

TYNE & WEAR FIRE AND RESCUE AUTHORITY

GOVERNANCE COMMITTEE

MEETING: 29TH JUNE 2009

STATEMENT OF ACCOUNTS 2008/2009 (SUBJECT TO AUDIT)

JOINT REPORT OF THE CHIEF FIRE OFFICER AND FINANCE OFFICER

1. INTRODUCTION

- 1.1 This report seeks approval to the Authority's Statement of Accounts for 2008/2009 (Subject to Audit).

2. STATEMENT OF ACCOUNTS 2008/2009

Accounts and Audit Regulations 2003

- 2.1 The Statement of Accounts for 2008/2009 (Subject to Audit) has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) 2008'. The Code of Practice constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2003, and the Local Government and Housing Act 1989.
- 2.2 The Accounts and Audit Regulations 2003 provide that all adjustments to the Statement of Accounts can only be made with the permission of the external auditor. This has, in practice, been the case in the past. When the external audit has been completed, and the external auditor feels that highlighting any adjustments would strengthen internal control, these will be reported to this Committee.
- 2.3 The Accounts and Audit Regulations 2003 also require approval of the Statement of Accounts by this Committee and that the Chairman signs the Statement of Accounts on behalf of the Committee.
- 2.4 In addition, the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (England) (Amendment) Regulations 2006, which came into force on 1st April 2006, has two further requirements to be met by those charged with governance. These are in respect of strengthening the system of internal control by introducing a requirement to review the effectiveness of internal audit and also to review the effectiveness of the system of internal and financial control. Separate reports are included on today's agenda in respect of both of these areas.

- 2.5 The Statement of Accounts is attached for approval by the Governance Committee but, as indicated, is still subject to audit.
- 2.6 Appendix 1 shows, for information, the key dates for the Statement of Accounts for 2008/2009 (Subject to Audit) in accordance with the Regulations.
- 2.7 The final Statement of Accounts will be published following the conclusion of the audit and will include a signed audit certificate. The audited accounts must be approved before 30th September each year.

Statement of Recommended Practice (SORP) 2008 - Changes

- 2.8 The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice 2008 has introduced some major changes to accounting requirements for the 2008/2009 Statement of Accounts, as the local authority accounting requirements continue to converge with the accounting requirements of UK GAAP. These include:

a) Changes that will affect the Authority's Statement of Accounts:

- Financial Reporting Standard 17 (FRS17) has been amended to align its disclosure requirements more closely with the requirements of International Accounting Standard 19 (IAS19) Employee Benefits. There are significant changes in the disclosure requirements as well as a change to the basis on which the value of quoted securities are measured. These changes are fully reflected in the Statement of Accounts for both 2007/2008 and 2008/2009.
- The Cash Flow Statement can now be constructed using the indirect method whereby the net revenue cash flow from operating activities for the financial year is derived by means of a reconciliation from the surplus / deficit on the Income and Expenditure Account for the year. This compares with the direct method, where major gross cash receipts and payments are disclosed in total to calculate the revenue activities net cash flow for the financial year from operating activities.

The Authority has continued to use the direct method to present its Cash Flow Statement.

- The application of Accounting Standards has been updated for changes in Accounting Standards, Financial Reporting Standards (FRS's) and Urgent Issue Task Force (UITF) Abstracts.

b) A change that will not affect the Authority's Statement of Accounts, but is included for information:

- From 1st April 2008, Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant. Unlike LAA Grant, which was restricted to support the achievement of LAA targets, ABG is a non-ring-fenced general grant provided by the Government, which allows local authorities full local control over how the funding is used. Details of general grants received are now included as an additional note to the core financial statements.

2.9 A further requirement for the Statement of Accounts 2008/2009 is to replace the Statement on Internal Control (SIC), also known as the Annual Governance Statement, which was previously prepared and included within the Statement of Accounts in accordance with Regulation 4(2) of the Accounts and Audit Regulations 2003 with a "Statement Reporting Reviews of Internal Control and Internal Financial Controls". This new statement has been prepared in accordance with CIPFA / SOLACE's new Framework and associated guidance on corporate governance 'Delivering Good Governance in Local Government' and now includes the summary of the Authority's annual review of the effectiveness of its systems of internal control required by the regulations.

2.10 The Statement of Accounts (Subject to Audit) for 2008/2009 fully complies with the SORP 2008, except where departures from the SORP are noted, including reasons for the departure, where appropriate.

3. STATEMENT OF ACCOUNTS (SUBJECT TO AUDIT) 2008/2009 – MAIN FINANCIAL ISSUES

3.1 The main financial issues arising from the Statement of Accounts (Subject to Audit) for 2008/2009 are attached at Appendix 2 for information. The points listed represent the main financial matters that Members attention needs to be drawn to that are included in the financial statements for 2008/2009.

4. RECOMMENDATIONS

4.1 The Governance Committee is recommended to approve the Statement of Accounts for the financial year ended 31st March 2009 (Subject to Audit).

Appendix 1

Timetable for the Audit of the Statement of Accounts for 2008/2009

Statement of Accounts (Subject to Audit) – approved 29th June 2009

Notice of Audit of Accounts – advert placed in newspaper ('The Journal') on 13th July 2009

Public Inspection Period (20 working days) – 27th July 2009 to 21st August 2009

Audit Commencement Date – 24th August 2009

Audited Statement of Accounts – Approved before 30th September 2009

Statement of Accounts 2008/2009 (Subject to Audit) – Main Financial Issues**Revenue Expenditure and Income Summary**

The estimated net revenue expenditure for 2008/2009 to be met from Government Grants and local taxpayers was approved at £58.073 million. This meant that the precept, represented at the Band D level of Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates receipts, was set at £71.61 for 2008/2009. This represented an increase of 2.4% over the 2007/2008 Band D level of £69.93, the lowest % increase of any Fire and Rescue Authority in England.

Quarterly reports are made to the Authority which detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure.

The table, below, shows an increase in General Fund Balances of £0.114 million, which is less than the £0.407 million increase projected at the revised estimate (Third Quarter Review) stage. The General Fund Balance of the Authority as at 31st March 2009, has increased from £2.185 million to £2.299 million. The principal reasons for the net reduction in balances of £0.293 million, from the revised estimate, are outlined below:

- a) appropriations to various earmarked reserves, totalling £1.313 million, as agreed by Members at a full Authority meeting on 15th June 2009;
- b) net underspendings on a number of budget headings, totalling £1.020 million, including:
 - premises – an underspend of £0.080 million has arisen, primarily in relation to lower utilities costs;
 - insurances – an underspend of £0.120 million has arisen on insurance budgets, reflecting a lower contribution to the provision in 2008/2009, in light of the latest actuarial review, and reduced insurance premiums;
 - transport – an underspend of £0.110 million has arisen following the decision to purchase outright vehicles previously assumed to be financed through operating leases. This followed a detailed options appraisal to identify the best funding option;
 - supplies – an underspend of £0.290 million has arisen on delegated budgets where expenditure (including training and equipment) has slipped and will be incurred in 2009/2010;
 - capital financing – an underspend of £0.170 million has arisen as a result of slippage on a number of schemes within the Capital Programme, where the expenditure was planned to be financed through a revenue contribution. This is offset by the cost of new additions to the capital programme, and minor variations in spend during the year;
 - interest payable – an underspend of £0.090 million has arisen following a restructuring of the lead authority's debt portfolio;

PREVENTING PROTECTING RESPONDING

- interest received – an overspend of £0.090 million has arisen due to the decrease in interest rates during the year being more significant than previously anticipated;
- income – an underspend of £0.195 million has arisen, due principally to the Authority successfully leveraging in contributions to fund Community Safety initiatives, in excess of the anticipated level;
- other – minor variations have resulted in a net underspend of £0.055 million.

The following table summarises the financial position for the year:

	2008/2009 Original Estimate	2008/2009 Revised Estimate	2008/2009 Actual Outturn	2007/2008 Actual Outturn
	£000	£000	£000	Restated £000
Community Safety	13,665	14,151	8,565	9,108
Fire Fighting and Rescue Operations	42,913	44,402	41,946	45,731
Fire Service Emergency Planning	0	0	(10)	6
Corporate and Democratic Core	360	340	315	304
Non Distributed Costs	0	0	520	870
Net Cost of Services	56,938	58,893	51,336	56,019
Gain / Loss on Disposal	0	0	0	160
Cleaning DSO	0	0	(17)	(10)
Interest Payable	864	864	777	906
Contingencies	851	0	0	0
Interest on Balances	(1,550)	(1,250)	(1,161)	(1,764)
Pension Interest Cost and Expected Return on Pension Assets	150	570	32,560	28,950
Net Operating Expenditure	57,253	59,077	83,495	84,261
Capital Financing:				
Reversal of Capital Charges and Impairments	(1,390)	(3,970)	(3,970)	(1,990)
Minimum Revenue Provision	767	767	767	772
Revenue Contribution to Capital Outlay	2,027	2,017	1,848	1,064
Reversal of Loss on Disposal of Fixed Assets	0	0	0	(160)
	58,657	57,891	82,140	83,947
Contribution to Capital Reserves	0	178	178	63
Contribution to FRS 17 Pension Reserve	142	(42)	(25,320)	(28,990)
Contribution to / (from) Earmarked Reserves	(726)	(361)	961	2,086
	58,073	57,666	57,959	57,106
Revenue Support Grant, Non Domestic Rates, Collection Fund and Precepts	(58,073)	(58,073)	(58,073)	(56,549)
(Increase) / Reduction to Balances in year	0	(407)	(114)	557
General Fund Balance Brought Forward			(2,185)	(2,742)
General Fund Balance Carried Forward			(2,299)	(2,185)

Capital Expenditure and Income

The Authority approved a capital programme for 2008/2009 of £2.027 million, which was subsequently revised to £2.035 million during the year. Actual expenditure for the year was £1.866 million, and this has been financed from revenue contributions (£1.848 million) and grant funding (£0.018 million).

The underspend of £0.169 million has arisen due to a number of reasons:

- expenditure of £0.520 million, planned for 2008/2009, has slipped into 2009/2010, which is mainly due to delays in the procurement of operational equipment (including IT equipment and fireground radios) and on a number of estates schemes, including CCTV improvements;
- the addition to the Capital Programme of schemes totalling £0.383 million, including the purchase of vehicles (£0.294 million), operational equipment (£0.055 million) and computers and software (£0.034 million) during the year. The vehicles were originally included within the Vehicle Replacement Programme (normally financed through operating lease) but were purchased outright, and financed by a revenue contribution, as a result of the option appraisal;
- cost variations, where the total scheme costs for a number of schemes is lower than estimated, by £0.032 million.

Tangible Fixed Asset Impairments

In response to the economic downturn, in particular falls in both land values and the property market, the entire land and buildings portfolio has been assessed by the valuer for impairment. The total value of impairment for 2008/2009 is £5.911 million, representing a 13.41% fall in the total portfolio value.

Due to the anticipated prolonged impact of the downturn, this is an exercise that will need to be reviewed annually.

Authority's Current Borrowing and Capital Borrowing Provision

The Capital Programme report, incorporating Prudential Indicators and Treasury Management Strategy, submitted to the Authority meeting on 25th February 2008, detailed the 2008/2009 borrowing limits for the Authority. This relates to borrowing undertaken by the Lead Authority (Sunderland City Council) on the Authority's behalf.

The specific borrowing limits set related to two of the Prudential Indicators required to be set under the Prudential Code, which was introduced on 1st April 2004. The Authority was required to set borrowing limits for the following three financial years. The limits for 2008/2009 were as follows:

- Authorised Limit for External Debt for 2008/2009 of £27.564 million;
- Operational Boundary for External Debt for 2008/2009 of £22.564 million.

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP). These two Prudential Indicators have been monitored on a daily basis and neither limit has been exceeded during 2008/2009. The highest level of external debt incurred by the Authority during 2008/2009 was £19.089 million on 1st April 2008.

Trading Account (Cleaning DSO)

The Authority operates a trading account for its Cleaning function, which came into operation in 1989. Following the abolition of Compulsory Competitive Tendering in January 2000, there is no longer a statutory requirement to achieve a rate of return. The Cleaning DSO needs to demonstrate Best Value and one method of showing this is through setting and achieving a requirement to break even.

In 2008/2009, the Cleaning DSO recorded a trading surplus of £16,887 (£14,620 excluding adjustments for FRS 17 costs), which has been added to surpluses accumulated by the DSO in earlier years. This position is reflected further at Note 13 to the Core Financial Statements on page 54.

Private Finance Initiative (PFI)

The Authority entered into a contract on 28th March 2003 to provide 6 new Community Fire Stations, a Service Headquarters and a new Technical Services Centre. The final facility (Low Fell Community Fire Station) was handed over to the Authority on 27th March 2006.

The new PFI facilities were 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. Additionally, the scheme enabled a major redesign of service delivery, with the Authority achieving annualised efficiency savings of £888,419 in 2008/2009.

Accounting for Pensions

Financial Reporting Standard 17

The Authority's accounts are fully compliant with Financial Reporting Standard 17 (FRS 17). Although FRS 17 is regarded as a complex accounting standard it is based on a simple principle, 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. FRS 17 compliance, therefore, reflects the economic reality of the relationship between an employer and the pension fund.

Accounting Policy 12 and Notes 4, 17 and 31 to the Core Financial Statements provide details of the necessary disclosures required.

The net overall impact of FRS 17 accounting entries is neutral in the accounts and, 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, reporting future years deficits, against the Pension Fund Reserve.

The financial health of the Authority is consequently being affected by the accounting requirements in respect of FRS 17 but this needs to be taken in context, as the Pension Fund Reserve Deficit reflected in the Balance Sheet, as assessed by the Actuary, as at 31st March 2009, is being addressed by the Authority in line with government regulations (whereby a period of up to 25 years to correct the deficit position has been agreed), which the Authority can meet 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 there were no firefighter ill health retirements in 2008/2009.

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 supplementary financial statements within the Authority's Statement of Accounts.

Major Acquisitions, Capital Works and Disposals during 2008/2009

Acquisitions and Capital Works

The Authority has not made any major acquisitions of either land or property during 2008/2009.

The Authority is involved in a number of major projects, known as capital works. The main schemes are listed below, for information, together with the amounts of expenditure incurred during 2008/2009, the total estimated gross cost of each scheme, and the status of the project at the end of the year.

Scheme / Project	Expenditure During 2008/2009 £000	Total Estimated Scheme Costs £000	Completed / In Progress as at 31st March 2009
Brigade Training Centre – Security Improvements and Incident Management Training Facilities	386	894	In Progress
Station Refurbishment Programme	139	434	In Progress
Purchase of Community Safety Outreach Vehicle	111	111	Completed

Disposals

There have been no disposals of assets during 2008/2009.

Changes to the Statement of Recommended Practice (SORP) 2008

The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (SORP) 2008 introduced some changes to the Statement of Accounts for 2008/2009. The substantive changes are set out below, for information, although a number of these do not directly affect the Authority's Statement of Accounts for 2008/2009:

- Financial Reporting Standard 17 (FRS17) has been amended to align its disclosure requirements more closely with the requirements of International Accounting Standard 19 (IAS19) Employee Benefits. There are significant changes in the disclosure requirements as well as a change to the basis on which the value of quoted securities is measured. These changes are fully reflected in the Statement of Accounts for both 2007/2008 and 2008/2009.
- From 1st April 2008, Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant. Unlike LAA Grant, which was restricted to support the achievement of LAA targets, ABG is a non-ring-fenced general grant provided by the Government which allows local authorities full local control over how the funding is used. Details of general grants received are now included in an additional note to the Core Financial Statements.
- The Cash Flow Statement can now be constructed using the indirect method whereby the net revenue cash flow from operating activities for the financial year is derived by means of a reconciliation from the surplus / deficit on the Income and Expenditure Account for the year. This compares with the direct method, where major gross cash receipts and payments are disclosed in total to calculate the revenue activities net cash flow for the financial year from operating activities.
- The Annual Governance Statement has been changed and renamed as the "Statement Reporting Reviews on Internal Control or Internal Financial Controls". This brings the statement in line with the CIPFA framework issued in 2007, "Delivering Good Governance in Local Government: Framework".
- The Application of Accounting Standards has been updated for changes in Accounting Standards, Financial Reporting Standards (FRS's) and Urgent Issue Task Force (UITF) Abstracts.

The Statement of Accounts (Subject to Audit) for 2008/2009 complies with the Statement of Recommended Practice 2008 except where departures from the SORP are noted, including reasons for departure.

Euro

The adaptation of operational and information systems to accommodate the euro is likely to become a priority for local authorities at some stage in the future. The Authority continues to assess the euro's potential impact on its business affairs. The Authority's Financial Management System is euro compliant.

Comprehensive Performance Assessment

The result of the Authority's Comprehensive Performance Assessment (CPA) for 2008 was released in December 2008. With regard to the Authority's Direction of Travel, the Audit Commission rated the Authority as Improving Well, the third year in succession that the Authority has achieved this score.

The Authority received an overall score of '4' – Performing Strongly (with a score of '4' being the highest possible) for its Use of Resources assessment, representing an improvement in the score for 2007 of '3'. Within Use of Resources, the Authority achieved scores of '4' for Financial Reporting (for the second consecutive year) and Financial Standing, an improvement from the 2007 score of '3'.

The Authority continues to work to build upon these successes and is actively pursuing a programme of continuous improvement.

Efficiency

The Comprehensive Spending Review 2007 (CSR07) set an overall target for local government of 3% cashable efficiencies for each of the years from 2008/2009 through to 2010/2011, and an efficiency target of £110 million (equivalent to 1.6%) in each of the three years of the CSR07 review has been set for the fire and rescue service, nationally. Additionally, in December 2008, the Audit Commission published "Rising to the Challenge – Improving Fire Service Efficiency", a review of the fire service which identified that the service, nationally, could achieve efficiency savings of £200 million a year through adopting "good practice from pioneering fire services".

The Authority has responded very positively to the requirements of the government's national efficiency review, and its approach to securing efficiency and value for money is encapsulated in the Authority's Value for Money Framework. The duty to continually examine, evaluate and realise efficiency gains is embedded within the Authority's approach to corporate and service strategies and plans, across Authority processes and within its Partnership Arrangements. The Authority continues to seek and achieve efficiency savings in its budget and spending plans and has an excellent past record of achievement of efficiencies and improving services by using resources effectively.

The Authority has exceeded national targets for efficiency savings, achieving £5.1 million (9.97%) in ongoing cashable efficiency savings over the CSR04 period, compared to a target of 5.67%. In 2008/2009, the Authority achieved cumulative ongoing efficiency savings of £1.3 million (2.27%), exceeding the Government target of 1.6%. The Authority's target for cumulative ongoing efficiency savings to the end of 2009/2010 is £2.6 million (4.63%), which exceeds the Government target of 3.2%.

Whole of Government Accounts

The Whole of Government Accounts is based on United Kingdom Generally Accepted Accounting Principles, (UK GAAP) and provides a fully audited true and fair view of the Government's financial performance. The provision of a comprehensive set of accounts covering all of Government is intended to provide increased transparency and accountability to Parliament as well as better quality financial information to underpin funding and investment decisions at local and national level. The Authority has systems in place to meet the appropriate reporting requirements set by government.

Single Status

Following the Single Status Agreement 1997, the Authority continues to work towards implementing its revised Pay and Grading structure for all green book employees, with a planned implementation date of 31st March 2010.

Equal Pay Claims

Following the receipt of legal advice from leading Counsel, the Authority successfully settled two equal pay claims in 2006/2007 on a "without prejudice" basis, where claimants were seeking financial redress in respect of periods when unequal pay is alleged to have been applied by the Authority.

There are no outstanding claims in respect of unequal pay as at 31st March 2009, and the Authority does not anticipate that any further claims are likely at this point in time.

Annual Report and Summary Statement of Accounts

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 included 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. The quality of the Annual Report contributed significantly to the CPA score of '4' achieved for Financial Reporting.

Authority Performance

The Authority's key strategic priority is to prevent loss of life and injury 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 the Authority's Integrated Risk Management Plan (IRMP), which is focused on improving overall community safety through the more effective and efficient use of resources, achieved through reinvesting efficiency savings into service provision. In line with previous years, significant progress has been made during 2008/2009 through the IRMP Action Planning framework, including:

- finalising the initiative that saw crewing levels on all two-pump stations established at 4+4 in line with the IRMP 5-year strategy and monitoring of the impact to ensure that there is no detrimental impact in the delivery of services;
- extending the protocol to reduce automatic fire alarms (AFA) and unwanted fire signals in dwellings to all five local authorities in Tyne and Wear;
- reviewing water rescue arrangements and, as a consequence, ensuring all operational response personnel have been trained in basic water awareness skills and that all fire appliances carry a range of water safety equipment such as floating lines and buoyancy aids;
- the development of a command and control simulator which will enhance training at command levels to improve the management of major emergency incidents, including working with partner emergency incident responders.

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 home safety checks, which involve community firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and, where necessary, fit smoke detectors. In a small number of cases, staff will also provide a deep fat fryer (free of charge) where the occupiers are still using a chip pan, and are deemed to be at risk of a kitchen fire.

During 2008/2009, the Authority has:

- Carried out approximately 29,250 home fire risk assessments;
- Fitted 23,294 smoke alarms;
- Distributed approximately 2,867 deep fat fryers.

One of the most significant improvements has been in relation to the number of accidental dwelling fires occurring within the Tyne and Wear area. The figure of 704 fires recorded in 2008/2009 represents a reduction of 36.5% on the 2007/2008 figure of 1,109 fires. This is a notable achievement for the service.

During 2008/2009, the Authority has:

- attended 8,876 fire calls, a decrease of 28% on the number attended in 2007/2008. This figure includes a reduction in the number of deliberate fires of 2,574;
- reduced the number of injuries arising from accidental dwelling fires by 29% from 2007/2008;
- for accidental fires in homes described as 'suburbs and housing estates', the Authority's response has confined the fire to the room of origin in 92.3% of occasions, compared with a Metropolitan Authority average of 91.29%.

Planned Future Developments

Estates Development Plan

The Authority is undertaking a major review of its property portfolio, in conjunction with the Lead Authority, in response to a range of emerging issues, including:

- a buildings condition survey, which has prompted consideration of future capital investment to ensure that all buildings are to a standard which allows a modern and effective service to operate across all of the Authority's facilities;
- the need to consider the development of further suitable community fire station facilities at each of the non-PFI fire stations. This is prompted by the considerable success of the PFI facilities, where the purpose-built, community-focused facilities are enabling the Authority to participate and engage more fully with communities as well as offering opportunities to deliver enhanced programmes of fire safety advice and training;
- the need to refurbish the 'Safety Works' Interactive Community Safety Centre, in line with the revised longer-term strategy for that facility;
- the need to ensure that the use of property assets is fully aligned to changes introduced in moving to co-terminosity (aligning with Local Authority boundaries);
- the need to secure environmental sustainability;
- the need to ensure that facilities continue to comply with the developing issues of equality, diversity and health and safety;
- the need to ensure that the provision of training facilities and resources meet the changing risk profile of our society.

The Authority has retained a Development Reserve to assist in funding the outcome of this major review of the property portfolio over the medium to long term.

NEFRA PFI Scheme

The North East Fire and Rescue Authorities (NEFRA) successfully submitted a collaborative application in January 2004 for Notional Credit Approvals in the 4th Round of PFI Initiatives. Within the application, the element directly affecting the Tyne and Wear Fire and Rescue Authority is the replacement of Tynemouth Fire Station with a new community fire station.

Following approval by the Authority, on 15th June 2009, of the final terms of the Agreement, it is planned that financial close will take place towards the end of June 2009. Tynemouth Community Fire Station is anticipated to be completed in June 2010.

Regional Control Centre (FireControl)

The FireControl business case outlines a need for Regional Control Centres to enhance resilience, support improved performance for fire and rescue services and to deliver value for money. The new Regional Control Centres will be governed and operated by local authority controlled companies, wholly owned by the local Fire and Rescue Authorities in the region.

The Regional Control Centre (RCC) for the North East region, situated near the city of Durham, is planned to enter its first full year of operation in 2010/2011, although the costs have been met from 2007/2008 onwards through transitional funding arrangements from government. The final cost of the RCC to the Authority has yet to be fully determined, although the government has confirmed that it is committed to funding any increased costs to be borne by fire authorities for three years, with the position to be reviewed following that period. The Authority established a Regional Control Centre Reserve of £350,000 in 2007/2008 to provide a means of offsetting any costs associated with the RCC Project on the basis that the government position does not provide an absolute assurance to the Authority that all additional costs will be funded by the government in perpetuity.

Firelink

The government-supported Firelink project represents a significant investment in radio communications for the fire and rescue service, with the aim of improving resilience and inter-operability within the service and with other blue light services.

The project is currently nearing the end of the second of three phases of implementation, and the government has provided funding for the transitional arrangements. Further detailed information is still awaited in terms of the ongoing funding beyond 2008/2009, in terms of both implementation and future operating costs. However, government has indicated that it will continue to meet additional costs.

Firebuy

In November 2005, the government published the National Procurement Strategy for the Fire and Rescue Service as part of its modernisation agenda and, in March 2006, Firebuy Ltd was established as a non-departmental public body to buy equipment nationally for the fire service.

Initial funding has been provided by the government to meet the set-up costs of this body and to safeguard Firebuy Ltd's financial position until the long-term funding arrangements are agreed, however, at this stage, no decisions have been taken and further detailed information on the future funding arrangements is awaited.

Financial Outlook for the Authority

The outcome of the Comprehensive Spending Review 2007 saw a tightening of the national funding position in the three years of the review (2008/2009, 2009/2010 and 2010/2011), with this Authority receiving grant increases of 2.40%, 1.26% and 1.10% respectively. There is an expectation from government that Fire and Rescue Authorities will continue to identify and realise efficiency savings over this three-year period.

In addition, in his April 2009 budget report, the Chancellor set out the future spending intentions of the government at a national level, which included:

- future growth in public sector spending downgraded from 1.1% to 0.7% from 2011/2012 onwards;
- the target for efficiency savings from local government has increased in total by £0.6 billion, from £4.9 billion to £5.5 billion, for 2010/2011;
- efficiency targets for 2011/2012 onwards across the public sector are going to be very challenging, although no indication of local government's targets was announced.

Against this context, the Authority has published a Medium Term Financial Strategy, which covers the period 2009/2010 to 2013/2014, 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 through its Strategic Plan (and other key strategic documents, such as the Integrated Risk Management Plan), enable the sustainable financial position of the Authority to be continued and to facilitate the achievement of value for money;
- inform a budget planning framework for each year for the preparation of Revenue and Capital Budgets, that are balanced and affordable respectively.