

TYNE & WEAR FIRE AND RESCUE AUTHORITY

GOVERNANCE COMMITTEE

Item 7

MEETING: 28TH JUNE 2010

STATEMENT OF ACCOUNTS 2009/2010 (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 2009/2010 (Subject to Audit).

2. STATEMENT OF ACCOUNTS 2009/2010

Accounts and Audit Regulations 2003

- 2.1 The Statement of Accounts for 2009/2010 (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 2009/2010 (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) 2009 - Changes

- 2.8 The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice 2009 (SORP) introduced some significant changes to the Statement of Accounts for 2009/2010. These are the last accounts to be prepared using the SORP, as from 2010/2011 fire authority accounts are required to comply with International Financial Reporting Standards (IFRS) rather than United Kingdom Generally Accepted Accounting Practice (UKGAAP). To assist in this transition, guidance has been prepared by CIPFA in the form of a Code of Practice for Local Authority Accounting. The changes introduced by the SORP 2009 are designed to help ease the transition towards IFRS compliance and are set out below for information. These include:

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

- **Council Tax** - Council Tax income included in the Income and Expenditure Account, for the year is to include accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is included in the Collection Fund Adjustment Account and also as a reconciling item in the Statement of Movement on the General Fund Balance.

The collection of Council Tax is essentially an agency arrangement, whereby the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and its major preceptors of which the Fire Authority belongs. There will therefore be a debtor/creditor relationship between the billing authority and each major preceptor that needs to be recognised since the net cash paid to each major preceptor in the year will not totally reflect its share of all cash collected from Council Taxpayers.

- **Private Finance Initiative (PFI)** - PFI Transactions and similar contracts are to be accounted for in a manner that is consistent with the adoption of IFRIC 12 'Service Concession Arrangements'. PFI contracts typically involve a private sector entity constructing or enhancing property or assets used in the provision of a public service, and operating and maintaining that property or assets for a specified period of time. The operator is paid for its services over the period of the arrangement. The

Authority has a PFI contract which provides 6 new Community Fire Stations.

Property or assets used in a PFI or similar contract will be recognised as an asset or assets of the authority. A related liability will also be recognised at the same time. The asset will be recognised in accordance with the SORP and this will be when the asset is made available for use. In accordance with the SORP, separate assets shall be recognised in respect of land and buildings where appropriate. The related liability is initially measured at the value of the related asset, and subsequently will be calculated using the same actuarial method used for finance leases under the SORP.

- **Removal of several notes to the Statement of Accounts** - In 2008/2009 CIPFA carried out a 'Back to Basics' review of the Statement of Accounts for Local Authorities and several Notes to the Statement of Accounts were identified as not adding value to the document and as such could be removed. These changes have been incorporated into the SORP 2009 and for this Authority, the note in relation to expenditure on publicity is no longer required.
- **Officer Emoluments** - The Department for Communities and Local Government (CLG) has issued revised disclosure requirements in respect of officer emoluments that are required to be included in the Statement of Accounts for 2009/2010. These include:
 - An analysis of the number of employees, whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000.
 - The specific remuneration disclosure information in relation to 'Senior' officers is prescribed as follows:
 - Officers whose salary is £50,000 or more per year but less than £150,000 are listed individually by way of job title.
 - Officers whose salary is £150,000 or more per year are also identified by name. In addition the disclosure requires the following categories to be reported for each senior officer:
 - salaries, fees and allowances;
 - bonuses;
 - expenses allowance;
 - compensation for loss of employment;
 - benefits in kind;
 - employees pension contributions.

2.9 The Statement of Accounts for 2009/2010 complies with the Statement of Recommended Practice 2009 with any departures from the SORP being noted, including the reasons for the departure.

3. STATEMENT OF ACCOUNTS (SUBJECT TO AUDIT) 2009/2010 – MAIN FINANCIAL ISSUES

- 3.1 The main financial issues arising from the Statement of Accounts (Subject to Audit) for 2009/2010 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 2009/2010.

4. RECOMMENDATIONS

- 4.1 The Governance Committee is recommended to approve the Statement of Accounts for the financial year ended 31st March 2010 (Subject to Audit).

Appendix 1

Timetable for the Audit of the Statement of Accounts for 2009/2010

Statement of Accounts (Subject to Audit) – approved 28th June 2010

Notice of Audit of Accounts – advert placed in newspaper ('The Journal') on 12th July 2010

Public Inspection Period (20 working days) – 26th July 2010 to 20th August 2010

Audit Commencement Date – 23rd August 2010

Audited Statement of Accounts – Approved before 30th September 2010

Appendix 2**Statement of Accounts 2009/2010 (Subject to Audit) – Main Financial Issues****Revenue Expenditure and Income Summary**

The estimated net revenue expenditure for 2009/2010 to be met from Government Grants and local taxpayers was approved at £58.714 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 £72.50 for 2009/2010. This represented an increase of 1.24% over the 2008/2009 Band D level of £71.61, 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 £0.002 million, which is less than the £0.222 million increase projected at the revised estimate (Third Quarter Review) stage. The General Fund Balance of the Authority as at 31st March 2010, has increased from £2.299 million to £2.301 million.

The principal reasons for the net reduction in balances of £0.220 million, from the revised estimate, are outlined below:

- a) net changes in appropriations to and from various earmarked reserves, totalling £0.541 million, as set out in the report to the full Authority meeting on 14th June 2010;
- b) net overspendings on a number of budget headings, totalling £0.761 million, including:
 - employee costs – an underspend of £0.239 million due to staffing numbers being reduced since the 2009/2010 budget was set;
 - firefighter recruits course – an underspend of £0.177 million due to the recruits course not taking place;
 - firefighter ill health retirements – an underspend of £0.082 million as there was no ill health retirements during 2009/2010;
 - premises – an underspend of £0.157 million, primarily in relation to lower utilities costs;
 - insurances – an underspend of £0.018 million on insurance budgets, reflecting the lower contribution to the provision in 2009/2010 in light of the latest actuarial review, and reduced insurance premiums;
 - transport – an underspend of £0.214 million following the decision to purchase outright vehicles previously assumed to be financed through operating leases. This followed a detailed options appraisal which identified this method as providing the best value for money for the Authority;

- supplies – an underspend of £0.249 million on delegated budgets, this included uniform provision due to phasing out of existing stocks in preparation for a new supplier contract coming into effect;
- capital financing – an overspend of £2.173 million due to capital financing increasing to facilitate the outright purchase of 12 fire tenders;
- interest payable – an underspend of £0.098 million following a restructuring of the lead authority's debt portfolio;
- interest received – an overspend of £0.035 million due to the decrease in interest rates during the year being more significant than previously anticipated;
- income – an underspend of £0.131 million due principally to the Authority exceeding its anticipated levels of fees and charges across a number of areas including the provision of commercial training;
- other – minor variations have resulted in a net underspend of £0.082 million.

PREVENTING PROTECTING RESPONDING

The following table summarises the financial position for the year:

	2009/2010 Original Estimate	2009/2010 Revised Estimate	2009/2010 Actual Outturn	2008/2009 Actual Outturn
	£000	£000	£000	£000
Community Safety	9,589	9,115	7,896	8,308
Fire Fighting and Rescue Operations	46,432	46,779	36,110	40,369
Fire Service Emergency Planning	0	0	2	(10)
Corporate and Democratic Core	342	342	317	315
Non Distributed Costs	0	556	430	520
Net Cost of Services	56,363	56,792	44,755	49,502
Gain / Loss on Disposal	0	0	66	0
Cleaning DSO	0	0	(5)	(17)
Interest Payable	811	620	2,533	2,828
Contingencies	938	0	0	0
Interest on Balances	(447)	(147)	(112)	(1,161)
Pension Interest Cost and Expected Return on Pension Assets	580	1,070	31,030	32,560
Net Operating Expenditure	58,245	58,335	78,267	83,712
Capital Financing:				
Reversal of Capital Charges and Impairments	(1,467)	(1,965)	(2,559)	(4,478)
Government Grants Deferred Amortisation	0	0	4	0
Minimum Revenue Provision	736	736	1,214	1,236
Revenue Contribution to Capital Outlay	1,910	2,510	4,683	1,848
Reversal of Loss on Disposal of Fixed Assets	0	0	(66)	0
	59,424	59,616	81,543	82,318
Contribution to/(from) FRS 17 Pension Reserve	99	(595)	(21,640)	(25,320)
Contribution to Collection Fund Account	0	0	201	(124)
Contribution to/(from) Earmarked Reserves	(809)	(529)	(1,191)	961
	58,714	58,492	58,913	57,835
Revenue Support Grant, Non Domestic Rates, Collection Fund and Precepts and General Revenue Grant	(58,714)	(58,714)	** (58,915)	(57,949)
(Increase) / Reduction to Balances in year	(0)	(222)	(2)	(114)
General Fund Balance Brought Forward	(2,299)	(2,299)	(2,299)	(2,185)
General Fund Balance Carried Forward	(2,299)	(2,521)	(2,301)	(2,299)

** This includes Revenue Support Grant, Non Domestic Rates, Collection Fund and Precepts and General Revenue Grant also an increase of £0.201 million due to Council Tax debtors and creditors as per Accounting Policy 25 on page 32.

Capital Expenditure and Income

The Authority approved a capital programme for 2009/2010 of £2.110 million, which was subsequently revised to £2.710 million during the year. Actual expenditure for the year was £4.688 million, and this has been financed from revenue contributions (£4.683 million) and a capital contribution (£0.005 million).

The increased spending of £1.978 million has arisen due to a number of reasons:

- expenditure of £0.407 million, planned for 2009/2010, has slipped into 2010/2011, 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 works to Barmston Training Centre;
- the addition to the Capital Programme of schemes totalling £2.321 million, including the purchase of vehicles (£2.146 million which included the purchase of 12 Fire Tenders), operational equipment (£0.020 million) and computers and software (£0.155 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 outcome of an option appraisal;
- cost variations, where the total scheme costs for a number of schemes is higher than estimated, by £0.064 million.

Tangible Fixed Asset Impairments

In response to the economic downturn in 2008/2009 the entire land and buildings portfolio was assessed by the valuer for impairment which resulted in a 13.41% decrease in the total portfolio value. Due to the prolonged impact of the downturn, this exercise is to be reviewed annually however there were no such impairments during 2009/2010.

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 23rd February 2009, detailed the 2009/2010 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 under the Prudential Code, which was introduced from 1st April 2004. The Authority is required to set borrowing limits for the following three financial years. The limits for 2009/2010 were as follows:

- Authorised Limit for External Debt for 2009/2010 of £51.137 million;
- Operational Boundary for External Debt for 2009/2010 of £46.137 million.

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP). These two Prudential Indicators are monitored on a daily basis and neither limit has been exceeded during 2009/2010. The highest level of external debt incurred by the Authority during

2009/2010 was £39.584 million on 1st April 2009, this includes £21.258 million in relation to the long term liability of PFI.

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, with effect from 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 2009/2010, the Cleaning DSO recorded a trading surplus of £5,042 (£4,079 excluding adjustments for FRS 17 costs), which has been added to surpluses accumulated by the DSO in earlier years. This position is detailed further at Note 12 to the Income and Expenditure Account on page 65.

Private Finance Initiative (PFI)

The Authority entered into a contract on 28th March 2003 to provide facilities at 6 new facilities at 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 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. Additionally, the scheme enabled a major redesign of service delivery, with the Authority achieving annualised efficiency savings of £910,629 in 2009/2010.

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 Note 4 to the Income and Expenditure Account on page 59, Note 16 to the Statement of Total Recognised Gains on page 44 and Note 28 to the Balance Sheet on page 76 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 2010 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 2009/2010.

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 2009/2010

Acquisitions and Capital Works

The Authority has not made any major acquisitions of either land or property during 2009/2010.

The Authority is involved in a number of major capital works projects. The main schemes are listed overleaf, for information, together with the amounts of expenditure incurred during 2009/2010, the total estimated gross cost of each scheme, and the status of the project at the end of the year.

Scheme / Project	Expenditure During 2009/2010 £000	Total Estimated Scheme Costs £000	Completed / In Progress as at 31st March 2010
Brigade Training Centre – Security Improvements and Incident Management Training Facilities	511	906	In Progress
Safetyworks	258	487	Completed
Purchase of 12 Fire Tenders	2,146	2,146	Completed

Disposals

As part of the Authority's PFI contract, a number of stations were relocated, necessitating exchanges of land between the Fire Authority and the constituent authorities. Accordingly, Fossway Fire Station has been written out of the Authority's Balance Sheet. The transaction involved a land exchange with no cash consideration.

Efficiency

The Department for Communities & Local Government set a target for efficiency for the Fire Service nationally of 1.6% per year for the 3 year period from 2008/09 to 2010/11 (4.8% cumulatively by the end of 2010/11). This equates to approximately £912,000 pa for Tyne and Wear (£2.736m cumulatively).

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 £2.8m (4.91%) in ongoing cashable efficiencies over the period 2008/09 to 2009/10, compared to a target of £1.8m (3.2%). The Authority's projection for cumulative ongoing efficiency savings to the end of 2010/2011 is £3.7 million (6.6%), which exceeds the Government target of 4.8%.

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 to be agreed by all parties.

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 2010.

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 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.

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 2009/2010 through the IRMP Action Planning framework, including:

- Carrying out a detailed quality assurance audit of the Home Safety Check (HSC) process. The audit’s recommendations identified actions that were implemented to provide the most effective use of our resources to drive down fires in the home.
- Introducing dual staffing arrangements for the Special Emergency Response Vehicle (SERV) at Newcastle South Community Fire Station and monitoring its effectiveness. Following a successful evaluation of the changes in Newcastle a similar staffing model was implemented for the SERV based at

South Tyneside West Community Fire Station in March 2010. This has resulted in efficiency savings without having any impact on the services delivered.

- Reviewing equipment carried on emergency response vehicles. Information was collected and analysed with relation to equipment usage and incident risk data. This information has been used to inform decisions about the specification for new front line appliances.
- Implementing an appropriate environmental process, due to the size of the organisation the accreditation achieved through BS 8555 was determined to be unnecessary. An Environmental Strategy has been developed and was presented to Members on 29 March 2010.

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 2009/2010, the Authority has:

- Carried out approximately 22,299 home safety checks.
- Fitted 18,399 smoke alarms, including 59 sensory alarms for the hard of hearing.
- Distributed approximately 778 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 422 fires recorded in 2009/2010 represents a reduction of 11.3% on the 2008/2009 figure of 476 fires. This is a notable achievement for the service.

During 2009/2010, the Authority has:

- Attended 8,382 fire calls, a decrease of 6% on the number attended in 2008/2009. This figure includes a reduction in the number of deliberate primary fires of 211.
- Reduced the number of injuries arising from accidental dwelling fires by 8% from 2008/2009.

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:

- the undertaking of various building and alteration works to training structures within the Barmston Training Centre to ensure that the continued operation of essential training facilities to meet the changing risk profile of our society;
- the erecting of a suitable facility at Newcastle North Community Fire Station; to house a new special appliance; ALP (aerial ladder platform) due for delivery to the service in the Summer of 2010;
- the alteration of former rest areas to ensure that facilities continue to comply with the developing issues of equality, diversity, dignity and health and safety;
- modifications to our buildings in order to minimise our carbon emissions; the requirement to comply with our organisational targets to reduce our Carbon footprint and to conserve more energy;
- continued modifications to our estate as a proactive preventative maintenance programme; to ensure that our buildings are of a suitable, modern and acceptable standard in order to best deliver our services;
- the delivery of the replacement station at North Tyneside East; to comply with meeting the needs of delivering a modern and effective service; this will allow 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 continuation to source and secure appropriate land for the future replacement of two community fire stations in the Sunderland district; to comply with meeting the needs of delivering a modern and effective service.

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, and specific earmarked reserves have been established to address issues arising from the Carbon Management Plan and equality and diversity measures.

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. The new Tynemouth Community Fire Station will open on 21st 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 commence operation during 2011/2012, 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 previous government 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. Further information is provided in relation to the North East Fire Control Company Limited (established to operate as the region's fire control centre) in Note 10 on page 64.

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 third of three phases of implementation, and the government continues to provide funding for the transitional arrangements. Further detailed information is still awaited in terms of the ongoing funding beyond 2009/2010, in terms of both implementation and future operating costs. However, previous government indicated that it will continue to meet additional costs.

Financial Outlook for the Authority

The outcome of the previous government's 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 was an expectation from the Labour government that Fire and Rescue Authorities would continue to identify and realise efficiency savings over this three-year period.

In addition, in his April 2010 budget report, the then Chancellor set out the future spending intentions of the government at a national level, which saw a further tightening of public sector expenditure and also a pay freeze for public sector workers. Significantly higher efficiency savings were also released. The new coalition government has recently announced cuts in funding for 2010/2011. It is to provide more details of its spending plans in its Emergency Budget on 22nd June 2010 and its spending review to be completed in the Autumn. The indications are that government grant funding is to be significantly reduced over the life of the new government.

Against this context, the Authority has published a Medium Term Financial Strategy, which covers the period 2010/2011 to 2014/2015, 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), to enable the Authority's aims and objectives by protecting front line services to the public whilst still providing 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.

