative Statement – 2015/2016 (continued)

  - Replacement of the foam and firefighting equipment not required until 2016/2017;
- A small saving of £0.003m to the Vehicle Replacement Programme as lease buyouts have been funded from the revenue leasing budget;
- Net underspends on a number of schemes completed during the year of £0.085m; and
- Additional capital of £0.297m was funded from the Community Safety Reserve.

Acquisitions and Capital Works

The Authority is involved in a number of major capital works projects. The main schemes are listed below, for information, together with the amounts of expenditure incurred during 2015/2016, the total estimated gross cost of each scheme, and the status of the project at the end of the financial year.

Scheme / Project	Expenditure During 2015/2016 £'000	Total Estimated Scheme Costs £'000	Completed / In Progress as at 31st March 2016
Command and Control Project	490	1,793	In Progress
Estates Development Strategy	2,279	6,512	In Progress

Disposals

There have been no disposals during 2015/2016.

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 15th February 2015, which detailed the 2015/2016 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 relates to two of the Prudential Indicators required under the Prudential Code, which was introduced from 1st April 2004.

- Authorised Limit for External Debt for 2015/2016 of £54.905 million;
- Operational Boundary for External Debt for 2015/2016 of £49.905 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 2015/2016. The highest level of external debt incurred by the Authority during 2015/2016 was £36.813m on 1st April 2015. This includes £23.321m 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

Narrative Statement - 2015/2016 (continued)

East Fire and Rescue Authority (NEFRA) contract expires in May 2035.

The Authority's costs of both schemes are included within its financial statements.

Estates Development Plan

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

- the continued alteration of premises to ensure that facilities continue to comply with the issues of equality, diversity, dignity and health and safety;
- modifications to buildings in order to minimise carbon emissions; the requirement to comply with organisational targets to reduce Carbon footprint, and to conserve more energy;
- continued modifications to the estate with a proactive preventative maintenance programme to ensure that buildings are of a suitable, modern and acceptable standard in order to best deliver services; and
- work continues on certain buildings to secure joint working arrangements agreed with the Police and Crime Commissioner for Northumbria as part of greater collaboration with other 'blue light' services.

The Authority has a Development Reserve to assist in implementing the estates development plan over the medium to long term, and specific earmarked reserves have been established to address issues arising from the Carbon Management Plan, equality and diversity measures and greater collaboration joint working arrangements.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2015/2016. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016' 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.

The 2015/2016 accounts provided are draft unaudited accounts that are subject to change and the final audited accounts will be presented to members before 30th September 2016, in accordance with the Account and Audit regulations 2015.

Barry Scarr
Finance Officer

Dated: 28th June 2016