

### Narrative Statement

The Narrative Statement provides information about Sunderland, the Council's performance and its Accounts. The narrative provides:

- a summary of both the non-financial and financial performance of the Council during 2024/2025 and focuses on the key matters that are of relevance to the readers of the Accounts; and
- a forward look at issues that will affect the Council's operation in 2025/2026 and beyond.

### Financial Statements presented within the Statement of Accounts 2024/2025

The financial highlights noted in the Narrative Statement are reflected in the Statement of Accounts and Notes to the Accounts for 2024/2025.

The Accounts set out the Council's income and expenditure for the year, and its financial position as at 31 March 2025. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025, which in turn is underpinned by International Financial Reporting Standards. Whilst the format of the accounts does not reflect the way we monitor and present information during the year, the accounts are fully reconciled to our in-year results.

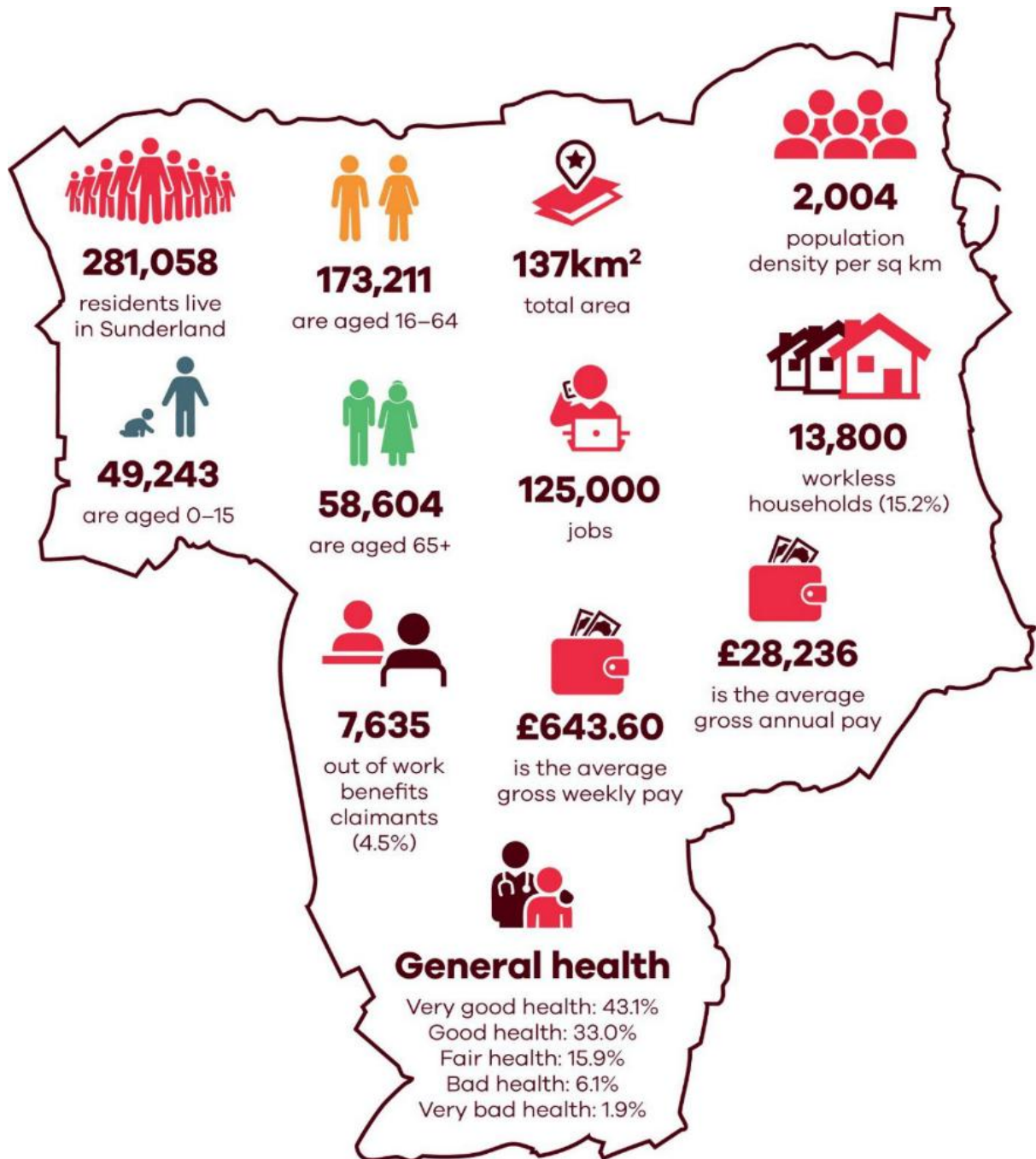
The financial statements required to be prepared under the Code are:

1. **Statement of Responsibilities** - This discloses the respective responsibilities of the Council and the Director of Finance.
2. **Movement in Reserves Statement (MiRS)** - This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.
3. **Comprehensive Income and Expenditure Statement** - This 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 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 of the assets and liabilities recognised by the Council at the year end. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council.
5. **Cash Flow Statement** - The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.
6. **Notes** - 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 their understanding.
7. **Collection Fund Statement** - The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund for Council Tax and Business Rates. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution between the Council, its precepting bodies and the Government.
8. **Group Accounts** - The Group Accounts present the financial statements and associated notes for the Council together with its subsidiaries and joint ventures.

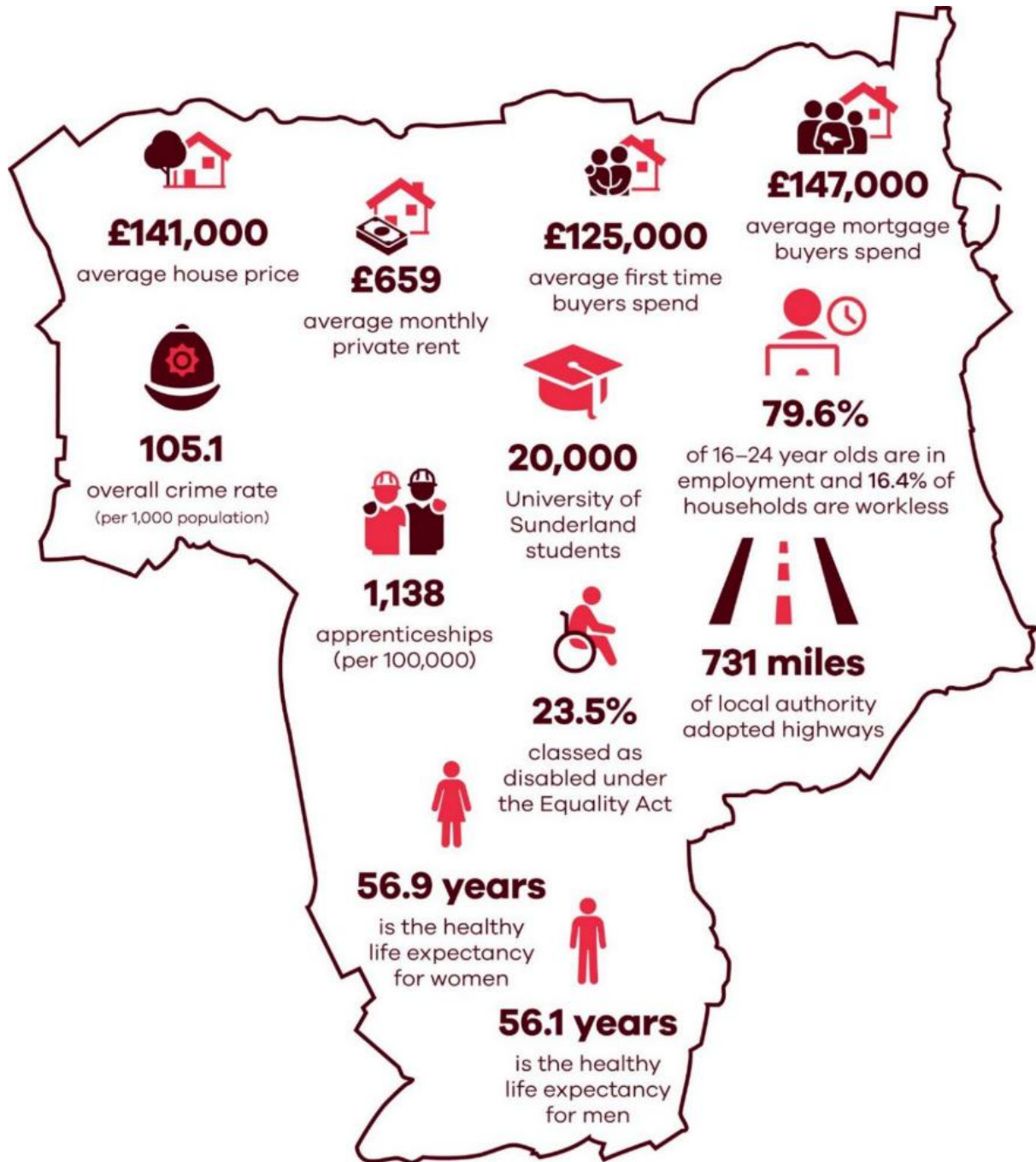
# Narrative Statement

## About Sunderland

Sunderland is a city by the sea with a coastline, river and Port. It has a city centre urban core of 180 hectares, along with two major sub-centres in Washington and Houghton. More than 50% of the city is greenfield land. Some key statistics for Sunderland are:



## Narrative Statement









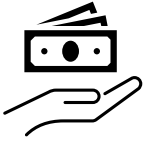



### Our City Plan Vision:

**“Sunderland will be a connected, international city with opportunities for all”.**










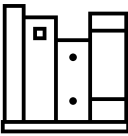
The City Plan articulates our ambitions to help achieve the vision for Sunderland, along with a timeline of planned activity. The performance achievements for 2024/2025 set out below, capture the progress we have already made in making Sunderland a great place to live, work, achieve and play, where people are proud to belong. Key performance achievements for 2024/2025 are based on latest available data.

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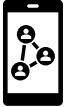


## Performance 2024/2025

<p><b>Ambition: Everyone’s talent is nurtured – our children and young people are achieving the best outcomes and whatever your aspiration you can achieve it in Sunderland.</b></p>		<p><b>100%</b> of new birth visits and <b>97.2%</b> of 2-2½ year-old reviews were within timescale at the end of March 2025.</p>	
	<p><b>91.5%</b> of early help cases referred to our Children’s Services closed with successful outcomes (2024/2025).</p>		<p><b>68</b> apprenticeship starts (2024/2025).</p>
	<p><b>847</b> enrolments by adults on the multiply numeracy programme with <b>99.6%</b> completion (2024/2025).</p>		<p><b>98.9%</b> of adult learners achieving their learning aims on our Adult, Skills &amp; Learning programmes (2024/2025).</p>
	<p><b>12,007</b> workers employed by accredited real Living Wage employers as at the end of March 2025.</p>	<p><b>Ambition: Inward investment, job creation and high performing businesses and employers create opportunities for all residents of the city, with Sunderland making a significant contribution to the UK’s economic growth.</b></p>	
	<p><b>34.2%</b> of all council spend on suppliers and services spent in the local economy and <b>58.4%</b> in the regional economy (2024/2025).</p>		<p><b>£9,657,144</b> of social value secured through procurement (2024/2024).</p>
	<p>Digital ambition being realised with digital (self-service) customer contact at <b>58.9%</b> and instances of access to public Wi-Fi up at <b>648,795</b> (2024/2025).</p>		<p><b>29</b> community Digital Hubs operating supporting digital inclusion for all (March 2025).</p>

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<p><b>Ambition: People live healthier, longer lives – health and wellbeing outcomes are significantly improved, and life is better because we live in Sunderland, rather than any other place.</b></p>		<p><b>17</b> major planning applications approved for non-housing and <b>27</b> for housing (2024/2025).</p>	
	<p>More new homes built – <b>687</b> new homes built in 2024/2025.</p>		<p><b>6,179</b> homes with assisted technology supporting independent living (March 2025).</p>
	<p><b>102</b> partners signed up to the Links for Life Charter (delivering social prescribing and wellbeing support) and <b>1,230</b> website users accessing information / support (2024/2025).</p>		<p><b>90.6%</b> of Youth Drug &amp; Alcohol Programme cases closed with successful outcomes (March 2025).</p>
	<p><b>2,260</b> adults with personal health budgets / direct payments for adult social care services as at the end of March 2025 meaning more people have choice over their care.</p>	<p><b>Ambition: Sunderland is a place recognised for its natural assets; the city has an accessible, strong and growing offer for residents and visitors – it's easy to find something that captures the imagination in Sunderland.</b></p>	
	<p><b>353,030</b> visits to the Empire Theatre  <b>161,521</b> visits to the Arts Centre  <b>238,901</b> visits to the Museum and Winter Gardens (2024/2025).</p>		<p><b>98</b> Council supported play sites that are inspected weekly (March 2025).</p>
	<p><b>7,982</b> attendances at Active Sunderland participation events and sports festivals (2024/2025).</p>		<p><b>194,775</b> physical library issues and <b>85,414</b> digital library issues (2024/2025).</p>

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<p><b>Ambition: Our people and communities thrive and feel pride; everyone is playing their part.</b></p>		<p><b>482</b> organisations engaged in the Heritage Partnership Practitioners Network (March 2025).</p>	
	<p><b>18,907</b> residents supported to access food banks (2024 / 2025).</p>		<p><b>13,105</b> residents supported to maximise their income through Council funded services (2024 / 2025).</p>
	<p>Engagement with Sunderland UK social media increased with <b>38,378</b> Facebook followers (March 2025).</p>	<p><b>Ambition: Sunderland will play its role in tackling the global challenge of climate change, working together across the city to be carbon neutral by 2040.</b></p>	
	<p><b>11,042</b> transactions at electric vehicle rapid charging units in the city (2024/2025).</p>		<p><b>5,359</b> metres of new adopted footway / footpath (2024/2025).</p>

## Financial Performance 2024/2025

The original estimated net revenue expenditure for 2024/2025 to be met from Government grants and local taxpayers was approved at £258.706m. The Council's Band D Council Tax was set at £1,718.81 for 2024/2025, inclusive of the Adult Social Care Precept. This represented a 2.99% Council Tax increase from the 2023/2024 Band D Council Tax level and a 2% Adult Social Care Precept increase. The Council again set the lowest Council Tax level in the North East region for 2024/2025, continuing the trend since Council Tax was introduced in 1993/1994.

Comprehensive budget monitoring is carried out during the year and is scrutinised through monthly challenge sessions with Directors with subsequent reporting to the Chief Executive, and monthly briefing sessions with Portfolio holders. The process is supplemented by formal budget monitoring reports which are made quarterly to the Council's Cabinet. These detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and include a review of certain other key financial items including Treasury Management and Prudential Indicators. Reporting during the financial year reflects robust financial management, continuing the Council's strong track record in this regard.

In overall terms, the Council achieved a surplus of £0.500m for the financial year, which has been transferred to General Fund balances primarily to support the Council's financial resilience over the medium-term.

## Narrative Statement

The table below summarises the financial position for the year 2024/2025.

Portfolio	Final Budget	Outturn	Variance Under / (Over) Spend
	£'000	£'000	£'000
Leader	(548)	(585)	37
Deputy Leader and Health, Wellbeing and Safer Communities	137,398	143,108	(5,710)
Corporate Services and Equalities	31,295	29,294	2,001
Children's Services, Child Poverty and Skills	89,426	93,856	(4,430)
Housing, Regeneration and Business	4,690	5,131	(441)
Communities, Culture and Tourism	14,308	13,421	887
Environment, Transport and Net Zero	70,687	69,428	1,259
<b>Total Service (Delegated) Expenditure</b>	<b>347,256</b>	<b>353,653</b>	<b>(6,397)</b>
Provision for General Contingencies	5,879	0	5,879
Energy (contingencies)	2,439	0	2,439
Provision for Doubtful Debts	1,003	1,003	0
Capital Financing	31,951	30,117	1,834
Transfer to / (from) Reserves	(8,411)	(5,322)	(3,089)
Technical Adjustments	(42,758)	(42,758)	0
Levies	17,399	17,428	(29)
Hetton Town Council Precept	75	75	0
Less Grants	(96,127)	(95,817)	(310)
<b>Total Net Expenditure</b>	<b>258,706</b>	<b>258,379</b>	<b>327</b>
Revenue Support Grant	(34,622)	(34,622)	0
National Non-Domestic Rates / Retained Business Rates	(46,399)	(46,572)	173
Top Up Grant	(49,598)	(49,598)	0
Council Tax Requirement	(128,087)	(128,087)	0
<b>Final Outturn Position</b>	<b>0</b>	<b>(500)</b>	<b>500</b>
Transfer to General Fund Balances	0	500	(500)
<b>Final Outturn Position</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Council maintained a strong usable reserves position, the overall level of reserves being £199.511m at 31 March 2025 (£195.517m at 31 March 2024). Dependent on the future financial impact from inflationary and service demand pressures and the level of Government funding made available to support this, these reserves could come under greater strain than planned in the coming years.

Included within the usable reserves at 31 March 2025 is £9.330m of school balances (£7.758m at 31 March 2024). The Education Reform Act 1988 provides for the carry forward of individual school balances. These earmarked reserves are not for Council use and the level of the reserve, in accordance with the Code, forms part of the movement in General Fund Balances in the Movement in Reserves Statement.

Due to the strong financial outturn the General Fund balance was increased from £13.500m to £14.000m which supports the ongoing financial resilience of the Council as planned.

Further details can be found in the Council's Revenue Outturn report to Cabinet on 26 June 2025.

## Narrative Statement

### Balance Sheet Position

Net assets / total reserves have reduced by £41.809m. Unusable reserves have reduced by £45.803m, mainly due to re-measurement of the defined benefit pension asset / liability and movements on the capital adjustment account. Further details relating to unusable reserves and the net pension asset / liability can be found in Notes 24 and 42 respectively.

With the exception of the General Fund balance, all usable reserves are earmarked for specific purposes.

	<b>Balance as at 31 March 2024 £m</b>	<b>Balance as at 31 March 2025 £m</b>
Non-current assets	1,406	1,432
Net current assets	78	18
Long term liabilities and provisions	(680)	(688)
<b>Net Assets</b>	<b>804</b>	<b>762</b>
Represented by:		
Usable reserves	196	200
Unusable reserves	608	562
<b>Total reserves</b>	<b>804</b>	<b>762</b>

### Financial Indicators

Financial indicators can be calculated to assess the efficiency of the Council and show whether it is delivering value for money.

#### Working Capital Ratio

The Working Capital Ratio indicates whether the Council has enough resources to cover its immediate liabilities (i.e. those liabilities to be met within the next year). A ratio of less than one indicates potential liquidity problems. The Council's ratio is currently 1.1 (1.4 at 31 March 2024) demonstrating a well-managed position.

#### Ratio of Long Term Borrowing to Long Term Assets

This ratio shows long term borrowing as a share of long-term assets. A ratio of more than one means that long term borrowing exceeds the value of long-term assets. The Council's ratio is 0.3 (0.4 at 31 March 2024), meaning that the Council has enough long-term assets to cover its long-term liabilities.

#### Usable Non-School Reserves to Gross Expenditure (Cost of Services)

This ratio shows the Council's reserves, which are available for use, as a proportion of gross revenue expenditure. A higher ratio indicates that the Council has a greater ability to fund unexpected pressures from available resources. The Council has non-school reserves equivalent to 21% of gross expenditure (23% at 31 March 2024), however, these are largely committed for specific purposes.

# Narrative Statement

## Group Accounts

The Council delivers some of its activities through a number of wholly owned subsidiaries and joint ventures. The financial performance of the Council presented earlier includes the outturn position of the Council and all group activities to reflect the full extent of the Council's economic activity and financial position. Group financial statements are produced to consolidate the results and balances of the Council with those organisations considered to be part of the group. The group and single entity accounts should be viewed with equal prominence.

The Group Balance Sheet position is:

	Balance as at 31 March 2024 £m	Balance as at 31 March 2025 £m
Non-current assets	1,446	1,475
Net current assets	107	44
Long term liabilities and provisions	(684)	(687)
<b>Net Assets</b>	<b>869</b>	<b>832</b>
Represented by:		
Usable reserves	196	200
Unusable reserves	648	608
Profit/(Loss) in subsidiaries and joint ventures	25	24
<b>Total Reserves</b>	<b>869</b>	<b>832</b>

## Capital Expenditure & Income and Major Acquisitions, Capital Works and Disposals during 2024/2025

The Council's capital expenditure for 2024/2025 totalled £148.692m. Expenditure on non-current assets was £118.959m, whilst expenditure on intangible assets was £1.836m. The remainder of £27.897m represents loans, grants, and advances to other organisations for capital purposes, equity purchases and expenditure on property not owned by the Council.

Capital expenditure was financed as follows:

Project	Capital Financing £'000
Borrowing	42,742
Capital Receipts	82
Government Grants and other Contributions	89,683
Revenue Contributions from Reserves	16,185
<b>Total</b>	<b>148,692</b>

The Council is involved in several major capital projects. The main projects with spend in 2024/2025 are listed below for information, and shows the amounts of expenditure incurred during 2024/2025, the total estimated gross cost of each project, and the status of the project at the end of this financial year.

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Project	Expenditure During 2024/2025 £'000	Total Estimated Gross Cost £'000	Physically Completed / On-going at 31 March 2025
Sunderland Eye Infirmary	19,310	70,595	Ongoing
Culture House	18,799	41,600	Ongoing
Riverside Sunderland Infrastructure	17,864	86,314	Ongoing
Housing Innovation Construction and Skills Academy	11,572	18,117	Ongoing
Highways Maintenance *	6,465	6,465	Complete
Disabled Facilities Grants *	5,265	5,265	Complete
Smart Cities (ICT Infrastructure)	4,901	21,093	Ongoing
Strategic Acquisitions and Developments *	4,385	4,385	Complete
IAMP (International Advanced Manufacturing Park)	4,378	57,754	Ongoing
Vaux Housing	3,842	56,468	Ongoing
Sunderland Central Station Redevelopment and Car Park	3,618	30,137	Complete
Flood and Extreme Weather Mitigation*	3,054	3,054	Complete
Vehicle, Plant and Equipment Replacement Programme *	2,631	2,631	Complete
Microgrid Backbone	2,614	14,951	Complete
UKSPF (UK shared Prosperity Fund) - External Grants	2,111	2,513	Complete
Leisure Facilities	2,059	6,477	Ongoing

\* These projects are a rolling programme of works; therefore, the total cost is the 2024/2025 spend only.

Disposal of surplus properties and equipment generated capital receipts of £4.762m including £2.124m for sale of land at Chapelgarth to Siglion and £1.610m for sale of land at the former Usworth Comprehensive site.

## Borrowing and Treasury Management Position

As part of the budget for 2024/2025, agreed at Council on 28 February 2024, borrowing limits were set for the year, with Prudential Indicators set as required by the Prudential Code. The limits for 2024/2025 were as follows:

- Authorised Limit for External Debt of £1,210.657m; and
- Operational Boundary for External Debt of £1,185.657m.

These limits have not been exceeded during 2024/2025.

The performance of the Council's treasury management function continues to make a positive contribution to the financial position of the Council. The average rate of interest payable on the Council's borrowing in 2024/2025 was 2.81%, which is low and the Council's treasury management advisor reports this compares favourably with their other local authority clients. During 2024/2025 the Council achieved a rate of return on its investments of 4.97% compared with the benchmark SONIA (Sterling Overnight Index Average) rate of 4.90%. This represents a good achievement, especially when short-term investment rates remained turbulent throughout the year due to global economic uncertainties.

# Narrative Statement

## Future Focus

Following the City Plan's publication in 2019, an annual review and assurance process has been undertaken each year, to ensure that delivery remains focused on achieving the plan's vision, whilst taking account of changing circumstances and conditions at a local, national and global level. The ambitions were revised for the 2025-2035 City Plan and we remain committed to working with our partners and communities to achieve success together.

For the Council's part, as we work alongside partners to deliver the City Plan, we have a set of outcomes that are everyone's business and responsibility across the organisation with all council services playing a role:

- As a Smart Council, services harness advanced technology to enrich the lives of residents, boost economic growth, and pave the way for a smarter, more connected future, leaving no one and nowhere behind.
- By ensuring health is at the heart of everything we do, the health and wellbeing of all the city's residents is significantly improved, inequalities are reduced and everyone has the opportunity to lead a healthy and happy life.
- An inclusive, cohesive city for everyone who calls Sunderland their home and those who visit, work, learn and invest in the city.
- Increased prosperity for the whole of the city's population with reduced poverty and greater financial resilience.
- By ensuring low carbon is embedded into decision-making and delivery, the council becomes carbon neutral by 2030, preparing for and adapting to the impacts of climate change and playing a key role in enabling Sunderland to make real progress towards its goal of becoming carbon neutral by 2040.
- A council that makes the best use of resources and delivers the best services possible for residents and businesses.

## Funding Context and Financial Planning

Although the new Government's first funding settlement has been more positive with additional resources allocated to councils on the basis of need, the Council has had to deal with a prolonged period of underfunding. Difficult decisions have had to be taken, involving changes to the level and standard of services we deliver, transforming the way we deliver the remaining services, looking to increase income generation and ensuring our resources are focused on statutory and priority services.

There are still significant uncertainties relating to Government funding, economic factors and future cost pressures on Council services.

The Government has announced that a Comprehensive Spending Review will be undertaken in 2025. It is likely that following the Comprehensive Spending Review the local government sector will see a multi-year financial settlement covering as a minimum the two-year period for 2026/2027 and 2027/2028. The Government has also indicated that the new fair funding formula and revised system of business rates for Local Government will be developed and consulted upon during 2025/2026 with implementation planned for 2026/2027.

Significant demand and cost pressures remain within Adult and Children's Social Care as well as continued pressure on all areas of service delivery from increased levels of inflation.

The budget setting process for 2025/2026 provided for some additional investment in services. However, in order to set a balanced budget further revenue savings of £10.241m, utilisation of £9.0m of reserves, in addition to a 4.49% increase in Council Tax (including the Adult Social Care Precept) were still required. Full details of the budget for 2025/2026 are set out in the Budget Report to Council of 19 February 2025.

Economic factors and uncertainty regarding future funding arrangements pose a significant risk to the Council's financial position. The Council continues to plan as best it can through its Medium-Term Financial Plan covering 2025/2026 to 2028/2029, and this will be reviewed and refined as budget planning progresses, and Government funding becomes clearer.

# Narrative Statement

## Four Year Capital Programme

The Council's Capital programme supports a range of priorities in the City Plan but continues to have a focus on economic regeneration. The four-year programme from 2025/2026 to 2028/2029 totals £444m, including £24m of new start schemes. This will support the delivery of the key priorities in the City Plan.

The new starts proposals include some schemes which support the progress towards the 2030 carbon neutral and net zero target, support to front-line services to residents across the city with improvements to the Council's property portfolio, investment in the Port's infrastructure and subject to securing external funding, a planned extension to the Heritage Action Zone grant scheme to improve heritage assets along High Street West.

The funding of the Council's four-year Capital Programme is summarised in the table below:

<b>Capital Expenditure and Funding</b>	<b>2025/2026 £m</b>	<b>2026/2027 £m</b>	<b>2027/2028 £m</b>	<b>2028/2029 £m</b>	<b>Total £m</b>
<b>Total Expenditure</b>	<b>258</b>	<b>69</b>	<b>75</b>	<b>42</b>	<b>444</b>
Grants and Contributions	63	8	11	10	<b>92</b>
Capital Receipts	3	1	0	0	<b>4</b>
Reserves and Revenue	4	0	0	0	<b>4</b>
Borrowing	188	60	64	32	<b>344</b>
<b>Total Funding</b>	<b>258</b>	<b>69</b>	<b>75</b>	<b>42</b>	<b>444</b>

Full detail of the approved Capital Programme is set out in the Budget Report to Council of 6 February 2025.

## Financial Risk Assessment

As part of the annual budget setting process, the Council undertakes an analysis of financial risks. Those risks deemed either likely or possible are:

- future available resources being less than notified. The MTFP is based on data as known, but this does not reflect any potential impact of the Government Fair Funding review and move to any alternative retained business rates system. This is likely to be a key impact on the level of funding available in the future;
- changes to Government policy;
- Dedicated Schools Grant (DSG) deficit and current statutory override which is due to end on 31 March 2026 pending any further Government intervention;
- pay awards and price inflation are higher than assumed;
- future spending plans are underestimated, including through increased social care demand;
- anticipated savings are not achieved;
- revenue implications of capital programme are not fully anticipated;
- income targets for Business Rates and Council Tax are not achieved;
- other miscellaneous income targets are not achieved;
- budget monitoring is not effective;
- exit strategies for external funding ceasing/tapering are not met;
- loss of principal deposit;
- investment interest rates are lower than expected / borrowing rates are higher than expected; and
- all MTFP risks are not adequately identified.

The Council carefully manages these risks to ensure any potential impact will be mitigated appropriately. Further details can be found in the Revenue Budget Report to Council of 19 February 2025.

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### Conclusion

Whilst the Council faces ongoing financial challenges, these accounts demonstrate the scale of services which the Council delivers and confirm that the Council's resources are being managed on a prudent basis. Working with our partners, aligned with the City Plan, this provides a strong base for the future, to ensure we can deliver the services that our residents, businesses and visitors need.

A handwritten signature in black ink, appearing to read 'P. Wilson', written in a cursive style.

Paul Wilson CPFA  
Director of Finance

23 June 2025

