

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.129 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 eleventh busiest international airport, an international ferry terminal, two major ports, and Newcastle Central Railway Station which acts as a major staging point on the east coast mainline railway and cross country networks.

Traditional employment areas of shipbuilding, coal mining and heavy industries have declined significantly over the last 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 Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's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, Virgin Money, Greggs, Proctor & Gamble, 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 service but cannot provide any indication of the true quality or scope of the service delivered every day to the citizens of Tyne and Wear.

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 2018/2019, the Service carried out 28,267 home safety checks (31,134 in 2017/2018) and attended a total of 17,328 incidents (17,083 in 2017/2018).

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:

	2016/2017	2017/2018	2018/2019
Performance Indicator			
Number of fatalities from all fires	4	4	5
Number of injuries from accidental dwelling fires (excluding precautionary checks)	43	37	47
Number of accidental fires in dwellings	563	531	545
Number of false alarms due to automatic fire detection from non-domestic properties	1,803	1,745	1,717
Number of primary fires	1,719	1,797	1,870
Number of deliberate fires	4,461	5,592	5,722

The Authority has a long track record of reducing fires but, sadly, in 2018/2019 there were five deaths attributed to fire. The service will continue to strive to work towards the target of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2018/2019. Over the past ten years, there has been a number of significant performance achievements, including a 10% reduction in the number of fire calls attended, 22% reduction in the number of primary fires attended, 23% reduction in the number of accidental fires in dwellings, 11% reduction in the number of deliberate fires and a 51% 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

The Authority published its Efficiency Plan covering the four financial years 2016/2017 to 2019/2020 in September 2016, this being a requirement of the government to allow the Authority to accept the Four Year Grant Funding Settlement it was offering to all authorities. The government reviewed the plan and approved this, without any issues being raised, in Autumn 2016. The Efficiency Plan set out the Authority's detailed approach to the delivery of savings necessary to address the reductions in funding over this four year period.

The Efficiency Plan identified savings totalling £8.248m to be achieved over the four year period, based on the Authority's Medium Term Financial Strategy (MTFS) 2016/2017 to 2019/2020 reported to members in February 2016. More detailed information on the Efficiency Plan can be found at www.twfire.gov.uk/about-us/efficiency-plan.

The table below shows, in summary, the total planned savings each year and how the Authority proposed to achieve these through a combination of Revenue Budget Efficiencies and planned actions from the Authority's Integrated Risk Management Plan (IRMP), a fully costed Plan which sets out separate, much wider major reviews of service areas to achieve savings.

	Published 4 Year Efficiency Plan	Actuals Achieved *
	£'000	£'000
2016/17 – Budget Efficiencies	1,323	1,323
IRMP Actions	1,184	1,184
2017/18 – Budget Efficiencies	1,394	1,441
IRMP Actions	1,773	2,267
2018/19 – Budget Efficiencies	4	948
IRMP Actions	1,081	923
Total as at 31st March 2019	6,759	8,086
Further Proposed Savings:		
2019/20 – Budget Efficiencies	0	346
IRMP Actions	1,489	110
Total	8,248	8,542

*The Actuals Achieved reflect the fact that the Authority implemented the Organisational Management Review in full from 2017/2018 saving £1.690m. In the original Efficiency Plan this was expected to straddle both 2017/2018 and 2018/2019 financial years.

Although the Authority has found savings of £8.086m by the end of 2018/2019, £1.327m more than that set out in the Efficiency Plan, it still has to deal with, not only grant funding reductions, but also spending pressures, such as significant inflationary cost increases and pay awards. A further £0.162m still has to be found in the remaining year of the four year Efficiency Plan, for which planned savings totalling £0.456m have been identified to date. Any additional savings beyond the total in the Efficiency Plan will help to address the increased future Budget Gap that has developed since the original Plan was drafted. It should be noted that the Authority has already made very difficult budget cost reductions that have impacted upon all areas of the service. Front line services have been affected, both in terms of reducing firefighter numbers and changes to the response model in operation. The base budget has been reduced by £11.3m or 19% since 2010/2011 and the Revenue Budget Gap identified in the MTFS up until 2022/2023 of £4.088m will become much more challenging for the Authority to address as a result.

New actions are currently being examined to make the further budget efficiencies needed. The current IRMP 2017/20 contains three broad reviews covering, Response, Collaboration and Ways of Working. Once savings can be quantified, and the actions approved, they will be factored in to an updated Medium Term Financial Strategy. In the medium term it is recognised that temporary use of reserves may be needed until these actions can be implemented and permanent budget reductions achieved.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2019, the Government confirmed the local government finance settlement for 2019/2020, the final year of the four year settlement. 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 2015/2016 where it received some of the greatest government grant funding reductions within the fire service.

The Government increased the threshold council tax limit to hold a referendum from 2% to 3% for both 2018/2019 and 2019/2020 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 4.65% through a combination of increases in the tax base and precept. 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.

The key elements of the Authority's settlement for 2019/2020 are:

- An increase in the Government's Core Spending Power of £0.732m or 1.54%;
- A reduction in the Settlement Funding Assessment (SFA) of £0.481m or 1.96%; and
- Confirmation of the Revenue Support Grant (RSG) element of the settlement. However this is no longer a comparable measure of funding as those authorities taking part in the 100% Business Rates Retention pilots do not receive RSG.

Against this context of significant and continuing grant reductions, and the fact the Authority has to also meet significant cost pressures from its Budget, the Authority has published a revised Medium Term Financial Strategy (MTFS), which covers the period 2019/2020 to 2022/2023 and can be found on the Authority's website (18th February 2019 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 the resources available;
- 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 the additional cost pressures the Authority faces, and to plan for the additional grant reductions and increased costs expected in the next four year period to 2022/2023.

As set out in the previous section, the MTFS over the four year period up to the end of 2022/2023 using the government's funding projections, shows that the Authority is facing an increased budget gap of £4.088m. In light of this position and the anticipated prolonged funding reductions over the next four years, the Authority's decision to earmark reserves to temporarily help support the budget over the medium term until it can implement its IRMP actions, will now be necessary on a continuing basis and considered prudent.

Financial Performance of the Fire Authority 2018/2019

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2018/2019 to be met from Government Grants and local taxpayers was approved by the Authority at £48.096million*. 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 £79.94 for 2018/2019. This represented a 2.99% increase in Band D, below the Government's 3% referendum threshold level. The following table summarises the financial position for the year:

	2018/2019 Original Estimate £000	2018/2019 Revised Estimate £000	2018/2019 Actual Outturn £000	2017/2018 Actual Outturn £000 Restated
Community Safety	4,861	5,222	3,810	5,068
Fire Fighting and Rescue Operations	43,198	43,425	21,924	23,954
Corporate and Democratic Core	249	249	209	185
Non Distributed Costs	(74)	(74)	(48)	777
Exceptional Items	0	0	0	0
Net Cost of Services	48,234	48,822	25,895	29,984
Interest Payable	0	0	2,346	2,320
Contingencies	2,021	1,023	192	309
Interest on Balances	(135)	(135)	(221)	(126)
Pension Interest Cost and Expected Return on Pension Assets	590	590	22,370	21,960
Net Operating Expenditure	50,710	50,300	50,582	54,447
Capital Financing:				
Reversal of Capital Charges and Impairments	(3,286)	(3,286)	(2,738)	(1,897)
Minimum Revenue Provision	1,445	1,445	1,091	1,196
Revenue Contribution to Capital Outlay	932	932	1,104	1,468
Government Capital Grant Applied	0	0	(243)	(395)
Government Capital Grant Unapplied	0	0		(656)
Total Net Operating Expenditure	49,801	49,391	49,796	54,163
Contribution to/(from) IAS 19 Pension Reserve	(947)	(947)	(5,164)	(7,851)
Contribution to/(from) Collection Fund Account	0	0	(73)	121
Contribution to/(from) Accumulated Absences Account	0	0	(55)	(43)
Contribution to/(from) Earmarked Reserves	(758)	(348)	3,855	1,576
Net Budget	48,096	48,096	48,359	47,966
Resources:				
Revenue Support Grant and General Grants	(9,620)	(9,620)	(9,620)	(10,898)
Top Up Grant	(11,031)	(11,031)	(11,031)	(10,688)
Business Rates and Collection Fund	(4,159)	(4,159)	(4,589)	(4,244)
Precepts and Collection Fund	(23,286)	(23,286)	(23,119)	(22,136)
Total Resources	(48,096)	(48,096)	(48,359)	(47,966)
(Increase) / Reduction to General Balances in year	0	0	0	0
General Fund Balance Brought Forward	(3,943)	(3,943)	(3,943)	(3,943)
General Fund Balance Carried Forward	(3,943)	(3,943)	(3,943)	(3,943)

* In the accounts, the Net Budget Requirement for 2018/2019 of £48.359m is made up of Total Resources of £48.096m, as set out in the estimates in the above table, adjusted for additional section 31 grant funding of £0.336m less an amendment required under the Code in respect of the Collection Fund Account of £0.073m.

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 2018/2019, continuing the Authority's strong track record in this regard.

The Revenue Budget Outturn for 2018/2019 is showing a net overall underspend of £1.681m, at £46.415m compared with an original budget of £48.096m. This will be reported to a meeting of the Fire Authority on 10th June. The Authority has made a huge positive drive during the year to achieve this level of saving with a number of significant initiatives:

- Improved financial management throughout, with increased financial awareness and tighter budgetary control, has achieved savings of £0.225m across the full service;
- A review of insurance services provided by the Lead Authority and a new approach adopted by Sunderland whereby all policies are separately tendered to ensure best value, has led to a significant year-end saving on premiums of £0.154m;
- A move to riding four on all appliances, phased in from 1st January 2018 and completed in June 2018, has made in year budget savings in line with expectations. The new response model is operating well with no reported near misses and supports the evidence led approach adopted. In addition, this measure has had a positive impact on helping to reduce overtime;
- Overtime costs have been significantly reduced during the year largely due to proactive management actions such as swap a shift (optimum staffing pilot), balancing leave groups, and establishing a temporary operational resource planner post within the staffing team. In addition, the 23 trainees now operational on fire stations have contributed to the reduction in requirements for overtime during the last quarter of the financial year;
- All aspects of the Authority's finances have now been reviewed and a more commercially based approach to income generation has been carefully and sensibly applied where appropriate, to ensure Best Value is achieved for the Authority. Increases in income above budget during the year help to show this is continuing to bear fruit and income generation is expected to increase in future years as a result of this new impetus; and
- A review of the property portfolio by Finance and Estates has also identified a number of surplus assets which are being actively progressed with a view to either generating a much needed capital receipt or, where appropriate, a sustainable income stream to the Authority. Some of these disposals are nearing completion and revenue budget savings have been identified as a result.

The main variations, are detailed subjectively below, for information:

- Employee costs – a net underspend of £1.472m. Savings have been made from a significantly greater number of operational staff retirements than anticipated, resulting in a net reduction in salaries and oncosts after taking into account the additional twenty three new Firefighters. Along with this, savings have continued to be made during the year from reduced employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme. These savings have absorbed overtime costs during the year which, although have reduced from 2017/2018 by £0.22m, have continued to be a feature of this year's expenditure against budget. In addition there have been savings against training costs and Employee insurance budgets;

- Premises – an overspend of £0.012m on utility budgets across the Authority's estate from higher bills than estimated and rate increases from phased rate revaluations impacting in 2018/2019, as well as a small increase in Premises insurance costs;
- Transport – an underspend of £0.118m due to revised travel arrangements across the service and reduced vehicle insurances. An overspend on fuel has been met by savings elsewhere in the revenue budget and allowances for price fluctuations have been made when setting the budget for 2019/2020;
- Supplies and Services – an underspend of £0.212m on supplies and services due to continued prudent spend across a number of areas. Subsistence costs continue to reduce following the implementation of revised policies and practices. An overspend on equipment maintenance and repair has been met by savings elsewhere in the revenue budget;
- Contingencies – an underspend of £0.734m as some budget set aside for potential costs identified when the budget was established for 2018//2019 has not been required during the year. This is in part due to the operational service delivery actions, the successful completion of the IRMP action of riding four on all appliances, and the recruitment of the 23 new firefighters reducing the call on overtime costs;
- Support Services and Recharges – a net underspend of £0.027m after changes made to the service level agreement with the Lead Authority once the budget had been set;
- Income – a net overachievement of £0.291m, largely due to one-off sales of vehicles and equipment, additional income for the Princes Trust programme, increased income from Primary Authority Scheme and COMAH activity, ESMCP transitional funding received late in the year, and additional rental income, partially offset by a reduction in the course and conference income;
- Interest received - £0.086m over budget as increases to cash flow levels has resulted in more interest received on the Authority's cash working balances during the year;
- Capital Financing – an underspend of £0.504m from savings on debt charges, lower MRP charges and use of revenue to finance the capital programme; and
- Reserves and Provisions Appropriations - £1.751m decrease predominantly due to underspends against budget reducing the need to draw from Reserves in year, along with agreed appropriations in to the Revenue Budget Carry Forward Reserve for known future requirements, and year end accounting entries required for the IFRS employee benefits and Collection Fund.

It will be recommended to Members to appropriate the surplus funds of £1.681m as follows:

- Transfer £1.0m to the Capital Developments Reserve to help future proof the reserve and the known additional capital works that are scheduled for future years. This will also help to delay the need to borrow to fund the Capital Programme;
- Transfer £0.5m to the Resilience Reserve for contingency arrangements to ensure continued service delivery; and
- Transfer the remaining balance of £0.181m to the Transformation and Reform Reserve to temporarily fund the budget gap over the medium term while longer term IRMP changes are being made.

The total resources at the end of the financial year were £48.359m, £0.263m more than that set out in the budget set for 2018/2019. As part of the finance settlement, the Authority received additional government grant funding of £0.336m to reimburse for business rates retention tax losses and the government made a retrospective adjustment for small business rates relief. In addition to this, a year end adjustment of £0.073m was required to the Collection Fund, resulting in a net £0.263m increase in resources. It is recommended to transfer the additional grant to the Medium Term Planning Reserve as a prudent measure for the uncertainty around future government funding.

Prior Period Adjustments

There has been a requirement to restate the Authority's previous published accounts for two prior period adjustments.

(i) Pension Fund Deficit Contributions (LGPS) Payment in Advance

The Authority prepaid pension fund deficit contributions of £1.037m for the three year period 2017/2018 to 2019/2020 covered by the Rates and Adjustments Certificate. The Authority agreed to prepay as this reduced the total deficit contribution payable. This was treated as a payment in advance in the 2017/2018 published accounts, but statutory accounting guidance requires the general fund to be charged with the amount payable for the year rather than the amount paid.

In accordance with the requirements of the Code, the Authority has restated the 2017/2018 published accounts. Full details of the adjustments are outlined in note 34 to the accounts.

(ii) Injury Pension Grant Repayment (Firefighter Pension Scheme)

In 2017/2018 the Authority set up a long term pension liability of £8.639m to recognise the agreement made with the Home Office to repay over claimed injury pension grant. External Audit guidance at the time instructed that a corresponding entry was created in the Authority's equity as a negative revenue reserve, to absorb the effect on the General Fund Balance.

The External Auditor has since reviewed their advice and, as this treatment is no longer considered to conform to the Code, the Authority has restated the 2017/2018 published accounts. The £8.639m has been transferred equally from the Capital Developments Reserve and the Transformation and Reform Reserve. Full details of the adjustments are outlined in note 34 to the accounts.

The table below reconciles the position shown in the statutory accounts and the true position as shown in the reserves statement:

	Statutory Accounts			True Reserve Position		
	Re stated Balance as at 31 st March 2018 £'000	Net Transfer * £'000	Balance as at 31 st March 2019 £'000	Balance as at 31 st March 2018 £'000	Net Transfer * £'000	Balance as at 31 st March 2019 £'000
Capital Developments Reserve	3,115	2,745	5,860	7,435	2,495	9,930
Transformation and Reform Reserve	2,997	(1,129)	1,868	7,316	(1,379)	5,937
Injury Pension Adjustment				(8,639)	500	(8,139)
	6,112	1,616	7,728	6,112	1,616	7,728

*The net transfer in the Statutory Accounts includes the agreed in-year repayment of £0.5m of the over claimed Grant split equally between the two affected reserves.

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 both the Local Government Pension Scheme (LGPS) and the Firefighter's Pension Scheme (FPS) was carried out at 31st March 2016 and have been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2019.

The Authority continues to comply fully with this Standard and the Accounting Policy 1.10 in the Statement of Accounts and the Notes to Core Financial Statements provide 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, as assessed by the Actuary as at 31st March 2019, 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 retirement costs are paid by the Authority from its pension fund. Employer payments towards the future cost of ill-health retirements come from a combination of a flat rate employer contribution applicable to all authorities and from an individual charge payable by the relevant Authority where an ill-health retirement occurs. The Authority has invested in health awareness and intervention measures through its Occupational Health Unit and it is pleasing to report that there have been only three firefighter ill health retirements since 2009/2010 to date.

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

Balance Sheet Position

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the

Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority. The following table summarises the balance sheet position:

	Balance at 31 st March 2018 £'000 Restated	Balance at 31 st March 2019 £'000
Non-current assets	80,385	77,819
Net current assets	36,053	39,135
Long term liabilities and provisions	(926,732)	(951,501)
Net Assets	(810,294)	(834,547)
Represented by:		
Usable reserves	28,437	32,387
Unusable reserves	(838,731)	(866,934)
	(810,294)	(834,547)

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

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

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

Reserves are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred. Not all reserves can be used to fund services and these are reported in two groups; 'usable' and 'unusable' reserves. Usable reserves, such as the General Fund and earmarked reserves, are those where members will be involved in deciding on the levels maintained and their use. 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 it has a negative net worth of £834.547m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £913.470m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

The fact that all pension costs would never be incurred in one year (as implied by IAS19), coupled with the fact that the Authority is addressing this potential deficiency 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, the Authority has a 'real' net worth of £78.923m. The Authority also has assets worth £77.819m and cash backed reserves of £32.387m which support the view that the Authority's Balance Sheet and finances are in fact healthier than implied by the published accounts.

Capital Expenditure and Income and Major Acquisitions, Capital Works and Disposals

Capital Expenditure

In February 2018, the Authority approved a capital programme for 2018/2019 of £6.983m which was subsequently revised to £3.039m during the year. This was largely due to delayed replacement of Hebburn Station until options could be fully appraised and slippage of the fire appliance replacement programme to streamline the procurement process and accommodate the lead in time.

Actual capital expenditure at the end of the financial year was £1.205m, financed from a combination of revenue contributions of £0.505m, earmarked reserves of £0.050m, deferred grant funding of £0.145m, capital receipts applied of £0.406m and Home Office Section 31 grant of £0.099m. The main reasons for the variation in spending of £1.834m have arisen due to the following:

- Expenditure on a number of projects planned for 2018/2019 of £1.804m slipped in to 2019/2020:
 - Completion of the recruitment module and phase 2 of the Integrated Data System extended in to 2019/2020;
 - Delayed replacement of ICT hardware into 2019/2020;
 - Re-schedule of the national government led Emergency Services Mobile Communications Project with subsequent re-profiling over future years;
 - Balance remaining on disposal works at the site of Fulwell Community Station slipped until sale completes in early 2019/2020;
 - Final payment withheld for the appliance closed circuit television until outstanding issues are resolved;
 - Delayed purchase of Fit for Life Gym Equipment into 2019/2020; and
 - Delayed replacement of the small fleet pending further consideration of options.
- Net underspend of £0.035m across a number of schemes completed during 2018/2019; and
- Additional spend of £0.005m for purchase of extra smoke detectors as part of the IRMP initiative to ensure risk reduction.

Disposals

The Authority is actively progressing some asset disposals that are expected to be completed in the next financial year. One of these is the sale of land at the former Fulwell Community Fire Station. The Authority has received a holding deposit of £62,677 during the year to secure the sale.

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 12th February 2018, which detailed the 2018/2019 borrowing limits for the Authority. All borrowing is undertaken by the Lead Authority (Sunderland City Council) on the Authority's behalf.

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

- Authorised Limit for External Debt for 2018/2019 of £47.213 million;
- Operational Boundary for External Debt for 2018/2019 of £42.213 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 2018/2019. The highest level of external debt incurred by the Authority during 2018/2019 was £41.618m on 1st April 2018. This includes borrowing debt of £12.689m, injury pension liability of £8.639m, and £20.290m 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 and are regularly reviewed, challenged and monitored to achieve the lowest unitary charge cost possible to the Authority.

Estates Development Plan

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

The key action points are:

- Continue to implement the findings and recommendations of a service wide Access Audit. This will ensure all our buildings and facilities comply with The Equalities Act 2010 and are accessible to all.
- Commissioned a comprehensive Stock Condition Survey (SCS). The findings of this survey will drive future capital investment and forms a key element in our Medium Term Financial Planning (MTFP).
- Completed a detailed service wide building and asset review that, when implemented, will result in the disposal/remodelling of surplus assets. This in turn will yield both capital receipts and revenue savings.
- Continue to explore collaborative and co-location opportunities with partner agencies. To date we now have North East Ambulance Service (NEAS), Northumbria Police, Great North Air Ambulance Service, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, The Princes Trust and Northumbria Blood Bikes operating from our locations.

The Authority has a Capital Developments Reserve to assist in implementing the estates development plan over the medium to long term.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2018/2019. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019' 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: