Narrative Statement – 2016/2017

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 Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's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.

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 2016/2017, the Service carried out 29,130 home safety checks (29,542 in 2015/2016) and attended a total of 15,459 incidents (14,377 in 2015/2016).

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	2014/2015	2015/2016	2016/2017
Number of fatalities from all fires	3	2	4
Number of injuries from accidental dwelling fires	47	40	43
Number of accidental fires in dwellings	575	554	563
Number of false alarms due to automatic fire detection from non-domestic properties	2,531	1,816	1,801
Number of primary fires	1,575	1,663	1,719
Number of deliberate fires	3,989	4,045	4,459

The Authority has a long track record of reducing fires but, sadly, in 2016/2017 there were four deaths attributed to fire. The service will continue to strive to work towards the target of zero fire deaths. The service has experienced an increase in a number of local indicators during 2016/2017. However, as an overall trend over the past ten years, there has been a 53% reduction in the number of accidental fires in dwellings, 52% reduction in the number of primary fires, 54% reduction in the number of deliberate fires and a 45% reduction in the number of false alarms due to automatic fire detection from non-domestic properties.

Performance Improvement

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

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

Efficiency Plan and Implications

In the finance settlement for 2016/2017 the Government offered any Fire and Rescue Authority a four year settlement to 2019/2020 in return for a robust, transparent and locally owned efficiency plan. The Authority chose to accept this offer and submitted their efficiency plan in October 2016. This is in line with the Authority's Medium Term Financial Strategy and will be updated and reported to Members annually.

The Medium Term Financial Strategy and Efficiency Plan 2016/2017 to 2019/2020 was approved by Members at the Fire Authority meeting in September 2016. Further details can be found at the following link http://www.twfire.gov.uk/about/fire-authority/agendaspapers/?entryid47=85020.

The budget for 2016/2017 was set in line with the Authority's medium term financial strategy with efficiencies to be achieved of £1.323m. Through effective budget monitoring and a prudent approach to service delivery, total savings of £1.712m have been achieved in 2016/2017. This has been instrumental in achieving a balanced budget and absorbing the reductions in government funding, while maintaining a low council tax increase and protecting frontline fire and rescue services as much as possible.

In addition, 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 continued to be progressed during 2016/2017 achieving further efficiencies for the Authority.

The second phase of the Response Review was completed in the early part of the year and the third phase completed in October 2016, generating £0.985m of savings for the Authority in 2016/2017. Further phasing in of the Response Model Review will create additional savings of £2.001m over the next three years, with the total saving anticipated to be £5.104m, once fully implemented in 2019/2020.

In addition, during the year, a further £0.212m has been achieved from the final stages of bringing Control in house, and £0.090m from full implementation of the Catering Review.

An organisational management review covering all aspects of the Authority's structures has been progressed during the year and will be fully implemented from 3rd April 2017. The total savings of £1.660m have been built in to the budget set for 2017/2018 and will help to address the gap in resources that the Authority faces due to continuing reductions in government funding.

The Trading Company TWFRS Ltd is fully established and operational and 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. More detail is set out in Note 30 on page 67 to the Accounts.

The remaining IRMP 2014-2017 review, to collaborate with other emergency services and key partners, is being progressed and efficiencies realised will reduce the gap in funding. It is recognised that further IRMP actions will need to be developed and work is progressing on producing an IRMP 2017-2020 to bridge the projected gap in resources to 2019/2020 of £1.8m, once all of the IRMP 2014-2017 actions have been achieved and implemented.

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 2017, the Government confirmed the local government finance settlement for 2017/2018 and projections for the following two years up to 2019/2020. The main details included the following:

The Authority continues to face a disproportionately greater reduction in funding compared to most other Fire Authorities. The Settlement appears to show that the more deprived areas, mainly the Metropolitan Fire Authorities, have lower overall percentage cuts to government funding because of a fairer approach adopted by government. However when locally generated resources are also taken in to account, the more deprived areas still show greater reductions to their overall resources, known as the Core Spending Power, than other types of fire authority. The revised grant distribution methodology also does not address the inequalities experienced by the Authority from 2010/2011 to 2016/2017.

The Government has retained the threshold council tax limit to hold a referendum at 2% in 2017/2018 and has assumed annual increases to both business rates and council tax. There is an expectation within the Settlement that the Authority will grow Council Tax alone by 4%. This continues the government's policy of shifting some of the cuts to local government services directly on to the council tax payer through anticipated annual council tax increases up to 2019/2020.

Furthermore, there continues to be no new allocation of Fire Capital Grant. The Authority has a small balance of Grant from previous years that will be fully used in 2017/2018 but the majority of the Capital Programme will have to be funded from Capital Reserves. This will be the case in future years as there is no indication of any new allocations of capital funding from government.

The key elements of the Authority's settlement for 2017/2018 are:

- Compared to the national position, a reduction in the Government's Core Spending Power for the Authority of £1.153m or 2.38% to £47.214m, compared to an adjusted 2016/2017 position of £48.367m;
- The bulk of the cut is in respect of a reduction in the Settlement Funding Assessment (SFA) of £1.992m or 7.27% (the element in the grant formula that recognises need and available resources);
- 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 four financial years. The Authority's SFA Adjustment grant allocation for 2017/2018 is still unknown; and
- Government's figures include a 4.0% estimated increase in council tax income for 2017/2018 through growth in the council tax base of 2.01% and an assumed precept increase of 1.99%.

Against this context of significant and continuing grant reductions, the Authority has published a revised Medium Term Financial Strategy (MTFS), which covers the period 2017/2018 to 2020/2021 and can be found on the Authority's website (13th February 2017 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 2020/2021.

In summary, the MTFS over the four year period up to the end of 2020/2021 using the government's funding projections, shows that the Authority is facing an increased budget gap of £2.8m despite taking into account anticipated future IRMP savings of £4.243m.

In light of this position and the anticipated prolonged funding reductions over the next four years, the Authority is preparing a new Integrated Risk Management Plan (IRMP 2017-2020) to 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 when the government has already built in an assumption that council tax will increase and assumed growth in business rates in its four year settlement. The position also becomes very challenging as all areas within the service have now been fully reviewed to find existing efficiencies and it is consequently more difficult to find further cost reductions.

Financial Performance of the Fire Authority 2016/2017

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2016/2017 to be met from Government Grants and local taxpayers was approved by the Authority at £48.832million*. 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 £76.11 for 2016/2017. 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:

	2016/2017 Original Estimate £000	2016/2017 Revised Estimate £000	2016/2017 Actual Outturn £000		2015/2016 Actual Outturn £000
Community Safety	6,590	6,972	4,281		4,408
Fire Fighting and Rescue Operations	43,092	43,840	22,996		25,743
Corporate and Democratic Core	261	261	180		183
Non Distributed Costs	(54)	(38)	1,067		785
Exceptional Items – Injury Pensions	0	0	8,639		0
Net Cost of Services	49,889	51,035	37,163		31,119
(Gain) / Loss on Derecognition of Non Current Assets	0	0	0		564
Interest Payable	0	0	2,500		2,601
Contingencies	1,293	540	0		0
Interest on Balances	(225)	(225)	(124)		(153)
Pension Interest Cost and Expected Return on Pension Assets	580	580	24,470		25,880
Net Operating Expenditure	51,537	51,930	64,009		60,011
Capital Financing:					
Reversal of Capital Charges and Impairments	(3,272)	(3,272)	(4,838)		(3,821)
Minimum Revenue Provision	1,238	1,238	1,447		1,481
Revenue Contribution to Capital Outlay	495	495	2,297		5,738
	49,998	50,391	62,915		63,409
Contribution to/(from) IAS 19 Pension Reserve	(732)	(732)	(7,650)		(12,020)
Contribution to/(from) Collection Fund Account	0	0	8	*	147
Contribution to/(from) Accumulated Absences Account	0	0	22		(95)
Contribution to/(from) Earmarked Reserves	(434)	(827)	(6,507)		(1,487)
Net Budget	48,832	48,832	48,788		49,954
Resources:					
Revenue Support Grant and General Grants	(13,180)	(13,180)	(13,180)	*	(14,945)
Top Up Grant	(10,064)	(10,064)	(10,064)	*	(9,980)
Business Rates and Collection Fund	(4,387)	(4,387)	(4,454)	*	(4,424)
Precepts and Collection Fund	(21,201)	(21,201)	(21,090)	*	(20,666)
Total Resources	48,832	48,832	48,788		50,015
(Increase) / Reduction to Balances in year	0	0	0		(61)
General Fund Balance Brought Forward	(3,943)	(3,943)	(3,943)		(3,882)
General Fund Balance Carried Forward	(3,943)	(3,943)	(3,943)		(3,943)

* In the accounts, the Net Budget Requirement for 2016/2017 of £48.788m is made up of Total Resources of £48.832m, as set out in the estimates in the above table, adjusted for a reduction to the section 31 grant funding of £0.051m, plus an amendment required under the Code in respect of the Collection Fund Account of £0.008m.

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 2016/2017, continuing the Authority's strong track record in this regard.

The Revenue Budget Outturn for 2016/2017 is showing a net overall underspend of £0.353m, at £48.479m compared with an original budget of £48.832m. This will be reported to a meeting of the Fire Authority in June. The reasons for this variation are detailed below:

- Employee costs – a total net overspend of £0.189m. Savings have continued to be made during the year from reduced employer pension costs generated through a combination of factors, including temporary staffing arrangements, transitional movements between pension schemes, higher number of retirements than anticipated, and employees opting out of the pension scheme. Interim arrangements whilst the IRMP reviews have been progressed have inevitably incurred increased overtime costs, but fortunately these have managed to be absorbed by the pension savings;
- Premises – an underspend of £0.053m on utility budgets across the Authority's estate from continued efficiency measures and a prudent approach to price increases;
- Transport – an underspend of £0.045k through reductions in fuel costs and reduced transport leasing during the year, as well as a saving on the annual vehicle insurance charge;
- Supplies and Services – an underspend of £0.091m across the supplies and services budgets, especially in relation to clothing and consumables;
- Contingencies – a small underspend of £0.016m as part of the contingency set aside when setting the budget has not been required during the year;
- Income – a net overachievement of £0.076m, largely due to an unexpected allocation of Section 31 grant for Marauding Terrorist and Fire Arms (MTFA) and additional income from collaboration arrangements and hire of equipment, offset by a reduction in government grant allocation of £0.051m for final adjustments to the Authority's Business Rates Section 31 Grant for the year;
- Interest received - £0.100m under budget due to reductions in cash flow levels and a drop in interest rates for short term monies;
- Capital Financing – an underspend of £0.055m from savings in debt charges;
- Reserves and Provisions Appropriations - £0.082m increase predominantly due to year end accounting entries required for the IFRS employee benefits; and
- Other minor underspends of £0.010m across a number of budget headings.

During 2016/2017, the Authority was successful in its appeal against a number of its Business Rates Rateable Values across the estate dating back to 2010 and, as such, received a refund of £0.672m, with an estimated expected total refund of around £0.800m. This one-off income has been transferred to the Development Reserve for future capital estate projects, in light of the fact that capital funding no longer features within the government's grant funding allocations.

It will be recommended to Members to appropriate the underspend of £0.353m to the Development Reserve to also help provide funding to support the proposed Capital Programme.

Injury Pension Liability

For the past three years, the Authority has included a Contingent Liability Note in the accounts to recognise the potential liability that the Authority may have in respect of over-claimed Pensions Top Up grant that relates to overpayments spanning the period 2006/2007 to 2010/2011. This matter has recently evolved and in late March of this financial year the Government notified the Authority that the full liability, totalling £10.532 million, (covering the period 2006/07 to 2011/12) must be repaid in full, despite previous negotiations in January 2015 indicating other possible solutions.

This decision was made by Home Office Ministers although the matter emanated from the time the fire service was under the control of the DCLG in summer / autumn of 2014. The Chief Fire Officer has requested to meet Ministers to discuss the matter in more detail before any agreement can be reached on both the amount and the proposed repayment plan, which will incorporate how the Authority proposes to fund this and the time frame involved.

As such, a long term provision for £8.639m (2006/07 to 2010/11) has been created in the accounts in addition to the amount already included previously of £1.893m for the financial year 2011/2012, to reflect the fact that the Authority has now been notified of the government's intention to recover the full liability. As discussions are currently ongoing with the Home Office, there is the possibility that the Authority may potentially agree a lower repayment amount, which is reflected in a Contingent Asset Note to the Accounts.

As the Provision made must be fully funded to ensure the accounts fully comply with accounting standards, the use of reserves has been used as a temporary measure until the position is clarified by government and the Authority has agreed and finalised its preferred funding option/s. The accounts, therefore, present an accounting view of the position as at 31st March 2017 and importantly do not reflect acceptance of the liability until it has been properly agreed. The use of reserves cannot be viewed as being the agreed option by which the Authority funds this liability and the preferred approach will be further developed once the final position is clarified and the funding options have been agreed by the Authority.

Accounting for Pensions

International Accounting Standard 19 (IAS19)

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

An actuarial valuation of the LGPS Pension Scheme was carried out at 31st March 2016. The last actuarial valuation of the Firefighters' Pension Scheme was at 31st March 2015 and has been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2017.

The Authority continues to comply fully with this Standard and the Accounting Policy 1.13 in the Statement of Accounts on pages 41 to 43 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 31 of the Statement of Accounts, as assessed by the Actuary as at 31st March 2017, 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 2016 £'000	**Balance at 31st March 2017 £'000**
Non-current assets	67,430	**67,373**
Net current assets	33,487	**33,822**
Long term liabilities and provisions	(735,134)	**(879,756)**
Net Assets	(634,217)	**(778,561)**
Represented by:		
Usable reserves	32,814	**26,307**
Unusable reserves	(667,031)	**(804,868)**
	(634,217)	**(778,561)**

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 £778.561m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £837.910m 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 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 then the Authority has a 'real' net worth of £59.349m. The Authority also has assets worth £67.373m and cash backed reserves of £26.307m 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 2016/2017 of £2.317m, which was subsequently revised to £2.751m during the year. Actual expenditure for the year was £2.446m, financed from a combination of revenue contributions of £0.146m, grant funding of £2.016m, earmarked reserves of £0.260m and a contribution of £0.024m from Northumberland Fire Service.

The main reasons for the variation in spending of £0.305m have arisen due to the following:

- Expenditure on a number of projects planned for 2016/2017 of £0.373m slipped in to 2017/2018:
  - Remaining fire alarm replacement budget carried forward to help fund the alarm replacement system required at Sunderland Station;
  - Implementation works to accommodate the changes to a number of services and departments of the Authority to be progressed in 2017/2018;
  - Underspend on rope rescue and confined space equipment to be used to purchase additional equipment required following a policy review in line with IRMP;
  - Replacement of the foam and firefighting equipment not required until 2017/2018;
  - Implementation of the cold cutting extinguishing system to adapt the new aerial ladder platform to allow connection to the COBRA equipment;
  - Renewal of the software licences for the multi-functional devices not effective until 2017/2018;
  - Delays with the contractor on the PV cells project at Tynemouth Station;
  - Delays with the vehicle charging points at Service Headquarters; and
  - Underground works required to complete the fuel system upgrade.
- Net underspends of £0.264m on a number of schemes completed during the year;
- Additional spend of £0.011m to purchase holmatro equipment now required to be issued from stores;
- Addition of two new projects totalling £0.171m for the implementation works required to accommodate the changes arising from the organisational management review at Service Headquarters, and replacement of the Marauding Terrorist and Fire Arms (MTFA) equipment funded from a late allocation of New Threats grant;
- Acceleration of £0.087m from the 2017/2018 vehicle replacement programme; and
- Late contractor invoices received in respect of Marley Park Community Fire Station for £0.063m.

Disposals

There have been no disposals during 2016/2017.

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 2016, which detailed the 2016/2017 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 2016/2017 of £56.083 million;
- Operational Boundary for External Debt for 2016/2017 of £51.083 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 2016/2017. The highest level of external debt incurred by the Authority during 2016/2017 was £35.294m on 1st April 2016. This includes £21.524m in relation to the Authority's long term liabilities (consisting of its PFI Schemes commitments and finance leases) which forms part of both borrowing limits in order to comply with IFRS accounting requirements.

Private Finance Initiative (PFI)

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

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

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

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 2016/2017. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017' and are based on International Financial Reporting Standards (IFRS), known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2011, and the Local Government and Housing Act 1989.

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

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

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

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

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

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

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

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

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

Dennis Napier
Finance Officer

Dated: