Appendix B

Tyne and Wear
Fire and Rescue Authority

Statement of Accounts
2019/2020
(subject to audit)

Declaration: These certified accounts have yet to be audited and could change as a result of the external audit.

Contents

Authority Membership 2019/2020

Chairman
Councillor B. Curran (Sunderland City Council) from 18th June 2018 to 2nd May 2019
Councillor A. Taylor (Sunderland City Council) from 10th June 2019

Vice-Chairman
Councillor N. Forbes (Newcastle City Council)

Councillors
Sunderland City Council
Councillor R. Oliver
Councillor R. Bell to 2nd May 2019
Councillor M. Butler from 10th June 2019
Councillor A. Samuels from 10th June 2019

Newcastle City Council
Councillor H. Stephenson
Councillor K. Kilgour
Councillor T. Woodwark

Gateshead Council
Councillor G. Haley
Councillor K. Dodds
Councillor D. Duggan

North Tyneside Council
Councillor C. Burdis
Councillor J.L.L. Harrison to 20th June 2019
Councillor B. Pickard
Councillor J. Hunter from 20th June 2019

South Tyneside Council
Councillor J. Perry to 10th June 2019
Councillor W. Flynn
Councillor D. Purvis from 10th June 2019

Police and Crime Commissioner
Dame Vera Baird QC to 7th June 2019
Ruth Durham from 7th June 2019 to 18th July 2019
Cara Kim McGuiness from 18th July 2019

Independent Members
Mr G.N. Cook
Miss G.M. Goodwill
Mr M. Knowles
Mr D. Hall

Chief Officers
C. Lowther, Chief Fire Officer and Chief Executive (Clerk to the Authority)
D. Napier, Finance Director

Introduction

We are pleased to present the Statement of Accounts for the year 2019/2020 for Tyne and Wear Fire and Rescue Authority. A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers' money. We recognise, however, that the Authority's accounts can only tell part of the story. The Authority needs to demonstrate that it is aiming to operate to the highest standard of conduct in accordance with the principles of Corporate Governance and continues to have a robust system of internal control in place.

With regard to Corporate Governance, the Authority considers, annually, a review of its Code of Corporate Governance. A report on the annual review was delivered at the meeting of the Fire Authority on 13th July 2020. The Code takes account of the CIPFA framework, 'Delivering Good Governance in Local Government', produced in 2007 and revised in 2016 by CIPFA and SOLACE. The review specifically considers the seven core principles of good governance as defined in the framework as, behaving with integrity, ensuring openness, defining outcomes, determining interventions, developing capacity and capability, managing risks and performance, and accountability.

The review found that the Authority continues to have robust and comprehensive arrangements in place, but has identified a small number of areas for improvement and development which are not considered significant that will be acted upon during 2020/2021.

In line with guidance issued by CIPFA, the Authority operates a Governance Committee to take on the remit of an Audit Committee. The role of this Committee involves not only approving the Statement of Accounts, but also reviewing arrangements for areas such as risk management, treasury management, the wider internal control environment and consideration of internal and external audit plans, progress reports and annual reports.

Elsewhere within the Statement of Accounts, an Annual Governance Statement has been included, which confirms that there are sound systems of Internal Control in place. We will also continue to ensure action is taken, where necessary, to maintain and develop the system of Internal Control for the Authority in the future.

Chris Lowther Chief Fire Officer and Chief Executive	Dennis Napier Finance Director	Councillor Anthony Taylor Chair of the Authority

Dated: 28th August 2020

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer (the Finance Officer) is the Finance Director of Tyne and Wear Fire and Rescue Service;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Finance Officer's Responsibilities

The Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code.

The Finance Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Statement of Accounts

Statement of Accounts 2019/2020 (Subject to Audit) Certification by the Responsible Finance Officer

As the Tyne and Wear Fire and Rescue Authority's Responsible Finance Officer, I hereby certify that in accordance with the Accounts and Audit Regulations 2015 Regulation 8 (1) the Statement of Accounts for 2019/2020 (subject to audit) presents a true and fair view of the financial position of Tyne and Wear Fire and Rescue Authority as at 31st March 2020 and its income and expenditure for the year then ended.

D D Napier

Mr D Napier
Finance Director

Dated: 28th August 2020

Audited Statement of Accounts 2019/2020 Certification on behalf of those charged with governance

As Chairman of the Governance Committee held on 30th November 2020, I hereby acknowledge receipt of the audited Statement of Accounts for 2019/2020 by this Committee, in accordance with the Accounts and Audit Regulations 2015 Regulation 8 (3) (a), and confirm that the Statement of Accounts was approved at the Governance Committee of 30th November 2020 in accordance with sub-paragraph 8 (3) (b) with regard to the aforementioned Regulations.

Mr G N Cook
Chairman of the Governance Committee

Dated:

Audited Statement of Accounts 2019/2020 Certification by the Responsible Finance Officer

As the Authority's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2019/2020 in accordance with Regulation 8 (1) of the Accounts and Audit Regulations 2015.

Mr D Napier
Finance Director

Dated:

Narrative Statement – 2019/2020

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.136 million[1] spread across five districts 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 the 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 Authority **'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 Authority 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".

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[1] Source – ONS mid 2018 estimate

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 2019/2020, the Service carried out 33,484 home safety checks (28,343 in 2018/2019) and attended a total of 16,763 incidents (17,330 in 2018/2019).[2]

Service Led Priorities

Service led priorities, as defined by the Government, are no longer required to be reported nationally but allow continuity of performance reporting. The table below sets out the performance over the last three years:

Performance Indicator	**2017/2018**	**2018/2019**	**2019/2020**
Number of fatalities from all fires	4	4	9
Number of injuries from accidental dwelling fires (excluding precautionary checks)	37	47	36
Number of accidental fires in dwellings	531	545	511
Number of false alarms due to automatic fire detection from non-domestic properties	1,745	1,717	1,569
Number of primary fires	1,797	1,870	1,867
Number of deliberate fires	5,586	5,713	5,243

[2] Comparative figures for 2018/19 are the final numbers of home safety checks and incidents attended. The figures shown in the 2018/19 Narrative Statement (28,267 and 17,328 respectively) were the latest available figures at the time the 2018/19 Statement was prepared.

The Authority has a long track record of reducing fires but, sadly, in 2019/2020 there were nine 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 2019/2020. Over the past ten years, there has been a number of significant performance achievements, including a 16% reduction in the number of fire calls attended, 22% reduction in the number of primary fires attended, 28% reduction in the number of accidental fires in dwellings, 18% reduction in the number of deliberate fires and a 55% 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 of the Authority. 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/finance.

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 £'000	Actuals Achieved* £'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
2019/20 – Budget Efficiencies	0	346
IRMP Actions	1,489	855
Total as at 31st March 2020	**8,248**	**9,287**

*It is pleasing to report that the actual efficiencies achieved show that the Authority generated just over £1m of additional savings compared to those set out in the original Efficiency Plan submitted to the Government. The Authority achieved Total Budget Efficiencies of £4.058m and Total IRMP Actions of £5.229m over the four year period. It is noteworthy that the Authority achieved £1.337m of additional savings through Budget Efficiencies than it had set out in its Efficiency Plan and almost reached its planned IRMP Actions target of £5.527m. It is also important to understand that during the four year period covered by the Efficiency Plan, whilst the Government's funding position remained as expected, other resources such as Council Tax and Business Rates yields varied compared to those predicted by Government. These changes, in addition to the impact of higher pay awards in 2018/2019 and 2019/2020, inflation and other internal budget pressures meant that additional Budget Efficiencies were required, particularly in the latter years of the Plan, to enable these budget pressures to be met.

Should the resources position improve for the Authority (as the government has indicated austerity is over) then the focus of future Integrated Risk Management Plans (IRMP) will be adjusted to redirect efficiencies into key service priority areas.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2020, the Government announced the Local Government finance settlement for 2020/2021. The Authority's Core Spending Power (CSP) increase of 2.8% was much lower than the national average increase of 6.4% for all local authorities. The net increase in resources showed that the Fire Authority has continued to see its resources eroded by more than the national average of a 3.6% difference in its increase. This means that the Authority, despite incurring significant and disproportionate funding reductions from 2010/2011 to 2019/2020, is still receiving a one year Finance Settlement worse than the national average position which continues to have a detrimental impact on the funding for the service. This position is unfortunately set to continue unless there is a review of the way fire service resources are allocated and distributed by the Government.

The Government reduced the threshold council tax limit to hold a referendum from 3% in 2019/20 back to 2% for 2020/2021 and in addition assumed annual growth to both business rates and council tax income. For example there is an expectation within the Settlement that the Authority can grow Council Tax alone by 3.51% through a combination of increases in the council 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 2020/2021 are:

- An increase in the Government's Core Spending Power of £1.350m or 2.79%;
- An increase in the Settlement Funding Assessment (SFA) of £0.393m or 1.63%; and
- Confirmation of the Revenue Support Grant (RSG) element of the settlement. This includes core revenue grant funding allocations of Formula Grant and previous Council Tax Freeze Grants. This funding will increase by 1.63% in line with inflation which is the first time this has happened since austerity began in 2010/2011.

The Authority has published a revised Medium Term Financial Strategy (MTFS), which covers the period 2020/2021 to 2023/2024 and can be found on the Authority's website (17th February 2020 Authority meeting; Item 7). This aims to:

- provide an analysis of the financial position likely to face the Authority over the medium term taking into account the National Economic context, the potential local funding position, internal spending pressures and commitments and the revenue implications of the capital programme; and
- 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 in the next four year period to 2023/2024.

The MTFS is predicated on the Fire and Rescue Service receiving annual increases in funding in line with RPI on the basis that austerity is over and in accordance with Government policy. This improved financial position was welcomed by the Authority, and the revised MTFS assumes that the inflation increases in grant funding continues annually over the medium term. Whether or not this position is sustainable is very difficult to predict with the uncertainty caused not only by a one year settlement, but the unknown impact on public finances of both the current coronavirus pandemic and BREXIT planned for later in the year. The financial position for the Authority will therefore not be clear until the outcome of the Spending Review, now due to be carried out in autumn 2020, is known and a multi-year funding settlement is put in place by the Government which takes into account these factors.

A further uncertainty on the Authority's financial resources is the unknown impact of the Government's planned changes to how Local Government resources are to be distributed, under the 'self-sufficiency' agenda which have been further delayed to 2021/2022.

In essence there remains considerable and significant uncertainty over fire and rescue service funding and there is insufficient detail to be able to confirm at this stage what the financial prospects of the Authority are for 2020/2021 and over the medium term. What is clear is that planning for the fire service remains very difficult in these very unique and challenging circumstances.

COVID-19 Financial Implications
The COVID-19 pandemic is having, and will continue to have an impact on Service activity. The financial implications are being closely monitored throughout 2020/2021 as this will have far wider financial repercussions on the Authority than just on the 2020/2021 financial year.

It has been estimated that income from Council Tax and Business Rates is expected to reduce nationally by 2.88% and 4.54% respectively. Based on these projections this will effectively reduce the income that the Authority can expect to receive from the district councils by an estimated £0.885million. A further factor that will affect the resources to fund the 2020/2021 budget is the actual value of the Council Tax and Business Rate surplus for 2019/2020 which was taken into account at the time of setting the budget for 2020/2021. In February (prior to the coronavirus) the district councils estimated that our share of their collection fund surpluses would provide income totalling £0.489m. From updated information received, this estimate has now been reduced to £0.172m, resulting in a further potential budget pressure of £0.317m in 2020/2021.

The total budget pressure relating to these two factors for 2020/2021 is therefore estimated to be £1.202m. As outlined below, provision has been made by transferring the 2019/2020 budget underspend in to a new COVID-19 Reserve for this potential loss of income if the Government does not intervene, and to meet other COVID-19 related budget pressures.

In recognition of the operational and budget pressures that the COVID-19 pandemic is having on public sector organisations, the Government has allocated additional grant funding to help meet this financial burden. The Authority has to date received £1.121m with £0.452m spent by the end of July, an additional £0.179m projected to be spent by the end of September 2020, with the remainder fully committed to support COVID-19 response and recovery related expenditure during the second half of the financial year.

Financial Performance of the Fire Authority 2019/2020

Revenue Expenditure and Income Summary
The estimated net revenue expenditure for 2019/2020 to be met from Government Grants and local taxpayers was approved by the Authority at £48.615million*. 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 £82.33 for 2019/2020. 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:

	2019/2020 Original Estimate £'000	2019/2020 Revised Estimate £'000	2019/2020 Actual Outturn £'000		2018/2019 Actual Outturn £'000
Community Safety	5,226	6,028	4,400		3,912
Fire Fighting and Rescue Operations	43,483	43,107	25,915		22,669
Corporate and Democratic Core	241	241	175		209
Non Distributed Costs	(124)	(124)	3,291		(48)
Exceptional Item – Pension Past Service Cost	0	0	0		37,240
Net Cost of Services	48,826	49,252	33,781		63,982
Gains/(Losses) on Disposal of Non Current Assets	0	0	187		0
Interest Payable	432	432	2,271		2,346
Contingencies	2,001	1,656	0		192
Interest on Balances	(135)	(135)	(253)		(221)
Pension Interest Cost and Expected Return on Pension Assets	(20)	(20)	23,150		22,370
Net Operating Expenditure	51,104	51,185	59,136		88,669
Capital Financing:					
Reversal of Capital Charges and Impairments	(3,597)	(3,597)	(3,363)		(3,586)
Minimum Revenue Provision	1,555	1,555	1,584		1,484
Revenue Contribution to Capital Outlay	750	750	1,980		1,104
Government Capital Grant Applied	0	0	(16)		(145)
Reversal of Loss on Disposal of Fixed Assets	0	0	(1,306)		0
Total Net Operating Expenditure	49,812	49,893	58,015		87,526
Contribution to/(from) IAS 19 Pension Reserve	(391)	(391)	(13,150)		(42,404)
Contribution to/(from) Collection Fund Account	0	0	615	*	(73)
Contribution to/(from) Accumulated Absences Account	0	0	(6)		(55)
Contribution to/(from) Earmarked Reserves	(806)	(887)	3,777		3,365
Net Budget	48,615	48,615	49,251		48,359
Resources:					
Revenue Support Grant and General Grants	(8,796)	(8,796)	(8,796)	*	(9,620)
Top Up Grant	(11,274)	(11,274)	(11,274)	*	(11,031)
Business Rates and Collection Fund	(3,893)	(3,893)	(4,429)	*	(4,589)
Precepts and Collection Fund	(24,652)	(24,652)	(24,752)	*	(23,119)
Total Resources	(48,615)	(48,615)	(49,251)		(48,359)
(Increase) / Reduction to General Balances in year	0	0	0		0
Opening General Fund Balance	(3,943)	(3,943)	(3,943)		(3,943)
Closing General Fund Balance	(3,943)	(3,943)	(3,943)		(3,943)

* In the accounts, the Net Budget Requirement for 2019/2020 of £49.251m is made up of Total Resources of £48.615m, as set out in the estimates in the above table, adjusted for a small difference in section 31 grant funding of £0.021m plus an amendment required under the Code in respect of the Collection Fund Account of £0.615m.

The variances between the Estimates and Actual Outturn 2019/2020 on Firefighting and Rescue Operations and the Return on Pensions Assets are compensating variances arising from the actuarial valuations on the Pensions Assets which can and invariably do change between budget and outturn stages. The key comparator for actual expenditure against budget in the above statement is the "Net Budget" figure which, as can been seen, displays only a minor variance.

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 2019/2020, continuing the Authority's strong track record in this regard.

The Revenue Budget Outturn position for 2019/2020 was reported to the Fire Authority on 13th July and showed net expenditure of £47.941m. Actions and initiatives taken during the year meant that the anticipated drawdown from Reserves of £0.841m when the net budget requirement was set at £48.615m was no longer needed. The total net underspend against the Revenue budget for the year was therefore £1.515m. The Authority made a huge positive drive during the year to achieve this level of saving with a number of important initiatives:

- Improved financial management across the service, resulted in increased financial awareness and tighter budgetary control, which achieved savings across most service areas;
- A significant saving of £0.880m was identified from a mid-year review of the contingency budget to streamline the resource for this and future years to make the revenue budget more sustainable;
- Implementation of the IRMP action to dynamically adjust the distribution and availability of appliances based on risk and demand from 2nd April 2019, resulted in an in year saving in 2019/2020 of £0.746m on the operational employee cost budget. This has additionally had a positive impact on helping to reduce overtime during this period; and
- All aspects of the Authority's finances continue to be 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 be a success and income generation is expected to increase in future years as a result of this new impetus.

The main budget variations are detailed below:

- Employee costs – a net underspend of £1.473m largely due to operational and corporate vacancy levels and the numbers of operational staff in development. Operational vacancy levels assumed to be 5% for budget purposes actually averaged 11%, generating a saving of £0.770m, and £0.166m resulted from an additional 34 staff being in development. During the year there was an average of ten corporate vacancies, resulting in a further saving of £0.323m. Savings were also made on employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme altogether. Operational overtime costs continued to be a significant budget pressure, particularly working with a reduced establishment. The savings in salaries and pensions have accommodated these increased costs;

- Premises – a net overspend of £0.038m due to a new electricity contract with a higher unit cost that budgeted;

- Transport – a net underspend of £0.014m largely due to a reduced demand for transport repairs and maintenance from Northumberland Fire and Rescue Service (NFRS) through the Service Level Agreement (SLA). This is matched off by reduced income from NFRS, resulting in a neutral impact on the overall budget position. Savings were also achieved in reduced travelling expenses and have absorbed an overspend of £0.034m on fuel, due to in year fuel price rises before the price fall and free fuel offer at the beginning of the COVID pandemic in March, as well as the strategic decision to front load supplies in case of fuel supply issues caused by BREXIT;

- Supplies and Services – almost neutral with a small net overspend of £0.001m. There were a number of minor over and underspends against various budgets, including postage, ICT and PPE budgets;

- Contingencies – an underspend of £0.198m as the strategic contingency and provision for pay awards which remained in the budget were no longer required, or were delayed in part due to the impact of the coronavirus;

- Support Services and Recharges – an underspend of £0.049m due to an in year saving on the SLA with the Lead Authority after changes were made once the budget was set;

- Income – a net overachievement of £0.406m, largely due to one-off income for courses and Trauma Support, additional secondment income, over-recovery from sales of vehicles and equipment, insurance reimbursement and additional rental income. The Authority have also received new grant allocations for New Risks and COVID-19 and increased allocation of Pension Grant. These have been partially offset by under-recovery of income from NFRS due to reduced demand on the SLA and reduced allocation of section 31 Business Rates grant;

- Interest received - £0.118m over budget as increases to cash flow levels and a steady base rate have resulted in more interest received on the Authority's cash working balances during the year;

- Capital Financing – an underspend of £0.146m from savings on debt charges due to a lower debt charge interest applied during the year and the use of revenue to finance the capital programme; and

- Appropriation to / (from) Reserves and Provisions – An appropriation to reserves of £0.850m predominantly due to underspends against budget negating the need to draw down from Reserves in year, along with agreed appropriations to the Revenue Budget Carry Forward Reserve for known future requirements. This includes the transfer of unspent COVID-19 grant and New Risks funding for demands in 2020/2021. Year-end adjustments were also made to reflect the IFRS Employee Benefit accounting entry and the Collection Fund balance required for 2019/2020. This is in contrast to the 2019/20 budget position when it was first approved by the Authority as it was expected that an appropriation from reserves of £0.841m would be required to help fund the revenue budget.

Members agreed to appropriate the surplus funds of £1.515m to a newly created COVID-19 Reserve temporarily established to meet the financial implications of the COVID-19 pandemic, including the reduction in Council Tax and Business Rates resources, if no Government resources are forthcoming. This Reserve is expected to remain in place until March 2021, when it will be fully reviewed.

The total resources at the end of the financial year were £49.251m, £0.636m more than in the budget set for 2019/2020. As part of the finance settlement, the Authority received additional Government grant funding of £0.004m from the annual business rates reconciliation exercise and a debtor of £0.017m was raised for small business rates grant due from the Districts. In addition to this, a year end adjustment of £0.615m was required to the Collection Fund, resulting in a net increase in resources of £0.636m. The additional grant funding of £0.021m has been transferred to the Transformation and Reform Reserve.

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 with the Home Office to repay over claimed injury pension grant and a corresponding entry was created in the Authority's equity as a negative revenue reserve, to absorb the effect on the General Fund Balance.

To conform to the Code, the Authority had to restate the accounts in 2018/2019 and transfer £8.6396m equally from the Capital Developments Reserve and the Transformation and Reform Reserve. This liability is being repaid at £0.500m a year. 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		
	Balance as at 31st March 2019 £'000	Net Transfer * £'000	Balance as at 31st March 2020 £'000	Balance as at 31st March 2019 £'000	Net Transfer * £'000	Balance as at 31st March 2020 £'000
Capital Developments Reserve	4,860	646	5,506	8,929	396	9,325
Transformation and Reform Reserve	2,474	2,041	4,515	6,544	1,791	8,335
Injury Pension Adjustment				(8,139)	500	(7,639)
	7,334	2,687	10,021	7,334	2,687	10,021

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.

The last actuarial valuation of the Firefighter's Pension Scheme (FPS) was at 31st March 2016. This has been rolled forward to reflect the position as at 31st March 2020, in particular allowing for service accrued between 1st April 2016 and 31st March 2020 and known pension and salary increases that would have applied.

An actuarial valuation of the Local Government Pension Scheme (LGPS) was carried out at 31st March 2019. This has been rolled forward to reflect the position as at 31st March 2020.

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 more details of the necessary disclosures required.

The net overall impact of IAS19 accounting entries is resource 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 31st March 2019 £'000	Balance at 31st March 2020 £'000
Non-current assets	79,436	76,468
Net current assets	37,518	41,144
Long term liabilities and provisions	(988,741)	(912,075)
Net Assets / (Liabilities)	(871,787)	(794,463)
Represented by:		
Usable reserves	31,993	35,771
Unusable reserves	(903,780)	(830,234)
	(871,787)	(794,463)

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 £794.463m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £876.816m 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 £82.353m. The Authority also has assets worth £76.468m and cash backed reserves of £35.771m 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 2019, the Authority approved a capital programme for 2019/2020 of £10.810m which was subsequently revised to £10.099m during the year.

Actual capital expenditure at the end of the financial year was £2.109m, financed from a combination of revenue contributions of £0.260m, earmarked reserves of £0.111m, deferred grant funding of £0.016m, capital receipts applied of £1.426m and Home Office Section 31 grant of £0.296m.

A large part of the variation in spending is due to delayed replacement of Hebburn Station and related slippage of £5.250m in to 2020/2021. The remaining variation of £2.740m has arisen due to the following:

- Expenditure on a number of projects planned for 2019/2020 of £2.677m slipped in to 2020/2021:

  - Two estates projects, genous security system and security upgrade are 18 month programmes extended over into 2020/2021;
  - Completion of the Integrated Data System delayed into 2020/2021 due to COVID-19;
  - Delayed delivery of operational equipment, namely ladders, peli lighting and stabfast equipment into early 2020/2021 due to COVID-19;
  - Delayed stores issues of rope rescue equipment requiring a small amount to be slipped;
  - Outstanding ENGIE installation costs for the new intelligent chargers will be completed and paid in 2020/2021;
  - Re-schedule of the national Government led Emergency Services Mobile Communications Project (ESMCP) with subsequent re-profiling over future years;
  - Outstanding works on the Command and Control Technical Refresh delayed into 2020/2021;
  - Delivery of additional Fit For Life training equipment will be early 2020/2021 and a suitable stowage solution will then be procured;
  - Delayed replacement of the small fleet pending the outcome of the updated small fleet review and realignment of the budget in 2020/2021;
  - Work to complete and deliver the four fire appliances expected by 31st March delayed into 2020/2021 and the third stage payment withheld. Due to COVID-19 the supplier was closed for build activities in line with Government instructions and production was delayed, however at the time of writing, production has now resumed and delivery is imminent.

- Net underspend of £0.073m across a number of schemes completed during 2019/2020; and

- Additional spend of £0.010m for purchase of smoke detectors as part of the IRMP initiative to ensure risk reduction.

Disposals

A review of the property portfolio by Finance and Estates identified a number of surplus assets. The sale of Fulwell Fire Station and land to the rear of Tynemouth Fire Station have both been completed in this financial year, generating much needed capital receipts of over £1.1m and revenue budget savings have also been achieved as a result.

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 18th February 2019, which detailed the 2019/2020 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 2019/2020 of £48.352 million;
- Operational Boundary for External Debt for 2019/2020 of £43.352 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 2019/2020. The highest level of external debt incurred by the Authority during 2019/2020 was £39.627m on 1st April 2019. This includes borrowing debt of £12.182m, injury pension liability of £8.139m, and £19.306m 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 and Facilities Asset Plan

The Authority is delivering the current Estates and Facilities Asset Plan in conjunction with the Lead Authority and its external service providers.

The key activities are:

- Continue to implement the findings and recommendations of a service wide Access Audit using a prioritised phased approach to ensure all our buildings and facilities comply with The Equalities Act 2010 and are accessible to all.
- Commissioned a comprehensive Stock Condition Survey (SCS) to inform and drive future capital investment.
- Completed a detailed service wide building and asset review that is resulting in the disposal/remodelling of surplus assets and the generation of both capital receipts and revenue savings. The review has primarily focussed on the identification of surplus assets, leases and license reviews and a re-evaluation of all third party business arrangements within the premises portfolio.
- Continue to explore collaborative and co-location opportunities with partner agencies. To date we 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 limited earmarked reserves to assist in implementing the Estates and Facilities Asset Plan over the medium to long term.

Her Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS)

- In June 2019, as a result of the first inspection carried out by HMICFRS, during which it looked at how effectively and efficiently the Service prevents and protects the public from, and responds to, fires and other emergencies, as well as examining how well we look after our people, TWFRS was graded as "Good" in all three key areas listed below:
  - How effective we are in keeping people safe from fire and other risks;
  - How efficient we are in keeping people safe from fire and other risks;
  - How well we look after our people.

  HM Inspector of Fire and Rescue Services Phil Gormley said "I am pleased with the results of this inspection, which show that Tyne and Wear Fire and Rescue Service is providing a good service to its local community."

  The full report is available on our website.

Coronavirus (COVID-19) highlight of Service Activity

The Authority has been at the forefront in supporting the LRF Response to the COVID 19 pandemic in the North East Region.

The Service's ability to respond with partners to the pandemic has been enabled based on a combination of strong industrial relationships with our representative bodies and the unequivocal flexibility of our serving and retired staff members having a resilient 'can do' approach. Support service departments also have worked tirelessly to enable the Service to function effectively in these unprecedented times.

Provision of Services

The Authority's Health and Safety team have provided revised risk assessments to enable safe systems of work to ensure services continue to be delivered to the community, whilst adapting to new ways of working jointly agreed with representative bodies. These include such tasks as dead body movement and recovery as part of the Local Resilience Forum and Excess Deaths work. The risk assessments have been recognised as best practice on a national basis and have been shared amongst the National Fire Chief's Council to be adopted by other Fire and Rescue Services.

Prevention and Education Teams have continued to protect and support the most vulnerable in the community throughout lockdown. The department has carried out 455 home visits with 575 smoke alarms fitted. Multiple pieces of safety equipment have also been issued to households of the most vulnerable. Fire Safety continue to support business by undertaking virtual meetings with a Fire Safety Inspector through Microsoft Teams. This has enabled the Service to support the Business Economy during re-opening post COVID-19 closures.

Despite working remotely, Financial Services have operated successfully to ensure that all staff and suppliers are paid as normal, and Procurement and Stores teams have worked in extremely challenging conditions to ensure the resilience of supply chains of key PPE and consumables is maintained.

New ways of working have been adopted by many departments, none more than the Estates and Facilities Department who have dealt with the increased need for additional and specialist deep cleaning to ensure that all premises have remained operative throughout the period of the pandemic.

Our Fire Safety Engineers worked with NHS colleagues and provided support and challenge to the design and layout of the Nightingale Hospital at Washington to ensure that a safe design outcome was achieved.

Logistics Cell
The Service set up a Logistics Cell in March 2020 to support the Service's response to the COVID-19 pandemic and to manage all internal and external requests for support.

The Chief Fire Officer asked all corporate staff to volunteer if they were able, as well as former employees including firefighters who retired less than five years ago. At the start of June, 207 people had registered on our volunteer database: 139 staff and 68 former staff.

At the end of May, there had been 1,757 requests for support using a total of 77 volunteers totalling approximately 686.5 'operational' hours. Initially, the majority of requests were to support delivery of PPE to hospitals, care homes and medical facilities, via the Strategic Co-ordinating Group of the LRF.

To ensure that TWFRS supported all partners in the community and that the most vulnerable were being assisted, the Service proactively reached out to our local partners and charities to offer assistance. This offer was positively embraced, and led us to providing support to, and enhancing our relationships with community groups who work with the most vulnerable people in Tyne and Wear. Organisations included Changing Lives, the Salvation Army and Pallion Action Group. There were 600 food parcels and care packages delivered to vulnerable people / families as a result. We also took the opportunity to include fire safety leaflets with deliveries to share safety messages with these vulnerable people.

Workforce
The accelerated implementation of new technology and provision of equipment and software by the ICT department has equipped the Service with the systems and tools to work remotely and effectively throughout the pandemic, ensuring the majority of the workforce have remained productive. From an absence management point of view, attendance levels across the Service

have remained exceedingly high and well above the service average. This is testament to the flexible approach of the workforce in supporting the organisation throughout the pandemic.

It is also worthy to note that the Service has continued to grow as an organisation throughout the pandemic with several new employees being recruited successfully by using Microsoft Teams for interviews. The Service has also continued to adapt and develop new training procedures for the latest cohort of Trainee Firefighters who have recently completed their initial training during the pandemic. Instructors worked tirelessly to ensure a safe learning environment for themselves and the Trainees so that the course could be completed safely which very few other Fire services attempted to do.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2019/2020. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020' 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 2015, 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 / (liabilities) 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 Director

Dated: 28th August 2020

Independent Auditor's report to the Members of Tyne and Wear Fire and Rescue Authority on the Financial Statements

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Annual Governance Statement

SCOPE OF RESPONSIBILITY

Tyne and Wear Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has had a Code of Corporate Governance in place since 2003, which was revised during 2017/2018. The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. The revised Code is available on the Authority's website (www.twfire.gov.uk) or can be obtained from the Fire and Rescue Service Headquarters.

In providing the Annual Governance Statement the Authority has observed and complied with the revised principles contained within the Framework of the updated CIPFA Code of Corporate Governance 2016. The Authority has well established policies, procedures and controls that satisfy all of the new requirements in detail. The TWFRS Code of Corporate Governance is revised to reflect the changes made in the 2016 Framework.

This Statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement of internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework primarily includes systems, processes, culture and values by which the Authority directs and controls its activities and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ending 31 March 2020 and up to the date of approval of the Statement of Assurance and Annual Report and Statement of Accounts.

THE GOVERNANCE FRAMEWORK

There is a clear vision of the Authority's purpose and intended outcomes for service users that is clearly communicated, both within the organisation and to external stakeholders:

- The Strategic Community Safety Plan (SCSP) / Intergrated Risk Management Plan (IRMP) draws together a shared vision, principles for action and priorities (strategic objectives). For each strategic objective, key targets have been identified. The Plan sets out explicitly the key actions and performance targets for the future, and these are clearly linked with departmental / district service plans and resources. The Plan outlines the Authority's roles and responsibilities, the context in which it operates, what the strategic priorities and improvement objectives are, how the Authority will realise its vision, what its performance improvement and monitoring arrangements are, performance indicators and a financial overview. The financial overview section provides background commentary to the issues the Authority has considered in setting the budget and in preparing the Medium Term Financial Strategy.

- The SCSP and IRMP contain actions which recognises the risks within the Authority boundaries that are identified in the Community Risk Profile and need to be addressed, and ensures that the available resources are targeted at these risks.

- Communication of objectives to employees and stakeholders takes place through the following means:

  - Distribution of the SCSP / IRMP on the Authority's website and intranet;
  - Consultation with employees, members of the public and other stakeholders on IRMP proposals;
  - The issue of a Statement of Assurance and Annual Report setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been;
  - Through the Authority's Investors in People processes;
  - Internal communication channels, including listening events, management / employee briefings and Vlogs; and
  - Posters throughout the Authority's premises.

Arrangements are in place to review the Authority's vision and its implications for the Authority's governance arrangements:

- The Strategic Community Safety Plan / Integrated Risk Management Plan and all priorities are regularly reviewed to provide a long-term focus for the Authority.

- Through reviews by external bodies the Authority constantly seeks ways of securing continuous improvement. The Authority has professional and objective relationships with these external bodies.

- There are comprehensive annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.

Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources:

- There are clear and effective performance management arrangements including personal development plans for all employees, which address financial responsibilities and include equality objectives.

- There is regular reporting of performance against key targets and priorities to the Authority's Executive Leadership Team, the Governance Committee and the Policy and Performance Committee.

- Services are delivered by suitably qualified / trained / experienced employees and all posts have detailed job profiles / descriptions and person specifications.

- External auditors deliver an opinion annually on whether the Authority is providing value for money.

The roles and responsibilities of all officers and employees are clearly defined and documented, with clear delegation arrangements and protocols for effective communication:

- Standing Orders and Financial Regulations are in place and these set out how the Authority operates and how decisions are made, including a clear Delegation Scheme.

- The Standing Orders and Delegation Scheme indicates responsibilities for functions and sets out how decisions are made.

- The Standing Orders contain the Terms of Reference of the full Authority and other committees, setting out executive and scrutiny functions within these.

Codes of Conduct defining the standards of behaviour for Members and employees are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:

The following are in place:

- Members' Codes of Conduct;
- Employees' Code of Conduct;
- Registers of Interests, Gifts and Hospitality; and
- Monitoring Officer Protocols.

Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:

- The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations. The Finance Director employed by the Authority is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs. The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.

- The Authority has in place up to date financial procedure rules and procurement rules which are subject to regular review.

- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:

    - Whistle Blowing Policy
    - Anti-Fraud and Corruption Policy
    - Codes of Conduct
    - Health and Safety Policy
    - Compliments, Comments and Complaints Policy
    - Corporate Risk Management Strategy
    - Procurement Codes of Practice
    - Partnerships Procedure
    - Treasury Management Strategy based upon CIPFA's Treasury Management Codes
    - Functional budget management schemes

- There are robust and well embedded risk management processes in place, including:

    - Risk Management Strategy and Policy Statement
    - Corporate Risk Profile
    - Community Safety Strategy
    - Organisational Development Strategy
    - SCSP / Integrated Risk Management Plan
    - Nominated Risk Manager
    - Corporate Risk Management Group
    - Partnerships Risk Register
    - Member Risk Champion
    - Risk Management and Assurance Database
    - Information Asset Register
    - Information Asset Management Policy.

- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.

- The Authority aligns with ISO22301 for Business Continuity, and Business Continuity Plans are in place which are subject to ongoing review, development and testing.

- There are clearly defined capital expenditure guidelines and capital appraisal procedures in place.

- Appropriate project management disciplines are utilised.

- The Authority participates in the National Fraud Initiative and subsequent investigations.

The core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities, are undertaken by members.

The Authority has a Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- Consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors.

- Be satisfied that the Authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it.

- Receive and consider (but not direct) internal audit's strategy, plan and monitor performance.

- Receive and consider the external audit plan.

- Review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary.

- Receive and consider the annual report of internal audit.

- Consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter.

- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

- Review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit, and

- Make recommendations or comments to the Authority as appropriate.

Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members:

- The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers, to safeguard the legality of all Authority activities.

- The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent periodic review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:

- The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, a Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way.

- The framework in place to ensure the aims of this policy are met are set out in the 'Whistle Blowing Policy Arrangements' procedure for Authority staff. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and there is also a whistle blowing policy and procedure for members of the public.

- Monitoring records held by the Deputy Clerk on behalf of Members, and the Chief Fire Officer on behalf of employees and members of the public reveal that the whistle blowing arrangements are being used, and that the Authority is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

Arrangements exist for identifying the development needs of members and Principal officers in relation to their strategic roles:

- The Authority has a Members Learning and Development Programme in place which sets out a clear commitment to Members to provide a range of learning and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Authority strategic objectives. In addition Members have access to their nominating authority learning and development policies, plans and procedures.

- The Elected Member Learning and Development Programme aims:
    - To provide comprehensive Member development;
    - To ensure that all newly elected Members are properly inducted into the Authority;
    - To ensure that all emerging needs for both individuals and across the board are identified and addressed; and
    - To ensure that resources available for Member development are effectively used.

- The Authority has an Organisational Development Strategy to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices and is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual performance review focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Authority.

Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- The Authority has a Consultation policy which aims to ensure that consultation activity is effectively co-ordinated across the Authority and with partner agencies, impacts on service delivery, and is delivered to a high standard.

- The consultation policy is complemented by the Community Safety Strategy which outlines the Authority's approach to engaging with the community, in particular minority and vulnerable sectors of society.

Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the Authority's overall governance arrangements:

- The Authority has published a Partnerships Procedure which includes a template for Partnership Agreements and a Partnership Toolkit. This was revised in 2015. The procedure is designed to provide a corporate framework for all employees involved in considering new partnership working, and to assist Members and officers to review existing arrangements.

- A Register of Partnerships is maintained. The deliverables of all prospective and existing partnerships is closely measured using a standard framework.

- A review of all partnerships is presented to the Executive Leadership Team.

- An Information Sharing Protocol is published which underpins Information Sharing Agreements with partners.

- The Authority's governance arrangements extend to cover the wholly owned subsidiary "TWFRS Ltd".

REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by feedback from Members and the work of all senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

The role of the Authority:

- Elected Members have participated in the annual review of the Authority's Corporate Governance arrangements.

- The Chair of the Authority, the Chief Fire Officer and the Finance Director have overseen the review and signed the Annual Governance Statement.

The role of the Executive Leadership Team:

- The findings of the Annual Governance Review have been reported to the Executive Leadership Team for their consideration and comment.

The role of the Governance Committee:

- The findings of the Annual Governance Review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

- There is a system of scrutiny delivered through the HR Committee, Governance Committee and the Policy and Performance Committee including scrutiny of:

    - The effectiveness of corporate governance arrangements;
    - The Authority's treasury management policy and strategy, including the annual borrowing and investment strategy;
    - Organisational performance; and
    - Potential for future changes in service provision based on relevant performance information, risk analysis and changes in economic, social and environmental conditions or statutory requirements.

All Area Managers including the Finance Director have participated in the annual governance review relating to their areas of responsibility by providing Controls Assurance Statements relating to their area of responsibility, following consideration of their department heads' detailed self-assessments / questionnaires.

Internal audit planning processes include consultation with the Principal Officers, reviews of the Strategic Community Safety Plan / Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based and includes risks in relation to the achievement of Service objectives, and Internal Audit Services carry out regular systematic auditing of key financial and non-financial systems. In concluding their report on the 2019/20 Audit activities, they stated "Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken in 2019/20, it is considered that overall throughout the Service there continues to be a good internal control environment."

External audit is undertaken by Mazars, a limited liability partnership appointed by Public Sector Audit Appointments Limited for this purpose. The Annual Audit Letter gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority's arrangements).

The Group considered the Annual Audit Letter and Audit Completion Report prepared by the Authority's external auditors, Mazars, covering 2018/2019, which gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).

Mazars issued an unqualified conclusion on both financial management arrangements and Value for Money. Their report included comments that:

- On the basis of our work, we are satisfied that in all significant respects Tyne and Wear Fire and Rescue Authority has put in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

- The audit made one medium risk recommendation to strengthen the assurance arrangements that the Authority has that the firefighter pension data processed by West Yorkshire Pension Fund is accurate. The Authority agreed to address this issue which has been completed in this financial year (2019/2020).

- The Authority has continued to report regularly on its financial performance to the Policy and Performance Committee and the full Authority. The 2018/19 outturn was an overall net underspend of £1.681m (2017/18 £1.273m), with the Authority having a good track record of effective budget management.

- The Authority has continued to make good progress in addressing the financial challenges from public sector austerity and has a proven track record of delivering planned budget reductions.

- The Authority's usable reserves (excluding its general fund balance) were £25.432 million as at 31 March 2019 (£21.040 million at 31 March 2018). Although these are earmarked for specific purposes, they do provide flexibility to manage the medium-term financial position.

- The Authority continues to face a funding gap to address in coming years, therefore further savings and / or sources of additional income continue to be required, which the Authority is well aware of and actively exploring options.

- The Audit report concluded that the Auditors were satisfied that in all significant respects, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.
- The Audit work carried out provided assurance that there was no indication of management override of controls or material estimation error in respect of pensions in the audited financial statements.

It is considered that the Annual Audit Letter provides reassurance that the Authority's overall governance and control arrangements are satisfactory.

Findings of external bodies / audits are collated, acted upon and monitored by the Executive Leadership Team.

CONCLUSION AND AGREED ACTIONS

The 2019/20 Corporate Governance Action Plan presented to Fire Authority in June 2019 included 20 corporate improvement objectives, 14 of which were completed during the year, leaving 6 to be carried forward to the 2020/21 Action Plan, demonstrating continued improvement in these areas. In addition, 5 new actions were identified during the annual review. These are detailed in the Improvement Action Plan set out below.

ASSURANCE STATEMENTS

The Executive Leadership Team, the Authority and the Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Authority's Corporate Governance and Internal Control Arrangements.

We propose over the coming year to take steps to implement the action plan to further enhance the Authority's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Councillor Anthony Taylor
Chair of the Authority

Chris Lowther
Chief Fire Officer and
Chief Executive

Dennis Napier
Finance Director

Dated: 13th July 2020

Ref.	Actions	Responsible Officer(s)	Timescale / Update
28	• Meet data security requirements, including implementation of Emergency Services Mobile Communication Programme (ESMCP)	ACO Community Safety / ACO Organisational Development	**Actions for 2020/21** Project 'Reset' concluded with new three Phased delivery schedule in place. Deployment plans in development, Full Business Case is not yet finalised and published. Revised LTR funding model for 2020/21 onwards implemented and local business cases approved. Coverage Assurance work progresses whilst Control Room systems upgrade works to enable connectivity to the ESN are underway. Wider FRS engagement is planned initially via a presentation to SLT. **This project is a National (Government) Initiative, therefore TWFRS is not in control of timescales.**
31	• Development and introduction of Coaching / Peer Support system, new policy to assist development of personnel	HR Director	**Actions for 2020/21** • Re-focus resources following roll out of the new PDR process in 2019/20. • Build on Peer Support given through informal and formal mentoring that has continued to grow in the Service. • Launch TWFRS formal Mentoring programme in Summer 2020. • Build on Mentoring workshops that have been hosted for BTC Instructors in preparation for new firefighter recruits.

			• Encourage staff to build professional networks outside of the Service to enhance coaching and mentoring.
32	• Succession planning to be further developed and implemented	HR Director	**Actions for 2020/21** • MAP underway, talent pools will be created and a further review with HR/L&OD will be scheduled to discuss next steps. • Succession Plan to be documented (link to HMICFRS Improvement Action Plan 2019).
43	• Review and streamline policies and procedures, to include PIA & EIA and support training, to align to new strategic planning framework	AM Strategy and Performance	**Actions for 2020/21** • Linked to IAR, intranet review / upgrade, SLT. • Standardisation and co-ordination required.
50	• Project Management principles and processes are applied i.e. PSUs and evaluations completed in all projects	AM Strategy and Performance	**Actions for 2020/21** • Project Management and Evaluation Toolkit to be reviewed by Sept 2020. • L&OD sourcing PM / evaluation training for SLT, P&E and key roles, as part of the HMICFRS Improvement Plan actions. • Implement Business Improvement Programme Management Board.
60	• Information Asset Register(IAR) and recording system to be reviewed, supported by new technology and further training	AM Strategy and Performance	**Actions for 2020/21** • New Information Asset Register is currently being rolled out in conjunction with MS Teams. When

			departments request a new Team they must complete the IAR for their department, which has been simplified. Data and Info Manager and Info Governance Advisor are currently working with depts. to support roll out and highlight IAR and Records Retention procedure for guidance. • Further Training for SMG Required 2020/21.
66	• Establish corporate oversight of TWFRS Partnership Register - review register and process, embed evaluation / benefits realisation of collaboration	AM Strategy and Performance	**Action by 31st March 2021**
67	• Roll out training on CG for SLT – including CG principles, CG cycle, info asset management, Impact Assessments (PIA / EIA)	AM Strategy and Performance	**Action by 31st March 2021**
68	• Review Strategic / Corporate Plan – (ensure Strategic Planning Framework (including vision, mission and corporate goals), aligns to organisational strategies, policies, procedures and department annual plans, and PDRs are linked	AM Strategy and Performance	**Action by 31st March 2021**
69	• Assess / evaluate impact of COVID-19 on our Corporate Governance arrangements (e.g. information security, policies, agile working, communications)	AM Strategy and Performance	**Action by 31st March 2021**
70	• Clarify new emergency powers of CFO and establish record of all delegated decisions	Finance Director	**Action by 31st March 2021**

Core Financial Statements

Movement in Reserves Statement

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 reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more detail of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts required to be charged to the General Fund Balance. The Net (Increase) / Decrease before Transfers (to) / from Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Grant Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2018	(3,943)	(21,040)	(656)	(2,798)	(28,437)	838,731	810,294
Movement in reserves during 2018/2019							
(Surplus) / Deficit on provision of services	39,973	0	0	0	39,973	0	39,973
Other Comprehensive Income and Expenditure	0	0	0	0	0	21,520	21,520
Total Comprehensive Income and Expenditure	39,973	0	0	0	39,973	21,520	61,493
Adjustments between accounting basis & funding basis under regulations (note 6)	(43,529)	0	0	0	(43,529)	43,529	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(3,556)	0	0	0	(3,556)	65,049	61,493
Transfers (to) / from Earmarked Reserves	3,556	(3,998)	99	343	0	0	0
(Increase) / Decrease in 2018/19	0	(3,998)	99	343	(3,556)	65,049	61,493
Balance at 01 April 2019	(3,943)	(25,038)	(557)	(2,455)	(31,993)	903,780	871,787
Movement in reserves during 2019/20							
(Surplus) / Deficit on provision of services	**9,869**	**0**	**0**	**0**	**9,869**	**0**	**9,869**
Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**(87,193)**	**(87,193)**
Total Comprehensive Income and Expenditure	**9,869**	**0**	**0**	**0**	**9,869**	**(87,193)**	**(77,324)**
Adjustments between accounting basis & funding basis under regulations (note 6)	**(13,647)**	**0**	**0**	**0**	**(13,647)**	**13,647**	**0**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**(3,778)**	**0**	**0**	**0**	**(3,778)**	**(73,546)**	**(77,324)**
Transfers (to) / from Earmarked Reserves	**3,778**	**(4,381)**	**296**	**307**	**0**	**0**	**0**
(Increase) / Decrease in 2019/20	**0**	**(4,381)**	**296**	**307**	**(3,778)**	**(73,546)**	**(77,324)**
Balance at 31 March 2020	**(3,943)**	**(29,420)**	**(261)**	**(2,148)**	**(35,771)**	**830,234**	**794,463**

Comprehensive Income and Expenditure Statement

The statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/2019 Gross Expenditure £'000	2018/2019 Gross Income £'000	2018/2019 Net Expenditure £'000		Notes	2019/2020 Gross Expenditure £'000	2019/2020 Gross Income £'000	2019/2020 Net Expenditure £'000
2,697	(1,022)	1,675	Community Safety		**3,407**	**(978)**	**2,429**
17,841	(5,091)	12,750	Fire Fighting and Rescue Operations		**22,764**	**(5,064)**	**17,700**
12,201	0	12,201	Management and Support Services		**10,223**	**0**	**10,223**
116	0	116	Corporate Support Services		**3,429**	**0**	**3,429**
37,240	0	37,240	Exceptional Item – Pension Past Service Cost	3, 31	**0**	**0**	**0**
70,095	(6,113)	63,982	**Cost of Services**		**39,823**	**(6,042)**	**33,781**
0	0	0	Other Operating Expenditure	9	**1,306**	**(1,119)**	**187**
24,716	(221)	24,495	Financing and Investment Income and Expenditure	10	**25,421**	**(253)**	**25,168**
0	(48,504)	(48,504)	Taxation and Non-Specific Grant Income	11	**0**	**(49,267)**	**(49,267)**
94,811	(54,838)	39,973	**(Surplus) or Deficit on Provision of Services**		**66,550**	**(56,681)**	**9,869**
		50	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	20			**197**
		21,470	Re-measurement of the Net Defined Benefit Liability/(Asset)	31			**(87,390)**
		21,520	**Other Comprehensive Income and Expenditure**				**(87,193)**
		61,493	**Total Comprehensive Income and Expenditure**				**(77,324)**

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. Reserves are allocated into two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudential level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable reserves, i.e. those that the Authority is not able to use to provide services. This category of reserves holds unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019 £'000		Notes	**31 March 2020 £'000**
79,189	Property, Plant and Equipment	12	**76,221**
20	Long Term Investments		**20**
227	Long Term Debtors	14	**227**
79,436	**Long Term Assets**		**76,468**
543	Inventories		**854**
11,715	Short Term Debtors	15	**14,179**
33,103	Cash and Cash Equivalents	16	**36,724**
45,361	**Current Assets**		**51,757**
(487)	Short Term Borrowing	14	**(468)**
(5,334)	Short Term Creditors	17	**(7,940)**
(1,489)	Other Short Term Liabilities	14	**(1,652)**
(517)	Short Term Provisions	18	**(553)**
(16)	Grant Receipts in Advance	27	**0**
(7,843)	**Current Liabilities**		**(10,613)**
(192)	Long Term Provisions	18	**(75)**
(11,695)	Long Term Borrowing	14	**(11,227)**
(188)	Donated Assets Account	27	**(107)**
(976,666)	Other Long Term Liabilities	14,31	**(900,666)**
(988,741)	**Long Term Liabilities**		**(912,075)**
(871,787)	**Net Assets / (Liabilities)**		**(794,463)**
31,993	Usable Reserves	8	**35,771**
(903,780)	Unusable Reserves	20	**(830,234)**
(871,787)	**Total Reserves**		**(794,463)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute towards the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2018/2019 £'000		Notes	**2019/2020 £'000**
39,973	Net (surplus) or deficit on the provision of services		**9,869**
(44,668)	Adjustments to net surplus or deficit on the provision of services for non cash movement		**(17,553)**
243	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**312**
(4,452)	Net cash flows from operating activities		**(7,372)**
861	Investing activities	22	**1,668**
1,993	Financing Activities	23	**2,083**
(1,598)	**Net (increase) or decrease in cash and cash equivalents**		**(3,621)**
(31,505)	Cash and cash equivalents at the beginning of the reporting period	16	**(33,103)**
(33,103)	**Cash and cash equivalents at the end of the reporting period**		**(36,724)**

Notes to the Core Financial Statements

Note 1 – Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/2020 financial year and its position at the year-end of 31st March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and these Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020, based on International Financial Reporting Standards (IFRS). The Code no longer requires statements or notes to be prepared in accordance with the CIPFA Service Reporting Code of Practice 2019/2020 (SeRCOP). Instead, the Code requires that the service analysis is based on the organisational structure under which the authority operates. However, the provisions of SeRCOP are still relevant and have been referred to and applied where appropriate, along with CIPFA guidance notes for practitioners.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The Authority only holds investments to collect contractual cash flows. Financial assets are therefore all classified as amortised costs.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, where material.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Expected credit losses are reviewed annually.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on:

- Instruments with quoted market prices – the market price; and
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.3 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction – depreciated historical cost;
- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years. To ensure that this takes place a rolling programme of valuations has been put in place by the Head of Land and Property. Assets are valued in accordance with the principles of the RICS (Royal Institution of Chartered Surveyors) Appraisals and Valuation Standards. The valuations are supervised by M. Whitaker, ARICS, of the Authority. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De Minimis Levels

The Authority also operates a de-minimis level, under which expenditure on fixed assets is charged to revenue as it is incurred. The de-minimis level has been established at a value of £20,000 for the recording of capital assets in respect of properties. The de-minimis level for equipment remains at a value of £10,000. All vehicles are recorded as fixed assets irrespective of cost.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment has been calculated on a straight line basis by taking the net asset value divided by the future life expectancy and is charged in the year following acquisition.

The life expectancy for each asset category falls within the following ranges:

Asset Category	Years
Buildings	12 - 60
Vehicles, plant and furniture	5 - 15

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A de-minimis level for considering componentisation has been set at £1m.

A standard list of components is used by the Authority:

- Building structure;
- Mechanical and electrical

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals & Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against taxpayers, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.4 Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Accruals of Income & Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Authority has set a de-minimis level of £5,000 for the recording of accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. A full year's charge is included in the accounts for those supplies and services used continuously and charged on a periodic basis (e.g. gas, electricity and water), but the period covered by the payments does not always coincide with the financial year.

1.6 Cost of Support Services

External support services are provided to the Authority by Sunderland City Council, based upon a scheme approved by the Home Office. Support service costs from Sunderland City Council are charged are the basis set out in the Service Level Agreement.

Both internal and external support service costs are accounted for under Management and Support Services in the Comprehensive Income and Expenditure Account, with the exception of Corporate and Democratic Core Costs and Non-Distributed Costs. These are defined in SeRCOP as follows:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These costs are accounted for as a separate heading under Corporate Support Services in the Comprehensive Income and Expenditure Account.

1.7 Provisions

Provisions are made where an event has taken place that gives the Authority an obligation that will probably require settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the probable obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

1.8 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is to be financed from a reserve, it is charged to the revenue account in that year to score against the Provision of Services, in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance statement in Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

In addition, certain accounts and reserves are maintained to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These do not represent usable resources for the Authority, however, as they are accounting requirements, not physical cash reserves.

1.9 Internal Interest

Interest is credited to the Revenue Account from the Lead Authority's Capital Advances and Borrowing Pool based on cash flow and fund balances. The amounts are calculated using 7-day money market rates in accordance with guidance contained within the Code of Practice on Local Authority Accounting.

1.10 Employee Benefits (including Pensions)

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Corporate Support Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable unpaid at the year-end.

Post Employment Benefits
The pension costs that are charged to the Authority's accounts can be divided into two types of pension arrangements. These have different accounting treatments, set out below for information:

Firefighters' Pension Scheme
The firefighters' pension scheme is an unfunded, final salary defined benefit scheme, the rules of which are set out in The Firemen's Pension Scheme Order 1992, The Firefighters' Pension Scheme (England) Order 2006 and The Firefighters' Compensation Scheme (England) Order 2006, The Firefighters' Pension Scheme Regulations 2015 and subsequent amendments.

The last actuarial valuation of the scheme was 31st March 2016 and has been rolled forward to reflect the position as at 2020, in particular allowing for service accrued between 1st April 2016 and 31st March 2020 and known pension and salary increases that would have applied.

Employer and employee contributions are paid into the pension fund, together with a contribution from the Authority for the cost of ill health early retirements. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus being recouped by 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.

Local Government Pension Scheme
All non-operational staff of the Authority have the right to join the Local Government Pension Scheme (LGPS), which South Tyneside Council administers on behalf of all of the Tyne and Wear local authorities and other admitted bodies. The scheme is a funded, defined benefit plan, the rules of which are set out in The Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Benefits earned up to 31st March 2014 are linked to final salary and benefits after 31st March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. The last actuarial valuation was at 31st March 2019 and has been rolled forward to reflect the position as at 31st March 2020.

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is set out in the Statement of Accounts.

IAS19 requires the Authority to disclose certain information concerning assets, liabilities, income and expenditure related to the LGPS for its employees. The liabilities of the pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method. The liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted Securities – current bid price;
- Unquoted Securities – professional estimate;
- Unitised Securities – current bid price;
- Property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
    - Current Service Costs – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
    - Past Service Costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Support Services;

- Net Interest on the Net Defined benefit Liability (Asset), i.e. net interest expense for the authority – the change during the year in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure Income line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking in to account any changes in the
    - net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
    - Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure;
    - Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pension Reserve.
    - Contributions paid to the Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and any amount payable to the fund but un-paid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.12 Long Term Borrowing

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP) and, as such, the Authority does not undertake borrowing in its own name. The amount of borrowing undertaken by the Lead Authority on the Authority's behalf has been recognised within the Long Term Borrowing liabilities within the Statement of Accounts.

1.13 External Interest

All interest payable on external borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

1.14 Other Investments

Investments in companies are shown in the Authority's Balance Sheet at cost. Investments are all made via the Lead Authority's Consolidated Advances and Borrowing Pool.

1.15 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The relevant note and information relating to the Authority's PFI scheme is detailed in the Statement of Accounts.

Recognising assets and liabilities
Property used in a PFI and similar contract shall be recognised as an asset or assets of the Fire Authority. A related liability shall also be recognised at the same time. The asset shall

be recognised in accordance with the Code of Practice on Local Authority Accounting; this will be when the asset is made available for use unless the Fire Authority bears an element of the construction risk, which will not be the case where standard PFI contract terms are used. Where the Authority bears the construction risk, it shall recognise an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the Authority. In accordance with the Code of Practice on Local Authority Accounting, separate assets shall be recognised in respect of land and buildings where appropriate. The related liability shall initially be measured at the value of the related asset, and subsequently shall be calculated using the same actuarial method used for finance leases under the Code of Practice on Local Authority Accounting.

Prepayments
PFI and similar contracts may be structured to require payments to be made (either as part of a unitary payment or a lump sum contribution) before the related property is recognised as an asset on the Balance Sheet. Such payments shall be recognised as prepayments. At the point that the infrastructure is recognised as an asset, the related liability shall also be recognised. The prepayments shall be applied to reduce the outstanding liability.

Depreciation, impairment and revaluation
Once recognised on the Balance Sheet, property under a PFI and similar contract is depreciated, impaired and re-valued in the same way as for any other fixed asset.

MRP (England and Wales)
Assets acquired under a PFI and similar contract that are recognised on the Authority's Balance Sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The amounts of MRP to be charged to the General Fund for the year shall be in accordance with the appropriate regulations and statutory guidance. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Capital financing requirement
When PFI contracts or similar arrangements are recognised on the Balance Sheet, the Capital Financing Requirement is adjusted to reflect this and the authorised limits and operational boundaries set accordingly.

1.16 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

1.17 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Key sources of estimation are disclosed in the Statement of Accounts.

1.18 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.19 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.20 Cash and Cash Equivalents

The Authority's cash and cash equivalents is held within the Lead Authority's bank accounts and investments. Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.21 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of precept.

Note 2 – Accounting standards that have been issued but have not yet been adopted

The Authority is required to disclose the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted in the CIPFA Accountancy Code of Practice for the relevant year.

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (The Code) has adopted a number of new standards from 1st April 2020:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-Term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-17 Cycle;
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

It is not anticipated that these amendments will have a material impact upon the information provided in the financial statements.

Note 3 – Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Retirement benefit obligations – the Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS19 ‘Employee Benefits’. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. The key assumptions made are set out in Note 32.

- Provisions – provisions are measured at the Finance Officers' best estimate of the expenditure required to settle the obligation at the Balance Sheet date and are discounted to present value where the effect is material.

- McCloud/Sargeant Judgement – The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. Under the changes introduced to each scheme, members were required to transfer to the new schemes by set transition dates and there was protection provided for older members under each scheme.

  The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The Government was refused leave to appeal the McCloud and Sargeant Judgements on 27th June 2019. This means that the various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes.

  Whilst the McCloud and Sargeant Judgements are concerned with the judges and uniformed police and firefighters pension schemes, the Chief Secretary to the Treasury announced on 15th July 2019 that the rulings would apply to all public service pension schemes. As a result, each scheme is expected to produce its own solution to meet the implications of the two Judgements, but it is expected that these are likely to apply the same principles as the remedies for the judges and police schemes, which are possibly not expected to be developed until well into 2020/2021 or 2021/2022.

  Whilst the regulations underpinning the LGPS, police and firefighters pension schemes have not yet been amended, the two tribunals clarify that a liability was owed under age-discrimination legislation giving rise to a legal obligation.

  The Authority included a past service cost in both the Firefighter and Local Government Pension Schemes in 2018/2019, shown as an exceptional item in the accounts. Changes in the liability arising from changes in assumptions in the 2019/2020 accounts have been treated as an actuarial gain/loss within re-measurement of the defined benefit liability. Until the 'remedy' is decided, the final liability remains uncertain.

  On 16 July 2020, HM Treasury published their 12 week consultation that ends on 11 October 2020 on its proposals for 'remedy'. The impact of these proposals will be assessed and any changes in liabilities will be reflected in the Audited Statement of Accounts.

- Guaranteed Minimum Pension (GMP) Indexation and Equalisation - Reforms to the State Pension system on 6th April 2016 removed the facility by which Central Government paid top-up payments to members with GMP who reached State Pension Age after that date. In March 2016 the Government introduced an 'interim solution' which made the Local Government Pension Scheme responsible for paying the full increases on GMPs for individuals reaching State Pension Age (SPA) from 5th April 2016 through to 6th December 2018. In January 2018 the Government extended the interim solution to individuals reaching SPA before 5th April 2020 and Government policy is to fully index and equalise GMP pensions for men and women reaching SPA after 5th April 2021 but has not yet enacted this in legislation.

  Separately, on 26th October 2018, the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".

  HM Treasury have confirmed that public sector schemes already have a method to equalise GMP (through the interim solutions and commitment to pay full increases on GMPs) and they do not plan to change their method as a result of that judgement.

  In light of this, the accounts include an allowance for full increases on GMP pensions for individuals reaching state pension age from 5th April 2016. This has been estimated at approximately 0.3% of the total liabilities and is shown as an exceptional item. This assumes that HM Treasury will legislate to change the Scheme in the future to compensate members who were contracted out of the second state pension prior to 6th April 1997 for the removal of the additional pension element of the state pension from 6th April 2016. Until the scheme changes are announced, there is some uncertainty over the final liability.

Note 4 - Assumptions made about the Future and Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2020, for which there is a significant estimation uncertainty in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	depreciation charge for buildings would increase by £87,223 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effect on the net pension liability from changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Local Government pension liability of £1.75m and a 0.50% increase in the discount rate assumption would result in a decrease in the Firefighters' pension liability of £77m. However, in practice the assumptions interact in complex ways and changes may be interrelated.

Note 5 – Events After the Balance Sheet Date

Adjusting Post Balance Sheet Events
No events have taken place since the accounts were closed on 31st March 2020 which are judged to be adjusting post balance sheet events.
Non Adjusting Post Balance Sheet Events
No events have taken place since the accounts were closed on 31st March 2020 which are judged to be non-adjusting post balance sheet events.

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations

This note reconciles the adjustments that are made to the Comprehensive Income and Expenditure Statement in the financial year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

2018/2019 General Fund Balance £'000	2018/2019 Capital Receipts Reserve £'000		2019/2020 General Fund Balance £'000	2019/2020 Capital Receipts Reserve £'000
		Adjustments to Revenue Resources *Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements*:		
(42,404)	0	Pensions costs – transferred to (or from) the Pensions Reserve (notes 20, 33)	**(13,151)**	**0**
(73)	0	Council Tax and NDR – transfers to or from the Collection Fund Adjustment Account (note 20)	**615**	**0**
(55)	0	Holiday Pay – transferred to the Accumulated Absences Reserve (note 20)	**(6)**	**0**
(3,586)	0	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (notes 12, 20, 29)	**(3,363)**	**0**
1,484	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 29)	**1,584**	**0**
455	0	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 29)	**362**	**0**
0	0	Non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Account	**(1,306)**	**0**
(44,179)	0	Total Adjustments to Revenue Resources	**(15,265)**	**0**
		Adjustments between Revenue and Capital Resources		
0	0	Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Account	**1,119**	**(1,119)**
0	0	Total Adjustments between Revenue and Capital Resources	**1,119**	**(1,119)**
		Adjustments to Capital Resources		
243	0	Application of capital grants to finance capital expenditure (note 29)	**312**	**0**
0	406	Use of the Capital Receipts Reserve to finance capital expenditure (note 29)	**0**	**1,306**
243	406	Total Adjustments to Capital Resources	**312**	**1,306**
(43,935)	406	**Total Adjustments**	**(13,834)**	**187**

Note 7 – Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices which is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2019/2020	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Safety	2,059	370	2,429
Firefighting and Rescue Operations	14,985	2,715	17,700
Management Support Services	12,811	(2,588)	10,223
Corporate Support Services	3,429	0	3,429
Exceptional Items	0	0	0
Net Cost of Services	33,284	497	33,781
Other Income and Expenditure	(37,062)	13,150	(23,912)
(Surplus) or Deficit	(3,778)	13,647	9,869
Opening General Fund Balance and Earmarked Reserves	31,993		
Plus Surplus in Year	3,778		
Closing General Fund Balance and Earmarked Reserves at 31st March	35,771		

2018/2019	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Safety	1,423	252	1,675
Firefighting and Rescue Operations	10,901	1,849	12,750
Management Support Services	12,934	(733)	12,201
Corporate Support Services	116	0	116
Exceptional Items	0	37,240	37,240
Net Cost of Services	25,374	38,608	63,982
Other Income and Expenditure	(28,930)	4,921	(24,009)
(Surplus) or Deficit	(3,556)	43,529	39,973
Opening General Fund Balance and Earmarked Reserves	28,437		
Plus Surplus in Year	3,556		
Closing General Fund Balance and Earmarked Reserves at 31st March	31,993		

Note 8 – Movements in Earmarked Reserves

	Balance at 1st April 2018 £'000	Transfers out 2018/2019 £'000	Transfers in 2018/2019 £'000	Balance at 31st March 2019 £'000	Transfers out 2019/2020 £'000	Transfers in 2019/2020 £'000	Balance at 31st March 2020 £'000
General Fund Balance	3,943	0	0	3,943	0	0	3,943
Capital Reserves							
Capital Receipts Reserve	2,798	(406)	63	2,455	(1,426)	1,119	2,148
Capital Grant Reserve	656	(99)	0	557	(296)	0	261
Total Capital Reserves	3,454	(505)	63	3,012	(1,722)	1,119	2,409
Revenue Reserves							
PFI Smoothing Reserve	7,864	0	262	8,126	0	162	8,288
Insurance Reserve	764	(370)	283	677	0	454	1,131
Early Retirement Reserve	16	(3)	0	13	(4)	0	9
Capital Developments Reserve	3,115	0	1,745	4,860	0	646	5,506
Resilience Reserve	2,012	0	1,488	3,500	0	0	3,500
Budget Carry Forward Reserve	727	(10)	1,274	1,990	(696)	395	1,689
New Dimensions Reserve	781	(50)	51	782	(58)	43	767
Community Safety Reserve	240	(240)	0	0	0	0	0
Civil Emergency Reserve	200	(200)	0	0	0	0	0
Carbon Management Plan Reserve	61	(61)	0	0	0	0	0
Transformation and Reform Reserve	2,997	(1,560)	1,037	2,474	(6)	2,047	4,515
Medium Term Planning Reserve	1,000	0	336	1,336	0	0	1,336
Emergency Services Mobile Communications Revenue Reserve	1,264	(70)	86	1,280	(117)	0	1,163
COVID-19 Reserve	0	0	0	0	0	1,515	1,515
Total Revenue Reserves	21,040	(2,564)	6,562	25,038	(881)	5,262	29,419
Total Reserves	28,437	(3,069)	6,624	31,993	(2,603)	6,381	35,771

The table, above, shows the movement on the Authority's earmarked reserves for the year ended 31st March 2020. The restatement is detailed in Note 32. Detail on the purpose of each reserve is provided below:

- **PFI Smoothing Reserve -** Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure. This has the effect of smoothing the impact of PFI schemes on the Authority's revenue budget over the lifetime of the scheme.

- **Insurance Reserve -** this reserve is held to protect the Authority from:
    - any unexpected volatility;
    - potential future changes in legislation that could be retrospective;
    - any unknown exposures that may arise in the future; and
    - the Municipal Mutual Insurance Scheme of Arrangement reserve that was established in 1993/1994 to cover a possible shortfall in the eventual settlement of claims against MMI.

  The reserve also includes accumulated insurance premium discounts received, arising from the Authority's positive approach to risk management. These sums are retained to offset the cost of further risk management initiatives in future years.

- **Early Retirement Reserve -** this reserve was established in order to cover future compensatory added years payments, associated with an early retirement during 2002/2003. This has ensured that the costs are covered in the year of retirement and will not lead to on-going revenue implications. The reserve will be reduced each year as payments are made to the Tyne and Wear Pension Fund.

- **Capital Developments Reserve -** this reserve was created to fund medium term and long term capital and revenue developments.

- **Resilience Reserve -** this reserve was established following a review of the potential liabilities arising from a major industrial dispute. Having considered the principles, criteria and framework upon which the Authority's Business Continuity Strategy should be based, the reserve is intended to ensure that the communities of Tyne and Wear are protected in the event of a major industrial dispute.

- **Budget Carry Forward Reserve -** this reserve is used to fund the slippage of specific items of revenue expenditure.

- **New Dimensions Reserve -** this reserve is used to provide for any adverse effect of planned changes in funding from specific to general grant and to provide resources to meet future specific costs in relation to delivering an appropriate response.

- **Community Safety Reserve -** this reserve was established to deliver community safety initiatives in future years. This follows the success of similar schemes carried out during previous years.

- **Civil Emergency Reserve -** this reserve was established to enable the Authority to respond to a major catastrophic event, either within Tyne and Wear, or another region, where there would likely be additional cost pressures placed upon the

Authority (over and above the reimbursement level that might be expected from other Fire Authorities or through the Bellwin scheme). This reserve enables the Authority to deliver the necessary level of support without impacting on its revenue budget.

- **Carbon Management Plan Reserve -** this reserve was established as the Authority is currently working in partnership with the Carbon Trust and other Fire and Rescue Authorities in the region to develop a Carbon Reduction Plan. The implementation of this plan will necessitate some investment in order to make future savings, both in carbon emissions and energy bills.

- **Transformation and Reform Reserve -** this reserve was created to cover the expected costs of all major organisational changes and transformation projects required for the Authority to operate more efficiently and effectively.

- **Medium Term Planning Reserve -** this reserve was established to plan for the impact of Government reductions in funding, due to localisation of the business rates retention system and the impact on precepting authorities of localisation of the council tax benefit scheme.

- **Emergency Services Mobile Communications Reserve –** this reserve was established for the ESMCP grant received from Home Office, to be used to implement the new wide area communications system.

- **COVID-19 Reserve –** this reserve was temporarily established to deal with the implications of the COVID-19 pandemic, with an expected life of twelve months to be fully reviewed in March 2021.

Note 9 – Other Operating Expenditure

2018/2019 £'000		**2019/2020 £'000**
0	(Gain)/Loss on Disposal of Non-Current Assets	**187**
0	**Total**	**187**

Note 10 – Financing and Investment Income and Expenditure

2018/2019 £'000		**2019/2020 £'000**
2,346	Interest Payable	**2,271**
22,370	Net Interest on the Net Defined Benefit Liability (Asset)	**23,150**
(221)	Interest and Investment Income	**(253)**
24,495	**Total**	**25,168**

Note 11 – Taxation and Non Specific Grant Income

2018/2019 £'000		2019/2020 £'000
(23,119)	Council Tax Income	**(24,752)**
(15,620)	Non Domestic Rate Income	**(15,703)**
(9,620)	Non Ringfenced Government Grants	**(8,796)**
(145)	Government Capital Grant Applied	**(16)**
(48,504)	**Total**	**(49,267)**

Note 12 – Property, Plant and Equipment

Movement on Balances 2019/2020

	Land & Buildings	Vehicles, Plant Furniture & Equipment	Assets Under Construction	Surplus Assets	TOTAL	PFI Assets included in Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2019	73,575	24,203	622	1,617	100,017	38,578
Additions	308	755	917	0	1,980	8
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,039)	0	0	(120)	(1,159)	0
Revaluation increases/(decreases) recognised in the Provision of Services	(878)	0	0	0	(878)	0
Disposals	0	0	0	(1,306)	(1,306)	0
Other Movements in Cost or Valuation	(39)	496	(496)	39	0	0
At 31 March 2020	71,927	25,454	1,043	230	98,654	38,586
Accumulated Depreciation and Impairment						
At 1 April 2019	3,527	17,301	0	0	20,828	1,576
Depreciation Charge	1,980	1,465	0	0	3,445	976
Depreciation written out to Revaluation Reserve	(962)	0	0	0	(962)	0
Depreciation recognised in the Provision of Services	(878)	0	0	0	(878)	0
At 31 March 2020	3,667	18,766	0	0	22,433	2,552
Net Book Value at 31st March 2019	70,048	6,902	622	1,617	79,189	37,002
Net Book Value at 31st March 2020	68,260	6,688	1,043	230	76,221	36,034

Movement on Balances 2018/2019

	Land & Buildings	Vehicles, Plant Furniture & Equipment	Assets Under Construction	Surplus Assets	TOTAL	PFI Assets included in Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2018	73,555	23,622	253	1,675	99,105	38,711
Additions	154	563	387	0	1,104	1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(71)	0	0	(58)	(129)	(71)
Revaluation increases/(decreases) recognised in the Provision of Services	(63)	0	0	0	(63)	(63)
Other Movements in Cost or Valuation	0	18	(18)	0	0	0
At 31 March 2019	73,575	24,203	622	1,617	100,017	38,578
Accumulated Depreciation and Impairment						
At 1 April 2018	1,642	15,649	0	0	17,291	708
Depreciation Charge	1,984	1,652	0	0	3,636	967
Depreciation written out to Revaluation Reserve	(36)	0	0	0	(36)	(36)
Depreciation recognised in the Provision of Services	(63)	0	0	0	(63)	(63)
At 31 March 2019	3,527	17,301	0	0	20,828	1,576
Net Book Value at 31st March 2018	**71,913**	**7,973**	**253**	**1,675**	**81,813**	**38,003**
Net Book Value at 31st March 2019	**70,048**	**6,902**	**622**	**1,617**	**79,189**	**37,002**

Capital Commitments

At 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/2021, budgeted to cost £2.997m (as at 31 March 2019 £5.108m). A summary of the commitments are:

- ICT Software and Hardware (£2.259m)
- Community Safety (£0.135m)
- Technical Services Centre (£0.103m)
- Learning and Organisational Development (£0.040m)
- Vehicle Replacement Programme (£0.460m)

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued with sufficient regularity to ensure the carrying amount does not differ materially from the value at the end of the reporting period. All valuations are carried out by the Lead Authority and valuations of Land and Buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historical cost as a proxy for non-property assets that have short useful lives.

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Carried at historic cost	0	25,454	1,043	0	26,497
Valued as at 31 March 2020	71,394	0	0	230	71,624
Assets held under finance leases	533	0	0	0	533
Total	**71,927**	**25,454**	**1,043**	**230**	**98,654**

Note 13 – Assets Held for Sale

The Authority has no Assets Held for Sale as at 31st March 2020

Note 14 – Financial Instruments

IFRS 9, Financial Instruments has been adopted with effect from 1st April 2018. The standard impacts on the classification, re-measurement and impairment of financial instruments and their accounting treatment.

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31st March 2020 £'000	31st March 2019 £'000	**31st March 2020 £'000**	31st March 2019 £'000
Debtors				
Financial assets carried at contract amount**	**227**	227	**10,414**	8,789
Total Debtors	**227**	227	**10,414**	8,789
Borrowings				
Financial liabilities at amortised cost *	**(11,227)**	(11,695)	**(468)**	(487)
Total Borrowings	**(11,227)**	(11,695)	**(468)**	(487)
Other Long Term Liabilities				
PFI and finance lease liabilities	**(17,057)**	(18,317)	**(1,152)**	(989)
Injury Pension Liability	**(7,139)**	(7,639)	**(500)**	(500)
Non-Financial Long Term Liabilities				
Pension Liability	**(876,470)**	(950,710)	**0**	0
Total Other Long Term Liabilities	**(900,666)**	(976,666)	**(1,652)**	(1,489)
Creditors				
Financial liabilities carried at contract amount**	**0**	0	**(5,635)**	(3,235)
Total Creditors	**0**	0	**(5,635)**	(3,235)
Cash and Cash Equivalents				
Bank Deposits	**0**	0	**9,209**	5,589
Investments	**0**	0	**27,514**	27,514
Total Cash and Cash Equivalents	**0**	0	**36,723**	33,103

* All borrowing and investments for the Authority are carried out by the Lead Authority, Sunderland City Council. These issues are considered in more detail in the Authority's Treasury Management Strategy.

** The figures exclude Collection Fund debtors and creditors in accordance with the Code.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2019/2020	Financial Liabilities measured at Amortised Cost £'000	Financial Assets measured at Amortised Cost £'000
Interest expense	2,271	0
Interest income	0	(253)
Net (gain) / loss for the year	2,018	

Comparative figures as at 31st March 2019 are as follows:

2018/2019	Financial Liabilities measured at Amortised Cost £'000	Financial Assets Loans and Receivables £'000
Interest expense	2,346	0
Interest income	0	(221)
Net (gain) / loss for the year	2,125	

The Fair Values of Financial Assets and Financial Liabilities

All financial assets and liabilities held by the Authority are carried on the balance sheet at amortised cost. Their fair values are shown in the tables below. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, PWLB prevailing market rates (new borrowing (certainty) rates) have been applied to provide the fair value under PWLB debt redemption procedures as per interest rate notice number 128/20;
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables and trade and other payables is taken to be the invoiced or billed amount; and
- The fair value of the injury pension liability is taken to be the same as the carrying amount due to the nature of this liability.

The financial assets classed as held at amortised cost and held with Money Market Funds and Notice Accounts, and the financial liabilities held by the Lead Authority with PWLB and Market lenders are investments and borrowings that are not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount for these assets, the Lead Authority has used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

31st March 2019 Carrying Amount £'000	31st March 2019 Fair Value £'000		**31st March 2020 Carrying Amount £'000**	**31st March 2020 Fair Value £'000**
10,064	11,824	PWLB Debt	**9,856**	**10,831**
1,631	2,162	Non PWLB Debt	**1,371**	**1,778**
487	486	Short Term Borrowing	**468**	**467**
18,316	18,316	Long Term PFI and Finance Lease Liability	**17,057**	**17,057**
989	989	Short Term PFI and Finance Lease Liability	**1,152**	**1,152**
7,639	7,639	Long Term Injury Pension Liability	**7,139**	**7,139**
500	500	Short Term Injury Pension Liability	**500**	**500**
3,235	3,235	Short Term Creditors	**5,635**	**5,635**
42,861	45,151	**Financial Liabilities**	**43,178**	**44,559**

As PFI liabilities are accounting assessments derived from the unitary charge, they do not represent a conventional financial instrument and, as such, are not appropriate for a Fair Value application.

The fair value of the liabilities is greater than the carrying amount because the Authority's share of the Lead Authority's portfolio includes a number of fixed loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31st March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreements that the Lead Authority has with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, Sunderland City Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. There would be a penalty charge for early redemption, of which the Authority would bear a share.

31st March 2019			31st March 2020	
Carrying Amount £'000	Fair Value £'000		**Carrying Amount £'000**	**Fair Value £'000**
27,514	27,514	Deposits with Money Market Funds, Banks & Building Societies	**27,514**	**27,514**
5,586	5,586	Cash in Hand	**9,209**	**9,209**
227	227	Long Term Debtors	**227**	**227**
8,789	8,789	Short Term Debtors	**10,414**	**10,414**
42,116	42,116	**Financial Assets**	**47,364**	**47,364**

Deposits with Money Market Funds, Banks and Building Societies, Cash and Short-term debtors are carried at cost as this is a fair approximation of their value.

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (both revised in 2017). Overall, these procedures require the Authority to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
  - -the Authority's overall borrowing;
  - -its maximum and minimum exposure to fixed and variable rates;
  - -its maximum and minimum exposures to the maturity structure of its debt; and
  - -its maximum annual exposures to investments maturing beyond a yea
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The Annual Treasury Management Strategy includes these procedures in order to manage the risks of the Authority's financial instrument exposure. It is approved at the Authority's annual budget meeting before the beginning of the financial year and actual performance is reported annually to Members.

All of the Authority's Treasury Management function is provided under a Service Level Agreement by Sunderland City Council.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

Credit Risk Management Practices
The Authority has considered its financial assets to determine whether their credit risk has increased significantly since initial recognition.

These have been grouped into two categories:

- investments with financial institutions, which have been considered collectively; and
- loans - which have been considered individually.

The credit risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested and time limits with a financial institution located within each category.

It is the policy of Sunderland City Council to place deposits only with a limited number of high quality banks, building societies and money market funds that are on the Council's Approved Lending List. Limits are also placed on the country in which the institution is resident, the sector of the institution and if companies are members of a group of companies, a limit is placed on the group. Full details of these limits can be found in the Council's Treasury Management Policy and Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk at 31st March 2020 in relation to its investments in banks and building societies is determined to be nil and as all cash balances are held with Sunderland City Council, it cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2020 that this was likely to crystallise.

No credit limits were breached during the reporting period and the Authority did not have and does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers, £0.204m is beyond its due date for payment. The past due amount can be analysed by age as follows:

31st March 2019 £'000		31st March 2020 £'000
477	Less than 3 months	**204**
0	Between 3 and 6 months	**0**
0	Between 6 months to one year	**0**
0	More than one year	**0**
477		**204**

Amounts arising from expected credit loss

All of the Authority's financial assets have been assessed as Stage 1 at both 31st March 2019 and 31st March 2020, which means that there has been no significant increase in their credit risk. The 12-month expected credit loss for these assets has been assessed as nil. Impairment allowances for losses in relation to receivables due from customers are shown within the debtors note to the accounts. The Authority calculates allowances based on estimated default rates in combination with specific adjustments for individual debts when appropriate. There is a rebuttable presumption in IFRS 9 that aged debt older than 30 days should be impaired. The aged debt older than 30 days, disclosed above, has been reviewed and the Authority is satisfied that the existing impairment allowance adequately provides for this.

Liquidity Risk

The Authority manages its liquidity position through risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury management strategy report).

Sunderland City Council operate a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. If unexpected movements happen the Authority has, via the Lead Authority, ready access to a facility to borrow from the Public Works Loan Board and from money markets. As a result there is no significant risk that the Authority will be unable to raise finance to meet its commitments under financial instruments.

The Authority has, via the Lead Authority, safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

Disclosures on loan maturity are not included in terms of risk as the Authority has no control in respect of the borrowing undertaken by the Lead Authority.

Refinancing and Maturity risk
The Lead Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer-term risk relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Lead Authority:

- monitors the maturity profile of financial liabilities and amends the profile through either new borrowing or the rescheduling of the existing debt; and
- monitors the maturity profile of investments to ensure sufficient liquidity is available for the Lead Authority's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk

Interest Rate Risk
The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management and Policy Strategy draws together the Authority's prudential and treasury indicators and its expected treasury operations, in which the Authority adopts the lead authority's treasury indicators which provides maximum limits for fixed and variable interest rate exposure. The central treasury team at the Lead Authority monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Note 15 – Short-Term Debtors

31st March 2019 £'000		31st March 2020 £'000
4,653	Central Government bodies	5,628
842	Other local authorities	1,419
2	NHS bodies	2
2	Public corporations and trading funds	1
6,216	Other entities and individuals	7,129
11,715	**Total**	**14,179**

Note 16 – Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31st March 2019 £'000		31st March 2020 £'000
1	Cash held by the Authority	1
5,588	Bank Current Accounts	9,209
27,514	Short Term Investments held with Lead Authority	27,514
33,103	**Total**	**36,724**

Note 17 – Short-Term Creditors

31st March 2019 £'000		31st March 2020 £'000
(1,733)	Central Government bodies	(2,512)
(2,354)	Other local authorities	(3,181)
(109)	Public corporations and trading funds	(110)
(1,138)	Other entities and individuals	(2,137)
(5,334)	**Total**	**(7,940)**

Note 18 – Provisions

Insurance Provision
An insurance provision has been established to meet the identified potential cost to the Authority of insurance policy excesses for claims of negligence from employees for personal injury sustained during the course of their employment and from third parties for personal injury or damage to their property. This provision is based on the Insurance Company's estimates of outstanding claims and settlement of the claims is likely to be spread over a number of years.

Business Rates Appeal Provision
A provision for Non-Domestic Rates appeals has been established to meet the identified potential costs to the Authority of appeals in relation to the valuations used in the calculation of Business Rates. The provision is based on the District's best estimate of the amount that will be successfully appealed (i.e. that businesses have been overcharged) in relation to 2019/2020 and previous years, regardless of when that appeal is raised or settled. Whilst the settlement of these appeals is outside of the Authority's control, it is considered likely that 2010 list appeals will be settled within the next financial year and hence are classified as a short term provision.

	Insurance Provision £'000	Business Rates Appeal Provision £'000	Total £'000
Balance at 1 April 2018	(236)	(392)	(628)
Additional provisions made in 2018/2019	(21)	(258)	(279)
Amounts used in 2018/2019	65	133	198
Balance at 31 March 2019	(192)	(517)	(709)
Additional provisions made in 2019/2020	**55**	**(118)**	**(63)**
Amounts used in 2019/2020	**62**	**82**	**144**
Balance at 31 March 2020	**(75)**	**(553)**	**(628)**

The nature of the individual provisions held at 31st March 2020 is detailed below:

	Short Term £'000	Long Term £'000	2019/2020 Total £'000
Insurance provision	0	(75)	**(75)**
Business rates appeal provision	(553)	0	**(553)**
	(553)	(75)	**(628)**

Note 19 – Usable Reserves

Movements in the Authority's usable reserves are detailed in Note 8 – Movements in Earmarked Reserves on pages 66 to 68.

Note 20 – Unusable Reserves

31st March 2019 £'000		31st March 2020 £'000
23,859	Revaluation Reserve	**23,358**
23,406	Capital Adjustment Account	**22,604**
(951,055)	Pensions Reserve	**(876,815)**
294	Collection Fund Adjustment Account	**909**
(284)	Accumulated Absence Account	**(290)**
(903,780)	**Total Unusable Reserve**	**(830,234)**

Revaluation Reserve
The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31st March 2019 £'000		31st March 2020 £'000
23,909	Balance at 1 April	**23,859**
36	Upward revaluation of assets	**356**
(85)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(553)**
23,860	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**23,662**
(1)	Difference between fair value depreciation and historical cost depreciation	**(6)**
0	Accumulated gains on non-current assets sold	**(298)**
23,859	**Balance at 31 March**	**23,358**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 on page 62 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31st March 2019 £'000		**31st March 2020 £'000**
24,403	**Balance at 1 April**	**23,406**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,679)	Charges for depreciation and impairment of non-current assets	**(3,438)**
0	Amount of non-current assets written out on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(1,009)**
20,724		**18,959**
	Capital financing applied in the year;	
406	Use of Capital Receipts to finance new capital expenditure	**1,306**
243	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**312**
1,484	Statutory provision for the financing of capital investment charged against the General Fund balance	**1,584**
455	Capital expenditure charged against the General Fund balance	**362**
94	Movement in the Donated Asset Account credited to the Income and Expenditure Statement	**81**
23,406	**Balance at 31 March**	**22,604**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31st March 2019 £'000		**31st March 2020 £'000**
(887,181)	**Balance at 1 April**	**(951,055)**
(21,470)	Re-measurement of the net defined benefit liability / (asset)	**87,390**
(70,044)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(43,410)**
27,640	Employers pensions contributions and direct payments to pensioners payable in the year	**30,260**
(951,055)	**Balance at 31 March**	**(876,815)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rating income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31st March 2019 £'000		**31st March 2020 £'000**
366	**Balance at 1 April**	**294**
(73)	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	**615**
294	**Balance at 31 March**	**909**

Accumulated Absences Account
The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account

31st March 2019 £'000		**31st March 2020 £'000**
(228)	Balance at 1 April	**(284)**
228	Settlement or cancellation of accrual made at the end of the preceding year	**284**
(284)	Amounts accrued at the end of the current year	**(290)**
(284)	**Balance at 31 March**	**(290)**

Note 21 – Cash Flow Statement – Operating Activities

The cash flows from operating activities is detailed in the income, expense, gains and losses section of the Financial Instruments note.

Note 22 – Cash Flow Statement – Investing Activities

2018/2019 £'000		**2019/2020 £'000**
861	Purchase of property, plant and equipment	**1,668**
861	**Net cash flows from Investing Activities**	**1,668**

Note 23 – Cash Flow Statement – Financing Activities

2018/2019 £'000		**2019/2020 £'000**
508	Repayments of short and long term borrowing	**487**
1,485	Other payments and financing activities	**1,596**
1,993	Net cash flows from Financing Activities	**2,083**

Note 24 – Members' Allowances and Expenses

The amount paid to Authority Members during the year was:

	2018/2019 £'000	**2019/2020 £'000**
Total Members' Allowances and Expenses Paid	102	**101**

Note 25 – Officers' Remuneration

The number of employees (excluding 'Senior' officers) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000:

Remuneration Band	2018/2019 Number of Employees	**2019/2020 Number of Employees**
£50,000-£54,999	15	**8**
£55,000-£59,999	0	**6**
£60,000-£64,999	10	**9**
£65,000-£69,999	1	**3**
£70,000-£74,999	0	**0**
£75,000-£79,999	0	**0**
£80,000-£84,999	2	**3**
	28	**29**

The tables below disclose the specific remuneration information in relation to 'Senior' officers. The senior officers are those who are involved in influencing and making strategic decisions and developing policies for the organisation. For Tyne and Wear Fire and Rescue Authority, this is the Chief Fire Officer, the Assistant Chief Fire Officers and the Finance Director.

Post Holder Information	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of Office	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Strain on Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£	£	£
2019/2020							
Chief Fire Officer and Chief Executive	**153,243**	**0**	**0**	**153,243**	**44,957**	**0**	**198,200**
Assistant Chief Fire Officer – Organisational Development	**122,595**	**0**	**0**	**122,595**	**35,966**	**0**	**158,561**
Assistant Chief Fire Officer – Community Safety (to 07.01.20)	**89,172**	**0**	**0**	**89,172**	**33,970**	**0**	**123,142**
Assistant Chief Fire Officer – Community Safety (from 05.01.20)	**27,262**	**0**	**0**	**27,262**	**10,169**	**0**	**37,431**
Finance Director	**80,580**	**36**	**0**	**80,616**	**14,115**	**0**	**94,731**
2018/2019							
Chief Fire Officer and Chief Executive	149,507	0	0	149,507	21,379	0	170,886
Assistant Chief Fire Officer – Organisational Development	119,606	0	0	119,606	17,104	0	136,710
Assistant Chief Fire Officer – Community Safety	119,067	0	0	119,067	25,837	0	144,904
Finance Director	79,001	61	0	79,062	13,825	0	92,887

Note 26 – External Audit Costs

Tyne and Wear Fire Authority has incurred the following costs in relation to the audit of the Statement of Accounts provided by the Authority's external auditors.

	2018/2019 £'000	2019/2020 £'000
Fees paid to external auditors with regard to external audit services carried out by the appointed auditor (Mazars LLP)	24	**24**
	24	**24**

Note 27 – Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

	2018/2019 £'000 Restated	2019/2020 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	9,620	**8,796**
National Non Domestic Rates	4,589	**4,429**
Top Up Grant	11,031	**11,274**
Council Tax Income	23,119	**24,752**
Government Capital Grant Applied	145	**16**
	48,504	**49,267**
Credited to Services		
PFI Grant	3,358	**3,358**
New Dimensions	871	**872**
Firelink	256	**264**
Emergency Services Mobile Communications	86	**0**
USAR Long Term Capability	1	**0**
COVID-19	0	**274**
Pensions	0	**2,593**
MTFA New Risks	32	**49**
Business Rates	235	**396**
	4,839	**7,806**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31st March 2019 £'000	**31st March 2020 £'000**
Capital Grants Receipts in Advance		
Fire Capital Grant	16	**0**
	16	**0**
Donated Assets Account		
New Dimensions Equipment	188	**107**
	188	**107**

Note 28 – Related Parties

The 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020' requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

Central Government: Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from Government departments are set out in Note 27 on page 88.

Authority Members: Disclosures in respect of members' interests are required to be reported. After consultation with Members there are no disclosures to report.

Chief Officers: Disclosures in respect of Chief Officers' interests are also required to be reported. After consultation with Chief Officers there are no disclosures to report.

Other Relevant Information: Details of the Authority's transactions with Sunderland City Council for provision of support services are shown in the appropriate sections of the Income and Expenditure Account as disclosed in Accounting Policy 1.6 on page 51. The cost of Support Services received by the Authority total £309,473 (£305,570 in 2018/2019).

Trading Arrangements:

TWFRS Ltd
The Authority has a trading company TWFRS Ltd which commenced operating on 1st April 2015. The Authority currently holds 20,001 £1 shares and wholly owns the company which it operates on a local authority trading company basis. The Company was trading with an agreed Operating Arrangement with Impeller Assurance and Resilience Ltd until November 2019 when this Company went into liquidation. This had an adverse one-off impact on the finances of TWFRS Ltd which meant that the Company is reporting a net loss of £270,748 for 2019/2020 (£24,597 net profit in 2018/2019). No dividends have been paid or are being proposed as a result. The Company is reviewing its activities and structures with the full support of the Authority and has developed plans to ensure it can continue to trade successfully.

Impeller Foundation and Impeller Assurance and Resilience Ltd
On 1st April 2015, the Authority also set up a separate independent Charitable Company known as the Impeller Foundation. The Charity also established a subsidiary Trading Company, Impeller Assurance and Resilience Ltd, to carry out the main trading activities of the Foundation. The Charity remained independent from the Fire Authority and its operations, although the Foundation could make donations to the Fire Authority to help further the Fire Authority's objectives which were the same as the aims of the Foundation.

The Authority also provided a loan to Impeller Assurance and Resilience Ltd (Impeller Ltd) of £225,000 as part of establishing the charitable company arrangements. The loan was paid initially to TWFRS Ltd and market rates of interest were applied, then passed onto Impeller Ltd.

Impeller Ltd struggled to fulfil its potential however and encountered significant cash flow difficulties during 2019/2020 which unfortunately saw the Company go into liquidation in November 2019. This had an adverse one-off impact upon the trading position of TWFRS Ltd in 2019/2020.

The loan continues to be shown under long term debtors in the Authority's balance sheet until such time as the principal is repaid by TWFRS Ltd.

Note 29 – Capital Expenditure and Capital Financing

The total amount of capital expenditure in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2018/2019 £'000	2019/2020 £'000
Opening Capital Financing Requirement	9,991	**8,507**
Capital Investment:		
Property, Plant and Equipment	1,104	**1,980**
Intangible Assets	0	**0**
Sources of Finance		
Capital Receipts	(406)	**(1,306)**
Government grants and other contributions	(243)	**(312)**
Sums set aside from		
Direct Revenue Contributions	(455)	**(362)**
MRP	(1,484)	**(1,584)**
Closing Capital Financing Requirement	8,507	**6,923**

Explanation of movements in year:

Assets acquired under PFI contracts	0	0
Minimum Revenue Provision	(1,484)	**(1,584)**
Increase / (Decrease) in Capital Financial Requirement	(1,484)	**(1,584)**

Note 30 – Private Finance Initiatives and Similar Contracts

In March 2003, the Authority entered into a PFI contract to provide six new Fire Stations, a Service Headquarters and a new Technical Services Centre. The contract expires in May 2029.

In June 2009, the Authority entered into a 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 makes agreed fixed payments to the contractors each year. Indexation is applied annually and payments can be reduced should the contractor fail to meet availability and performance standards. The estimated contract payments remaining for both the PFI and NEFRA contracts (excluding any estimation of inflation and availability/performance deductions), are shown in the table below.

	2020/2021 £'000	2021/2022 - 2024/2025 £'000	2025/2026 - 2029/2030 £'000	2030/2031 - 2034/2035 £'000	2035/2036 £'000	Total £'000
Finance Lease Creditor Repayment	1,087	5,140	10,210	1,636	432	**18,505**
Finance Lease Creditor Interest	1,738	5,845	3,980	734	36	**12,333**
Lifecycle Maintenance Costs	64	271	378	428	92	**1,233**
Contingent Rentals	166	553	1,377	88	17	**2,201**
Operating Costs	2,208	9,949	12,967	1,682	372	**27,178**
PFI Grant	(3,358)	(13,432)	(14,336)	(2,770)	(69)	**(33,965)**
Total Net Expenditure	**1,905**	**8,326**	**14,576**	**1,798**	**880**	**27,485**

Note 31 – Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The firefighters' pension scheme for operational employees is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities. The cost of pension payments is met from employer and employee contributions, with the balance being funded by the Government through a top-up grant. The employers' contributions to the firefighters' pension fund account are 71.4% in respect of the 1992 Scheme, 51.7% in respect of the 2006 Scheme and 90.7% in respect of the 2015 Scheme.
- The Local Government Pension Scheme for non-operational employees, administered by South Tyneside Council is a funded defined benefit salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employers' contributions to the local Government fund account are 17.5%.

Transactions Relating to Post-employment Benefits
The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement, including Past Service Costs which are treated as Non Distributed Costs in Corporate Support Services, and are removed from the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2019/2020 £'000	2018/2019 £'000	**2019/2020 £'000**	2018/2019 £'000	**2019/2020 £'000**	2018/2019 £'000
omprehensive Income and Expenditure Statement						
ost of Services:						
ervice Cost comprising:						
Current Service Cost	**2,400**	1,990	**14,540**	8,790	**16,940**	10,780
Past Service Costs	**0**	1,520	**3,250**	35,720	**3,250**	37,240
inancing and Investment Income and Expenditure:						
Net Interest Expense	**530**	560	**22,620**	21,810	**23,150**	22,370
otal Post Employment Benefit Charged to the Surplus or Deficit n the Provision of Services	**2,930**	4,070	**40,410**	66,320	**43,340**	70,390
ther Post Employment Benefits Charged to the Comprehensive ncome and Expenditure Statement						
e-measurement of the Net Defined Benefit Liability comprising:						
ocal Government Scheme						
Return on Plan Assets	**6,110**	(3,120)	**0**	0	**6,110**	(3,120)
Actuarial (Gains) and Losses arising on changes in Demographic Assumptions	**(1,350)**	(3,210)	**0**	0	**(1,350)**	(3,210)
Actuarial (Gains) and Losses arising on changes in Financial Assumptions	**50**	3,130	**0**	0	**50**	3,130
Other	**(1,740)**	170	**0**	0	**(1,740)**	170
irefighters' Scheme						
Experience (Gains) and Losses arising on Pension Liabilities	**0**	0	**(19,890)**	990	**(19,890)**	990
Changes in Assumptions underlying the Present Value of the Pension Liabilities	**0**	0	**(70,570)**	23,510	**(70,570)**	23,510
otal Post Employment Benefits Charged to the Comprehensive ncome and Expenditure Statement	**6,000**	1,040	**(50,050)**	90,820	**(44,050)**	91,860

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2019/2020	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
lovement in Reserves Statement						
Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	**1,710**	2,595	**11,370**	39,810	**13,080**	42,405
ıctual amount charged against General Fund Balance for ıensions in the year:						
Employers Contributions Payable to the Scheme	**1,220**	1,130	**0**	0	**1,220**	1,130
Retirement Payments Payable to Pensioners	**0**	0	**29,110**	26,510	**29,110**	26,510

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	31st March 2020 £'000	31st March 2019 £'000	**31st March 2020 £'000**	31st March 2019 £'000	**31st March 2020 £'000**	31st March 2019 £'000
Present value of the defined benefit obligation	**(80,760)**	(81,215)	**(849,680)**	(928,700)	**(930,440)**	(1,009,915)
Fair value of plan assets	**53,970**	58,860	**0**	0	**53,970**	58,860
Net liability arising from defined benefit obligation	**(26,790)**	(22,355)	**(849,680)**	(928,700)	**(876,470)**	(951,055)

Reconciliation of the Movements in the Fair Value of Local Government Scheme (Plan) Assets

	Local Government Pension Scheme	
	2019/2020 £'000	2018/2019 £'000
Opening fair value of scheme assets	**58,860**	54,270
Interest income	**1,470**	1,410
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	**(6,110)**	3,120
Contributions from employer	**1,220**	1,130
Contributions from employee in to the scheme	**430**	400
Benefits paid	**(1,900)**	(1,470)
Closing balance at 31 March	**53,970**	58,860

The firefighters' pension scheme has no assets to cover its liabilities.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2019/2020	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Opening Balance at 1 April	**80,870**	76,370	**928,700**	864,390	**1,009,570**	940,760
Current Service Cost	**2,400**	1,990	**14,540**	8,790	**16,940**	10,780
Interest Cost	**2,000**	1,970	**22,620**	21,810	**24,620**	23,780
Contributions by scheme participants	**430**	400	**2,370**	2,420	**2,800**	2,820
Re-measurement (gains) and losses:						
Local Government Scheme						
Actuarial (gains)/losses arising from changes in demographic assumptions	**(1,350)**	(3,210)	**0**	0	**(1,350)**	(3,210)
Actuarial (gains)/losses arising from changes in financial assumptions	**50**	3,130	**0**	0	**50**	3,130
Other	**(1,740)**	170	**0**	0	**(1,740)**	170
Firefighters' Scheme						
Experience (gains) and losses arising on pension liabilities	**0**	0	**(19,890)**	990	**(19,890)**	990
Changes in assumptions underlying the present value of the pension liabilities	**0**	0	**(70,570)**	23,510	**(70,570)**	23,510
Past service cost	**0**	1,520	**3,250**	35,720	**3,250**	37,240
Benefits paid	**(1,900)**	(1,470)	**(31,410)**	(28,930)	**(33,310)**	(30,400)
Pension transfers in	**0**	0	**70**	0	**70**	0
Liabilities extinguished on settlements	**0**	0	**0**	0	**0**	0
Closing balance at 31 March	**80,760**	80,870	**849,680**	928,700	**930,440**	1,009,570

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The net liability of £876.470m has a substantial impact on the negative net worth of £794.463m recorded on the balance sheet of the Authority. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2021 is £1.23m.

Local Government Pension Scheme Assets

The approximate split of assets for the local Government pension scheme is shown below. The firefighters' pension scheme has no assets to cover its liabilities.

	Asset split at 31st March 2020			Asset split at 31st March 2019
	Quoted %	**Unquoted %**	**Total %**	%
Equities	48.0	6.8	**54.8**	65.0
Government Bonds	4.1	0.0	**4.1**	4.1
Corporate Bonds	15.3	0.0	**15.3**	11.7
Property	0.0	9.0	**9.0**	8.8
Cash	2.3	0.0	**2.3**	2.7
Other Assets	8.5	6.0	**14.5**	7.7
Total	78.2	21.8	**100.0**	100.0

Basis for Estimating Assets and liabilities

The liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Aon Hewitt Limited, an independent firm of actuaries and the firefighters' pension scheme liabilities have been assessed by the Government Actuary's Department.

The principal assumptions used by the actuary are:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2019/2020	2018/2019	**2019/2020**	2018/2019
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	**21.8 yrs**	22.2 yrs	**21.3 yrs**	22.0 yrs
Women	**25.0 yrs**	25.3 yrs	**21.3 yrs**	22.0 yrs
Longevity at 65 for future pensioners (aged 45):				
Men	**23.5 yrs**	23.9 yrs	**23.0 yrs**	23.9 yrs
Women	**26.8 yrs**	27.2 yrs	**23.0 yrs**	23.9 yrs
CPI	**1.90%**	2.10%	**2.00%**	2.35%
Rate of increase in salaries	**3.40%**	3.60%	**4.00%**	4.35%
Rate of increase in pensions	**1.90%**	2.10%	**2.00%**	2.35%
Rate for discounting scheme liabilities	**2.30%**	2.50%	**2.25%**	2.45%
Commutation – Pre 2008	**75.00%**	75.00%	**N/A**	N/A
Commutation – Pre 1st April 2010	**N/A**	N/A	**N/A**	N/A
Commutation – Post 31st March 2010	**N/A**	N/A	**N/A**	N/A

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation			
	Local Government Pension Scheme		Firefighters' Pension Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	+2,530	-2,500		
Rate of increase in salaries (increase or decrease by 0.1%)	+290	-280		
Rate of increase in pensions (increase or decrease by 0.1%)	+1,500	-1,470		
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	-1,750	+1,790		
Longevity (increase or decrease in 1 year)			+26,000	-26,000
Rate of increase in salaries (increase or decrease by 0.50%)			+9,000	-9,000
Rate of increase in pensions (increase or decrease by 0.50%)			+60,000	-60,000
Rate for discounting scheme liabilities (increase or decrease by 0.50%)			-77,000	+77,000

Impact on the Authority's Cash Flows

The weighted average duration of the defined benefit obligation for scheme members in the Local Government scheme is 22.1 years (21.1 years, 2018/19) and in the firefighter scheme is 36 years (37 years, 2018/19).

Supplementary Statements

Firefighters' Pension Fund Statement

The financial statements summarise the transactions and the net assets relating to the Firefighters' Pension Fund. The amounts that must be debited and credited to the Pension Fund Account are specified by regulation.

	2019/2020 £'000		2018/2019 £'000	
Contributions Receivable				
From employers				
- normal	**(5,558)**		(2,979)	
- early retirement	**(45)**		(45)	
From members	**(2,364)**	**(7,967)**	(2,420)	(5,444)
Transfers In				
Individual transfers in from other schemes		**(65)**		0
Benefits Payable				
Pensions	**23,039**		21,906	
Commutations and lump sum retirement benefits	**6,817**		5,700	
Lump sum death benefits	**0**	**29,856**	0	27,606
Payments to and on account of leavers				
Individual transfers out to other schemes		**0**		0
Deficit/surplus for the year before top-up grant receivable from/amount payable to Central Government		**21,824**		22,162
Top-up grant (receivable)/amount payable to sponsoring department		**(21,824)**		(22,162)
Net amount payable/(receivable) for the year		**0**		0

Firefighters' Pension Net Assets Statement

	31st March 2020 £'000	31st March 2019 £'000
Net Current Assets and Current Liabilities		
Pension top-up grant receivable from / (due to) sponsoring department	**5,319**	4,288
Pre-paid pension benefits	**1,980**	1,882
Cash Overdrawn due to the General Fund	**(7,299)**	(6,170)
	0	0

Notes to the Firefighters' Pensions Statements

1. Basis of Preparation

The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain. CIPFA guidance notes for practitioners have also been referred to and applied where appropriate.

The financial statements summarise the transactions of the scheme and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

Details of the Authority's long term pension obligations can be found in the main statements.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions
Contributions represent the total amounts receivable from the Authority and the pensionable employees. The employer's contributions are made at rates determined by the Government Actuaries Department, at a nationally applied rate of 80.9% for the 1992 Firefighters' Pension Scheme, 53.7% for the 2006 Firefighters' Pension Scheme and 94.4% for the 2015 Firefighters' Pension Scheme. The employee's contributions are dependent on salaries and range from 11.0% to 17.0% for the 1992 Scheme, 8.5% to 12.5% for the 2006 Scheme and 11.0% to 14.5% for the 2015 Scheme.

In addition to these contribution payments, the Authority is also required to make payments into the Pension Fund in respect of ill-health retirements, when they are granted.

No provision is made in the accounts for employees' and employer's contributions relating to sums due on pay awards not yet settled.

Benefits and refunds
Benefits and refunds are accounted for in the year in which they become due for payment.

Transfer values
Transfer values are those sums paid to, or received from, other pension schemes, and the firefighters' pension scheme outside England, for individuals, and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

3. Fund's Operations

New financial arrangements came into effect from 1st April 2006. The new financial arrangements had no impact on the terms and conditions of the firefighter pension schemes.

The firefighters' schemes are statutory, unfunded pension schemes, with the benefits being defined and guaranteed in law. Each scheme is contracted out of the State Second Pension (S2P) and must provide benefits at least as good as most members would have received had they been members of S2P. Benefits provided include a tax-free lump sum and a guaranteed pension based on final salary upon retirement.

Prior to 1st April 2006, the Authority administered and paid firefighters' pensions on a 'pay-as you-go' basis, which meant that employees' contributions were paid into the Authority's operating account from which pension awards were made. Following the change in financial arrangements on 1st April 2006, the Authority has continued to administer and pay firefighters' pensions, but this is now from a new separate local firefighters' pension fund.

Employee contributions and new employer's contributions are paid into the Pension Fund from which pension payments are made. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus in the fund being recouped by Government. The fund is, therefore, balanced to nil each year by receipt of pension top-up grant or by paying the surplus back to Government. The underlying principle is that employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The fund has no investment assets.

Glossary of Terms

Accrual
A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

Accounting Policies
Those principles, bases, conventions, rules and practice applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising;
- selecting measurement bases for; and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- the actuarial assumptions have changed.

Assets
Items of worth which are measurable in terms of money (value). Current assets are ones that may change in value on a day-to-day basis (e.g. Inventories). Non-current assets are tangible assets that yield benefit to the Authority and the services it provides for a period of more than one year.

Balance Sheet
A statement of the recorded assets, liabilities and other balances at a specific date usually at the end of an accounting period.

Balances
The capital or revenue reserves of the Authority made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

Capital Charge
The charge to the services for the use of non-current assets.

Capital Expenditure
Is expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital Financing Charges
The annual charge to the Comprehensive Income and Expenditure Statement in respect of the minimum revenue provision and interest on money borrowed together with leasing rentals.

Capital Financing Requirement
The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the Authority's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.

Capital Grants
Grants received towards capital expenditure on a particular service or project.

Capital Receipts
Money received from the sale of land or other capital assets. For non-housing authorities capital receipts are held by the Authority and can be used to pay for any kind of capital expenditure, to repay debt, to meet premiums on early debt repayments and to meet liabilities under credit arrangements.

Class of Property, Plant and Equipment (PPE)
The classes of Property, Plant and Equipment (PPE) included in the accounting statements are:

Operational assets:
- Land and buildings
- Vehicles, plant and equipment

Non-operational assets:
- Assets under construction
- Assets held for sale

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

Code of Practice on Local Authority Accounting in the UK
'The Code' specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of the Authority.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next, is the same.

Constructive Obligation
An obligation that derives from an Authority's actions where:

- By an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- As a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Liability
A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or where a provision would otherwise be made but it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingencies
Sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.

Corporate Support Services
This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax
The form of local taxation operated from April 1993, based on properties.

Credit Ceiling
Is a measure of the difference between the Authority's total liabilities in respect of capital expenditure financed by credit and the provision that has been made to meet those liabilities.

Creditors
Amounts owed by the Authority for goods and services provided where payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

Debt Outstanding
Amounts borrowed to finance capital expenditure that are still to be repaid.

Debtors
Sums of money due to the Authority but not received at the date of the balance sheet.

Defined Benefit Scheme
A pension, or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable,

and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions, fixed as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The measure of the cost or revalued amount of the benefits of the PPE that have been consumed during the period.

Consumption includes the wearing out, consumption, or other reduction in the useful economic life of PPE, whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discontinued Operations
Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- The activities related to the operation have ceased permanently;
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting in either form its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations; and
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

Emoluments
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Estimation Techniques
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gain losses and changes to reserves.
Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured: where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole, rather than individual balances.

Exceptional Items
Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pension Assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure
Amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received, even if they have not yet been paid for (in which case the supplier is a creditor of the Authority).

Fees and Charges
Income arising from the provision of services.

General Fund
This accounts for the services of the Authority. The net cost is met by the Council Tax, Government Grants and National Non Domestic Rates.

Going Concern
The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

Impairment
Is the amount by which the carrying value of an asset (i.e. its current value in the accounts) exceeds its recoverable amount, caused either by a consumption of economic benefits (e.g. obsolescence, damage or adverse change in statutory environment), or a general fall in prices or collectability.

Income
Amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment - income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Authority).

Intangible Assets
These are identifiable, non-monetary, non-current assets without physical substance. Examples include software licences, patents and copyrights.

Interest Cost (Pension)
For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS)
Standards issues by the International Accounting Standards Board (IASB) which present the Authority's accounts in a consistent and comparable format with other Fire and Rescue Services internationally.

Inventories
The amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventory comprises the following categories:

- Goods or other assets purchased for resale;
- Consumable goods;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long term contract balances; and
- Finished goods.

Investments (Pension Fund)
The investments of the pension fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investments (Non Pension Fund)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

Leasing
The method of financing the provision of capital assets to discharge the Authority's functions outside normal borrowing procedures but within criteria laid down in the Local Authorities (Capital Finance) Regulations 1990.

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Liabilities
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.

Liquid Resources
Current asset investments that are readily disposable by the Authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Loans Outstanding
The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

Long Term Contracts
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision
Is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government Act 1989.

National Non-Domestic Rate (NNDR)
With effect from April 1990 all non-domestic properties were revalued and the Government determines a national rate poundage every year which is applicable to all local authorities. From 1st April 2013, only 50% of the proceeds are pooled and re-distributed by Central Government. The remainder are retained locally, placing risk on the billing authority to collect the business rates income due and a passed on risk of this to the Authority. Appeals and avoidance tactics can also have a significant impact on the level of income collected each year. The Authority has a business rates appeal provision based on information provided from the billing authorities.

Net Book Value
The amount at which non-current assets are included in the balance sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating a non-current asset in its existing condition and in its existing use, i.e. the cost of its replacement, or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt
The Authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net Realisable Value
The open market value of the non-current asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Operational Assets
Non-current assets held by a local authority but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets
Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Past Service Costs
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept
The amount levied by the Tyne and Wear Fire and Rescue Authority which is collected by the Tyne and Wear Councils on their behalf.

Prior Period Adjustments
Those material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior periods.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants. Allowing where appropriate for future increases; and
- The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

Private Finance Initiatives (PFI)
PFI's are method of funding/acquiring assets such as schools, but the supplier of the building is usually an agreed contractor or bidder, usually over a 25 year term. The Authority pays for the use of the asset by means of a unitary charge and can acquire the asset after this term if included in the terms of the contract. Up until this point the Authority does not own the asset and simply pays for the use of the asset. Government grant is available to assist authorities who enter into these arrangements, however, known as PFI credits. These have a direct impact upon the level of Government grant paid each year to help pay for the scheme.

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form of cash, or of other assets and the ultimate cash realisation can be assessed with reasonable certainty.

Prudential Framework
One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the prudential framework local authorities are free to borrow without specific Government consent if they can afford to service the debt without extra Government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Authority before the start of the relevant financial year as part of their budget setting process.

Public Works Loan Board (PWLB)
A Central Government agency, which lends money to Local authorities at lower interest rates than those generally available from the private sector. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Parties
Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transaction
A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. Examples of related party transactions include:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- The provision of services to a related party, including the provision of pension fund administration services; and
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, Rents and payable of benefits.

Reserves
These are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred.

Residual Value
The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date, or;

- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Balances
These are the accumulated surpluses on the General Fund. They can be applied to reduce borrowing, reduce the Council Tax, or held to be applied in future years.

Revenue Contributions
The method of financing capital expenditure directly from revenue. The Authority may determine that certain capital schemes should be financed in this way or alternatively may include a prescribed sum in the revenue budget for this purpose.

Revenue Expenditure
Expenditure incurred on the day to day running of the Authority, the costs principally include employee expenses, capital financing charges and general running costs.

Revenue Support Grant (RSG)
A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. The grant helps to bridge the gap between Council Tax and NNDR income on one hand and the total assessment of the Authority's need to spend on the other. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP)
The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP applies to all Local Authorities from the 1 April 2013 for the preparation of budgets, performance indicators and Statement of Accounts. The aim of SeRCOP is to establish proper practice with regard to consistent financial reporting for services.

Settlement
An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Specific Grants
Government grants to Local Authorities in aid of particular services, e.g. community fire safety.

Total Cost
The total cost of a service or activity includes all costs, which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Unapportionable Central Overheads
These are overheads for which there are no user benefits and should not be apportioned to services.

Useful Life
The period over which the Authority will derive benefits from the use of a non-current asset.

Vested Rights
In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.