Tyne and Wear
Fire and Rescue Authority

Statement of Accounts
2021/2022
(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 2021/2022

Chairman
Councillor A. Taylor (Sunderland City Council) to 8th May 2022
Councillor P. Tye (Sunderland City Council) from 8th July 2022

Vice-Chairman
Councillor N. Forbes (Newcastle City Council) to 8th May 2022
Councillor C. Burdis (North Tyneside Council) from 27th June 2022

Councillors
Sunderland City Council
Councillor M. Butler to 14th June 2021
Councillor J. Warne from 14th June 2021
Councillor A. Samuels to 27th June 2022
Councillor J. Usher from 27th June 2022
Councillor J. Doyle

Newcastle City Council
Councillor H. Stephenson to 14th June 2021
Councillor G. Bell from 14th June 2021
Councillor K. Kilgour
Councillor T. Woodwark
Councillor D. Wood from 27th June 2022

Gateshead Council
Councillor G. Haley
Councillor K. Dodds
Councillor D. Duggan to 14th June 2021
Councillor C. Ord from 14th June 2021

North Tyneside Council
Councillor C. Burdis
Councillor B. Pickard to 14th June 2021
Councillor C. Johnson from 14th June 2021
Councillor J. Hunter

South Tyneside Council
Councillor W. Flynn
Councillor D. Purvis to 14th June 2021
Councillor N. Dick from 14th June 2021 to 27th June 2022
Councillor J. Keegan

Police and Crime Commissioner
Ms Kim McGuinness

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 2021/2022 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 27 June 2022. 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 2022/2023.

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 Phil Tye Chair of the Authority

Dated: 29 July 2022

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 2021/2022 (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 2021/2022 (subject to audit) presents a true and fair view of the financial position of Tyne and Wear Fire and Rescue Authority as at 31 March 2022 and its income and expenditure for the year then ended.

Mr D Napier
Finance Director

Dated: 29 July 2022

Audited Statement of Accounts 2021/2022 Certification on behalf of those charged with governance

As Chairman of the Governance Committee held on 28 November 2022, I hereby acknowledge receipt of the audited Statement of Accounts for 2021/2022 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 28 November 2022 in accordance with sub-paragraph 8 (3) (b) with regard to the aforementioned Regulations.

Mr G Cook
Chairman of the Governance Committee

Dated:

Audited Statement of Accounts 2021/2022 Certification by the Responsible Finance Officer

As the Authority's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2021/2022 in accordance with Regulation 8 (1) of the Accounts and Audit Regulations 2015.

Mr D Napier
Finance Director

Dated:

Narrative Statement – 2021/2022

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.147 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 Tyne and Wear area is comparable to that of other Metropolitan areas of the country, (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 mass. The area covered by the Service is 538 square kilometres and borders with the Counties of Durham to the south and west, Northumberland to the north and with the North Sea coast line to its eastern boundary.

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 35 years, giving rise to a changing risk profile, and changes 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, Nestle and Barbour & Sons.

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 12 months, including its performance against national indicators and the opinions of external inspectors, as

[1] Source – ONS 2021 mid-year estimate

well as outlining details of the improvements introduced to meet the Authority's vision of "Creating the Safest Community".

The latest Annual Report includes a summary of the Statement of Accounts, designed to encourage more people to take an interest in the Authority's financial position in an easy to read format. Further details can be found on the Authority's website at www.twfire.gov.uk.

Performance

The Fire Authority is responsible for Tyne and Wear Fire and Rescue Service and is required by law to publish certain performance indicators annually in the local press. These show the statistical performance of the service but cannot provide any indication of the true quality or scope of the service delivered every day to the citizens of Tyne and Wear. It is also important to note that the Service remained effective and fully operational throughout the pandemic although some of our key performance indicators were affected. More detail about the work the service carried out to help our communities during 2021/2022 is also set out later in this summary for information.

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, or Safe and Well visits, 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 2021/2022, the Service carried out 11,993 Safe and Well visits (4,888 in 2020/2021) and attended a total of 17,894 incidents (15,142 in 2020/2021). The number of Safe and Well visits in 2021/2022 continued to be restricted by the COVID-19 pandemic.

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	2019/2020	2020/2021	2021/2022
Average Response time of all incidents (mins)	5.50	6.00	5.53
Number of fatalities from all fires	9	1	2
Number of fatalities in accidental dwelling fires	7	0	2
Number of injuries from accidental dwelling fires (excluding precautionary checks)	36	38	26
Number of accidental fires in dwellings	511	501	463
Number of false alarms due to automatic fire detection from non-domestic properties	1,569	1,371	1,461
Number of primary fires	1,867	1,632	1,738
Number of deliberate fires	5,243	4,362	6,211

The Authority has a long track record of reducing fires but, sadly, in 2021/2022 there were two deaths attributed to fire. On a pleasing note, average response times reduced slightly and the service had the fastest response times of all fire authorities.

The service will continue to strive to work towards the reduction of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2021/2022. Over the past ten years, however there has been a number of significant performance achievements, including a 10% reduction in the number of primary fires attended, 19% reduction in the number of accidental fires in dwellings and a 53% reduction in the number of false alarms due to automatic fire detection from non-domestic properties. More detail on our performance can be found on the Authority's website.

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 and the Integrated Risk Management Plan (IRMP)

Following the end of the Four Year Grant Funding Settlement covering 2016/2017 to 2019/2020, the Authority had no formal requirement in 2021/2022 to produce an efficiency plan in order to secure Government funding. The principles that were used to develop the Efficiency Plan which set out the Authority's detailed approach to the delivery of savings needed to address the reductions in funding over this four year period, have however continued to be followed to allow the Authority to make further efficiency savings of £4.711m in 2021/22 which helps balance the budget and can also be re-invested into priority areas of the Service identified by the IRMP process.

The resources position for the Authority for 2022/2023 has shown some degree of improvement and the focus of future IRMPs is being adjusted to redirect efficiencies into the planned investment into the key service priority areas of the service.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2022, the Government confirmed the Local Government finance settlement for 2022/2023. The Authority's Core Spending Power (CSP) has increased by 5.61%, slightly above the national average increase for all standalone Fire and Resuce Authorities of 4.7%. This is largely as a result of the new one-off Service Delivery Grant for 2022/2023. Whilst this additional funding of £1.072m is welcomed, if this grant is not maintained in future years, the real underlying Core Spending Power increase for 2022/2023 remains a lot lower at 3.47% and will mean the Authority having to fund this resource gap in future years as this is in effect a cost pressure from 2023/2024.

The Government retained the threshold council tax limit to hold a referendum at 2% for 2022/2023 and assumed annual growth to council tax income, with an expectation in the Settlement that the Authority can grow Council Tax alone by 2.77% through a combination of increases in the council tax base and precept. This continues the Government's policy of shifting some of the funding of Local Government services directly on to the council tax payer through assumed annual council tax increases.

The Government have assumed that there will be no Business Rates detriment to the income yield expected in 2022/2023 despite the continued adverse and devastating impact of COVID-19 in businesses. The assumption is that income will remain at £4.088m for 2022/2023.

The key elements of the Authority's settlement for 2022/2023 are:

- An increase in the Government's Core Spending Power of £2.812m or 5.61%;
- An increase in the Settlement Funding Assessment (SFA) of £0.274m or 1.12%; and
- Confirmation of the Revenue Support Grant (RSG) element of the settlement at £8.989m. This includes core revenue grant funding allocations of Formula Grant and previous Council Tax Freeze Grants.

This improved position however needs to be taken in the context of past settlements as there are still funding inequities in the current system which still need to be addressed. It is disappointing that these will not be amended as part of the government's proposed changes to the funding system. The fact that this is a further one year Finance Settlement with one-off funding included also means that it will make budget planning more difficult compared to a clear and transparent three year settlement that would have been much more helpful to the Authority in planning its services.

The Authority published a revised Medium Term Financial Strategy (MTFS), covering the period 2022/2023 to 2025/2026 and this can be found on the Authority's website (14 February 2022 Authority meeting; Item 5). 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 2025/2026.

This MTFS projects a funding gap of £2.342m by the end of the four year period. The current financial climate over the medium term remains unclear as only another one year 2022/2023 financial settlement was provided by the government even though we have received the outcome of the Comprehensive Spending Review 2021 (CSR21) which indicated that public sector resources generally were improving up until 2024/2025.

Despite this more optimistic projection for public sector resources is the fact that inflation is at its highest level for more than a decade, the war in the Ukraine and the continuing economic implications from Covid and EU exit are having an adverse impact on the economy, which may affect the economic recovery. The Authority is also facing not only the uncertainty of its level of resources but concerns over both price and wage inflation, as costs are increasing significantly above the government's projections used in the CSR21.

The medium term resource position has, because of all of these reasons, seen an increase in its projected deficit positon to 2025/2026 from almost a broadly neutral position (£0.3m) to one of a £2.3m funding shortfall. The financial aim of the Authority therefore continues to be one of remaining sustainable so that it can continue to work effectively and efficiently and to collaborate with partners, other blue light and public sector organisations, residents and communities to deliver positive outcomes on its key service priorities to the communities it serves and will always manage service capacity within its available resources.

Although the financial context continues to be challenging and uncertain the Authority has a proven and strong track record of meeting its financial obligations and maintaining its financial sustainability. Over the past ten years the Authority has always delivered an outturn (actual position) within its original budget. An Authority wide approach to the budget, which is service priority driven and set over a medium-term planning horizon, ensures that this continues to be the case.

COVID-19 Pandemic

During 2021/2022, the COVID-19 pandemic unsurprisingly continued to have a significant impact on Service activity and no area was left unaffected with some of the implications continuing into 2022/2023 especially with regards to delivery lead times and extensive delays in some of the planned Capital Works.

As the Authority moves in to the recovery phase, new ways of working have been adopted by many departments and more agile ways of working will continue to be a feature of a flexible approach to providing services in the future.

Financial Performance of the Fire Authority 2021/2022

Revenue Expenditure and Income Summary
The estimated net revenue expenditure for 2021/2022 to be met from Government Grants and local taxpayers was approved by the Authority at £48.542million*. 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 £85.64 for 2021/2022. This represented a 1.99% increase in Band D, below the Government's 2% referendum threshold level. The following table summarises the financial position for the year:

	2021/2022 Original Estimate £'000	2021/2022 Revised Estimate £'000	2021/2022 Actual Outturn £'000		2020/2021 Actual Outturn £'000
Community Safety	**5,091**	**6,107**	**4,604**		**3,031**
Fire Fighting and Rescue Operations	**45,312**	**44,079**	**30,609**		**27,463**
Corporate and Democratic Core	**212**	**212**	**139**		**188**
Non Distributed Costs	**(491)**	**(491)**	**12**		**201**
Net Cost of Services	**50,124**	**49,907**	**35,364**		**30,883**
Gains/(Losses) on Disposal of Non Current Assets	**0**	**0**	**0**		**8**
Interest Payable	**290**	**290**	**1,860**		**2,183**
Contingencies	**1,700**	**557**	**0**		**0**
Interest on Balances	**(5)**	**(5)**	**(59)**		**(36)**
Pension Interest Cost and Expected Return on Pension Assets	**(20)**	**(20)**	**19,230**		**19,460**
Net Operating Expenditure	**52,089**	**50,729**	**56,395**		**52,498**
Capital Financing:					
Reversal of Capital Charges and Impairments	**(4,479)**	**(4,479)**	**(3,651)**		**(3,682)**
Minimum Revenue Provision	**1,592**	**1,592**	**1,570**		**1,737**
Revenue Contribution to Capital Outlay	**250**	**254**	**2,784**		**3,471**
Reversal of Loss on Disposal of Fixed Assets	**0**	**0**	**0**		**(230)**
Total Net Operating Expenditure	**49,452**	**48,096**	**57,098**		**53,794**
Contribution to/(from) IAS 19 Pension Reserve	**(375)**	**(375)**	**(7,520)**		**(5,250)**
Contribution to/(from) Collection Fund Account	**0**	**0**	**119**	*	**(2,583)**
Contribution to/(from) Accumulated Absences Account	**0**	**0**	**129**		**(10)**
Contribution to/(from) Earmarked Reserves	**(535)**	**821**	**170**		**4,968**
Net Budget	**48,542**	**48,542**	**49,996**		**50,919**
Resources:					
Revenue Support Grant and General Grants	**(8,989)**	**(8,989)**	**(8,989)**	*	**(8,939)**
Top Up Grant	**(11,457)**	**(11,457)**	**(11,457)**	*	**(11,457)**
Business Rates and Collection Fund	**(2,566)**	**(2,566)**	**(3,256)**	*	**(4,248)**
Precepts and Collection Fund	**(24,704)**	**(24,704)**	**(25,334)**	*	**(24,691)**
Local Council Tax Support Scheme Grant	**(826)**	**(826)**	**(826)**		**0**
Section 31 Non-Specific Grants	**0**	**0**	**(134)**		**(1,584)**
Total Resources	**48,542**	**48,542**	**49,996**		**(50,919)**
(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)**	**(4,089)**	**(3,943)**

* In the accounts, the Net Budget Requirement for 2021/2022 of £49.996m is made up of Total Resources of £48.542m, as set out in the estimates in the above table, adjusted for a difference in government Settlement Funding Assessment (SFA) grant funding of (£0.304m), an amendment required under the Code in respect of the Collection Fund Account of (£0.119m), section 31 non-specific grant income of (£0.133m) for COVID-19, and a debtor for section 31 non-specific grant income of (£0.898m) to fund the deficit on the Business Rates Collection Fund Account caused predominantly by the pandemic's continuing impact on businesses.

The variances between the Estimates and Actual Outturn 2021/2022 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 explained above mainly relates to the adjustments required in the Collection Fund and for Section 31 government grant income in respect of COVID-19 funding.

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 includes a review of certain other key financial items, including Treasury Management and Prudential Indicators. Again, this process reflects strong and robust financial management in 2021/2022, continuing the Authority's sound track record in this regard.

The Revenue Budget Outturn position for 2021/2022 was reported to the Fire Authority on 27 July 2022 and showed a net overall underspend of £0.272m, at £48.270m compared with an original budget of £48.542m. The Authority has made a huge positive drive during the year to achieve this level of saving with a number of significant initiatives:

- Improved financial management is embedded throughout the Authority, with increased financial awareness and tighter budgetary control achieving net savings of £0.098m across the full service. I would like to thank Budget holders across the service for their efforts in continuing to manage their budgets effectively, and identify and release revenue savings in year;

- Employee budgets are set based on assumptions relating to staff turnover and vacancy levels, firefighter pension scheme membership and the numbers of operational staff who are at the development stage in their roles. As the year progresses, employee costs reflect the actual position on all of these factors which, in reality, vary against the budget assumptions made. Members will recall at second review stage realised savings of £0.575m were confirmed and transferred to reserves. Further changes in staffing numbers and those in development and pension memberships have continued to vary significantly from the prudent estimates used, with the consequence of a further underspend of £0.489m. The staffing and pension information available in December 2021 was used to inform the assumptions applied in setting the budget for 2022/2023, therefore it is becoming less likely that there will be such a significant underspend in the new year budget;

- Members will be aware that during the 2021/2022 financial year, two further Trainee courses were completed bringing 53 additional staff into operational crews. This has reduced overtime costs, particularly over the last quarter of this financial year, and has contributed towards the additional underspend on the overall employee budgets highlighted; and

- All aspects of the Authority's finances continue to be reviewed and a more commercially based approach to income generation is carefully and sensibly applied where appropriate to ensure Value for Money 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. This improved direction of travel has been reflected in the 2022/2023 Revenue Budget.

These summaries help to show members that all areas of the budget continue to be monitored, challenged and proactively managed to ensure the Authority achieves Best Value from its limited resources and helps the revenue budget become more sustainable.

The table below shows the actual outturn for 2021/2022 as compared with the original and revised budget positions as reported to the Fire Authority in July 2022.

	Original Estimate (For Information) £'000	Revised Budget £'000	Outturn £'000	Variance to Revised Budget £'000
Expenditure				
Employees	43,240	43,748	43,338	410
Premises	2,570	2,583	2,661	(78)
Transport	1,028	1,076	1,000	76
Supplies and Services	8,603	8,472	8,475	(3)
Contingencies	1,700	510	0	510
Support Services	15,060	15,053	15,057	(4)
Capital Financing	989	993	994	(1)
Other reserve appropriations	(535)	626	1,296	(670)
Total Expenditure	**72,655**	**73,061**	**72,821**	**240**
Income				
Grants and Contributions	(8,063)	(8,293)	(8,224)	(69)
Receipts	(163)	(350)	(379)	29
Fees and Charges	(1,146)	(1,132)	(1,128)	(4)
Interest Earned	(5)	(5)	(59)	54
Recharge Income	(14,736)	(14,739)	(14,761)	22
Total Income	**(24,113)**	**(24,519)**	**(24,551)**	**32**
NET BUDGET	**48,542**	**48,542**	**48,270**	**272**

While the budget figures above are presented on a cash basis, the Statement of Accounts is prepared on an accruals basis, which also has to comply with statutory requirements and International Accounting Standards. This is the main reason why the two sets of figures differ, as the information is presented on two different bases, however the financial underspend compared to the budget reported to members for 2021/2022 is fully reflected within the Statement of Accounts.

The main budget variations are detailed below:

- Employee costs (£0.410m net underspend) – the main reason for the underspend relates to the operational and corporate vacancy levels and the numbers of operational staff in development. Along with these, savings have been 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 continue to be a significant budget pressure, particularly working with increased vacancy levels. The savings in salaries and pensions have accommodated these increased costs. Overtime continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate.

- Premises (£0.078m net overspend) – the overspend is from energy charges and the significant increase in electricity and gas tariffs. This has been accommodated within the budgets for 2022/2023 but the extent of the increase remains uncertain. The increased bills have been partially offset by savings on water and rates for the year and the previous considerable investment in lower energy lighting across the service.

- Transport (£0.076m net underspend) – further savings have been made on car allowances and travel expenses due to changes in the ways of working and more remote access to services. This is in addition to a saving on the annual transport insurance premium.

- Supplies and Services (£0.003m net overspend) – budgets have been closely monitored and reallocated during the year to achieve this almost neutral position.

- Contingencies (£0.510m underspend) – as indicated at the Third Review stage a full review of the remaining contingency provision has been carried out resulting in a one-off saving of £0.510m, largely due to the strategic contingency budget not being required in 2021/2022, although it will be required in 2022/2023.

- Support Services and Recharges (£0.018m net underspend) – there has been an in year change to the staffing model recharges for the USAR National Resilience responsibilities.

- Income (£0.044m underachieved) – the year end position shows a reduction in total income received against the revised budget. Reductions in income from Princes Trust Courses, Contract Income from Primary Authority Scheme arrangements and rechargeable COMAH work, and under-recovery of catering income due to reduced sales have been partially offset by additional income from training courses, a one-off PFI Authority Support repayment, additional apprenticeship income, and refunds relating to prior year energy and rates. In addition, there is an overall net increase of Section 31 Grants made up of Pension Admin Grant and NHS COVID-19 Grant, and a reduction in the Firelink Grant allocation.

- Interest Received (£0.054m over budget) – the budget was significantly reduced in 2021/2022 due to a drop in interest rates during the pandemic. Actual interest received is more than budgeted due to a rise in rates during the year. The budget set for 2022/2023 reflects the improved interest rate position.

- Reserves and Provisions Appropriations (£0.670m increase) – underspends against budget have reduced the need to draw down from Reserves in year. In addition, appropriations into the Revenue Budget Carry Forward Reserve have been made for known future requirements, including transfer of additional Fire Safety Grant, NHS Covid-19 Grant and Pension Administration Grant to be used in 2022/2023. Adjustments have also been made to reflect the IFRS Employee Benefit accounting entry and the Council Tax and Business Rates Collection Fund balance required for 2021/2022.

Members agreed to appropriate the surplus funds of £0.272m to the Transformation and Reform Reserve. However, additional funding of £0.376m meant the net transfer to the Transformation and Reform Reserve was actually £0.648m. The costs of the TWFRS 2025 Programme are unknown at this time; this will help to ensure the Authority is fully resourced to meet the ambitious plans ahead.

The total resources at the end of the financial year included within the Authority's Statement of Accounts was £49.996m, £1.454m more than that set out in the budget of £48.542m for 2021/2022:

- As part of the finance settlement, the Authority received more government grant funding of £0.304m and section 31 grant of £0.133m, and a year-end accounting adjustment of £0.119m was required to the Collection Fund, resulting in an increase in overall resources of £0.556m compared to the budget figures for 2021/2022.

- The year end NNDR returns from the District Councils notified the Authority that its share of section 31 grant from Government to finance the large deficit on the Business Rates Collection Fund will be £0.898m in total and a debtor for this grant funding has been raised in the accounts. When setting the budget for 2022/2023 the Authority anticipated this Section 31 Grant to compensate for the in year deficit and therefore the budget gap was funded from earmarked reserves temporarily to achieve a balanced budget. Confirmation of this funding has allowed transfer of the one-off Local Council Tax Support Scheme Grant of £0.826m to the Medium Term Planning Reserve to address temporary future deficits in the MTFS until efficiencies are realised.

Injury Pension Grant Repayment (Firefighter Pension Scheme)

The long term pension liability of £8.639m 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 31 March 2021 £'000	**Net Transfer * £'000**	**Balance as at 31 March 2022 £'000**	**Balance as at 31 March 2021 £'000**	**Net Transfer * £'000**	**Balance as at 31 March 2022 £'000**
Capital Developments Reserve	5,457	(875)	4,582	9,026	(1,125)	7,901
Transformation and Reform Reserve	6,523	3,157	9,680	10,093	2,907	13,000
Injury Pension Adjustment	0	0	0	(7,139)	500	(6,639)
	11,980	**2,282**	**14,262**	**11,980**	**2,282**	**14,262**

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 31 March 2020. This has been rolled forward to reflect the position as at 31 March 2022, in particular allowing for service accrued between 1 April 2020 and 31 March 2022 and known pension and salary increases that would have applied.

A triennial actuarial valuation of the Local Government Pension Scheme (LGPS) was carried out at 31 March 2019. This has been rolled forward to reflect the position as at 31 March 2022 as the next full actuarial valuation will be carried out in March 2022.

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 for this very complex area of the accounts.

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 31 March 2022, is being addressed by the Authority in line with Government regulations. 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 1 April 2006, revised arrangements came into effect for funding firefighter pensions, with Fire and Rescue Authorities administering and paying firefighters' pensions through a local firefighters' pension fund. Together, employee and employer contributions meet the accruing pension liabilities of currently serving firefighters, meaning that Fire and Rescue Authorities meet all of the costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them.

Ill-health retirement costs are paid by the Authority from its pension fund. Employer payments towards the future cost of ill-health retirements come from a combination of a flat rate employer contribution applicable to all authorities and from an individual charge payable by the relevant Authority where an ill-health retirement occurs. The Authority has invested in health awareness and intervention measures through its Occupational Health Unit and it is pleasing to report that there have been only three firefighter ill health retirements since 2009/2010 to date.

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

Balance Sheet Position

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority. The following table summarises the balance sheet position:

	Balance at 31 March 2021 £'000	Balance at 31 March 2022 £'000
Non-current assets	80,993	86,568
Net current assets	43,107	43,109
Long term liabilities and provisions	(1,000,327)	(996,960)
Net Assets / (Liabilities)	**(876,227)**	**(867,283)**
Represented by:		
Usable reserves	40,739	40,908
Unusable reserves	(916,966)	(908,191)
	(876,227)	**(867,283)**

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. Full details of the Authority's Reserves and their specified use are outlined in the Reserves Policy published on the TWFRS website. 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.

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of £867.283m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £965.540m 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 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 £98.257m. The Authority also has assets worth £86.568m and cash backed reserves of £40.908m 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 2021, the Authority approved a capital programme for 2021/2022 of £13.225m which was subsequently revised to £17.501m during the year.

Actual capital expenditure at the end of the financial year was £2.863m, financed from a combination of revenue contributions of £0.250m, earmarked reserves of £2.453m, external contribution of £0.133m and Section 31 grant of £0.027m. The main reasons for the variation in spending of £14.638m have arisen due to the following:

- Expenditure on a number of projects planned for 2021/2022 of £13.909m slipped in to 2022/2023 largely due to the impact of the pandemic:
  - Delays in commencing the genous security system but a contract is now agreed and will be complete by autumn of 2022/2023;
  - Delayed progress on the PFI element of the security upgrade programme;
  - Delayed stock condition survey works due to restricted access to builidings and availability of contractors and materials;
  - Late additional requirements to the MRU development delayed completion;
  - BTC atrium was a late addition to the Programme and will be progressed in 2022/2023;
  - Full planning application now issued for Hebburn Station and works will progress in 2022/2023;
  - Small budget remaining for replacement hardware slipped for additional equipment;
  - Delayed installation of Information Screens due to COVID-19 and other priorities;
  - Delayed delivery of fireground radios due to an increased lead time;
  - Late addition of DCS/LifeX to the Programme will be progressed in 2022/2023;
  - Delays in installation of the decontamination washing machine at the Training Centre;
  - New quotation is required for Miquest;
  - Continued delays on the national government led Emergency Services Mobile Communications Project in to future years;
  - Scope of the fire behavior units is under consideration and will be progressed in 2022/2023;
  - Delivery of the community safety programme has been impacted by COVID-19, slipped some smoke detector budget that will be needed in 2022/2023;
  - Delayed replacement of the small fleet pending further consideration of options; and
  - Delivery of the remaining ten appliances is planned towards the end of 2022/2023.

- Net underspend of £0.169m across a number of schemes completed during 2021/2022.

- Addition required to the Security Upgrade Programme of £0.055m and a new project to upgrade to Dispatch Communicatiion Server (DCS) costing £0.235m.

- Members will recall that the Capital Programme for 2021/2022 was set with an additional £0.850m for a number of business critical, invest to save schemes, that were slipped from 2020/2021. Plans for the two projects, repairs to Barmston Mere Training Centre and relocation of Safetyworks have continued to be impacted by the COVID-19 pandemic and as a result the £0.850m funding for these schemes will need to be carried forward in to the Capital Programme for 2022/2023.

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 15 February 2021, which detailed the 2021/2022 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 1 April 2004.

- Authorised Limit for External Debt for 2021/2022 of £43.468 million;
- Operational Boundary for External Debt for 2021/2022 of £38.468 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 2021/2022. The highest level of external debt incurred by the Authority during 2021/2022 was £35.306m on 1 April 2021. This includes borrowing debt of £11.227m, injury pension liability of £7.139m, and £16.940m 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 28 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 2 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, The Army, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, The Princes Trust and Northumbria Blood Bikes, and a number of other smaller third party partners 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.

The full report is available on our website and the Authority has worked on areas that were identified for improvement during the 2019 Inspection.

In August 2020, HMICFRS were commissioned by the Home Secretary to inspect and report on how FRS's in England were responding to the COVID-19 pandemic. In his letter of 22 January 2021 to the Chief Fire Officer and the Chair of the Fire Authority, Matt Parr CB on behalf of HMICFRS highlighted:

"In summary, the service continued to meet all its statutory duties as well as extra demands placed on it to support partner agencies and the local community. The service prepared itself well in anticipating the challenges presented by COVID-19 and the national measures to reduce the spread of the virus. Measures taken included changes to planning, staffing, training, communication and the provision of technology. New ways of working were introduced in the service and with the Local Resilience Forum (LRF) and the Fire and Rescue Authority."

A second full inspection of the Fire Service took place in tranche 2 from 25 October to 3 December 2021. The Authority is currently awaiting the outcome of this inspection expected in July.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2021/2022. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022' 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: 29 July 2022

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. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority 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.

In discharging these responsibilities, the Authority must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk.

A key component of the Authority's governance framework is its local Code of Corporate Governance, which is reviewed annually and developed in accordance with the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA / SOLACE) 2016 Delivering Good Governance in Local Government Framework.

This statement sets out how the Authority has complied with the Accounts and Audit (England) Regulations 2015, regulation 6(1) (a) and (b); which requires the Authority to prepare and publish an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Authority's governance framework comprises of systems, processes, culture and values by which it is directed and controlled and its activities through which it is accountable to, engages with and leads the community. This framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the governance 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 objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement describes the key elements of the Authority's governance framework, which brings together legislative requirements, governance principles and management processes.

The Authority's governance framework has continued to be in place for the year ending 31 March 2022 and up to the date of approval of this statement.

APPLYING THE PRNCIPLES OF GOOD GOVERNANCE AT TYNE AND WEAR FIRE AND RESCUE AUTHORITY

The Authority's local Code of Corporate Governance brings together in one document all the governance and accountability arrangements it has in place. This Code was updated and submitted to the Authority for their approval in July 2021. In preparing this statement, the CIPFA/SOLACE framework is used as a benchmark by which to measure against.

The narrative below includes key examples of how the Authority has adhered to its governance commitments set out in the core principles of the Code. The Authority has a broad range of strategies and policies in place, and therefore this is not intended to be an exhaustive list.

Principle A: Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law

The Authority's constitution acts as a framework to support decision-making and ensures all legal, financial and statutory requirements are met and are supported by standing orders, financial regulations and a scheme of delegation.

Under the supervision of the Monitoring Officer, the Authority adheres to legislative requirements and integrates the key principles of good administrative law – rationality, legality and natural justice in their procedures and decision-making processes. The Authority is transparent about how decisions are made and recorded and ensures appropriate legal, financial and other professional advice is considered as part of the decision-making process. Value for money is measured and the results considered prior to making decisions.

The leadership sets a tone for creating a climate of openness and respect and fosters a culture based on shared values, ethical principles and good conduct. The Authority operates two codes of conduct, one for Members and one for staff. These codes define the standards of behaviour expected by Members and staff, work between Members and officers, the Authority, the fire service, its partners and the community. Standards of behaviour are defined and communicated through these Codes, protocols and other policies and procedures. The Code of Conduct for Members is monitored by the Monitoring Officer and overseen by the Governance Committee. The Code of Conduct for staff is monitored by the Human Resources Department. Any allegations of wrongdoing are thoroughly investigated in accordance with the relevant disciplinary policies and procedures.

The Authority has arrangements to maintain registers of personal and business interests and a register of gifts and hospitality. Records are held by the Monitoring Officer on behalf of Members. The Human Resources department records these details for staff on behalf of the Chief Fire Officer.

The fire service's recruitment policy, induction and training processes incorporate personal behaviours with ethical values. Core values are embedded and the Equality Committee considers matters relating to equality, diversity and inclusion. The fire service's annual equality data and gender pay gap report was presented to the Human Resources Committee on 4 October 2021.

Procurement and financial regulations are clear and used to protect processes that could be influenced by unethical behaviour. A full procurement process is adhered to which ensures these ethical standards are upheld.

An anti-fraud and corruption policy manages the risk of fraud and corruption and takes preventative steps and outlines the arrangements for confidential and anonymous reporting / whistleblowing (via Safecall), promotes detection and provides a clear route for investigation and prosecution, where fraudulent and / or corrupt activities or behaviour have been identified. Whistleblowing arrangements are being used, and the Authority responds appropriately. These arrangements have assisted with the maintenance of a strong regime of internal control.

When working in partnership Members and staff are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority or the fire service. There is clarity about the legal status of the partnership and representatives or organisations understand the extent of their authority to bind their organisation to partner decisions in an ethical way.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Authority and committee meetings are open for the public to attend. During the Covid-19 pandemic, the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which came into force on 4 April 2020, made temporary provision until 7 May 2021, for Authority and committee meetings to be held remotely by video conferencing and were live streamed for public access. With the removal of the ability for Members to attend Authority meetings remotely after 7 May 2021, but with Covid-19 restrictions still in force until 19 July 2021, the Authority's Annual General Meeting took place on 14 June 2021, face to face and subsequent meetings have all been carried out in person.

During the pandemic, decisions made by the Chief Fire Officer using emergency powers and delegated decisions were reported to the Authority in accordance with the provisions of the Authority's constitution. The Chief Fire Officer made these decisions in consultation with the Finance Director and in accordance with the scheme of delegation. Reports were provided to the Authority at their meetings on the 13 July 2020 (18 March 2020 to 30 June 2020), 16 November 2020 (1 July 2020 to 31 October 2020) and 14 June 2021 (1 November 2020 to 30 April 2021).

The Authority ensures that all major decisions are captured, documented and published on Sunderland City Council's website (the Authority's secretariat). Integrated Risk Management Planning (IRMP) decisions and significant decisions are also reported on the Tyne and Wear Fire and Rescue Service (TWFRS) website.

The Authority publishes data in accordance with the Local Government Transparency Code 2015 and has adopted the Information Commissioner Office model Publication Scheme, which ensure that up-to-date information relating to the structure, activities, finances, plans, policies, performance and governance of the Authority and the fire service is published, increasing democratic accountability.

The Reserves Policy is published providing transparency to stakeholders about the purpose and level of the reserves held by the Authority. In addition, the audited Statement of Accounts, Annual Governance Statement, Narrative Statement and the External Auditor's Annual Report are published annually on the TWFRS website. A commitment to openness is also shown through the distribution of strategic documents including the TWFRS Strategy 2025 and key performance information.

A variety of methods are used to engage with the public including directed communication using social media channels including promoting awareness campaigns about fire, water and road safety and anti-social behaviour reduction.

Community safety policies and procedures outline the Authority's approach to engaging with the community, in particular minority and vulnerable sectors of society. The fire service operates a safeguarding policy and procedure to refer vulnerable people, to partner agencies, where additional support is required.

Staff frequently conduct engagement with householders and businesses through a range of prevention and protection activities including Safe and Well visits and fire safety audits. Engagement with young people is conducted via the fire service's interactive learning centre Safetyworks!, the Princes Trust Programme, Phoenix Programme and the Juvenile Firesetters Education Programme (JFEP), boxing hub, Fire Cadets and educational visits to schools.

Public consultation and engagement arrangements are in place to invite the views of stakeholders prior to developing and implementing key changes. During 2021/22, this included consultation on the IRMP 2021-2024 and community engagement on the proposals for the new tri-station at Hebburn. The Authority carries out a statutory business rate and council tax consultation each year.

Staff engagement is conducted using a range of methods, including Executive Leadership Team listening events, all staff engagement sessions, and an ‘Ask the CFO’ email address. Staff are encouraged to contribute to feedback via team and department meetings, and through the line management structure.

The fire service proactively engages with representative bodies, which include the Fire Brigades Union, GMB, and Unison. This relationship is managed through the Joint Consultative Committee, which considers issues associated with service-staff relations and policy development. This forum complements the daily arrangements that support effective industrial relations management.

The fire service operates a compliments and complaints policy and procedure and is able to respond effectively to any compliment or complaint in timely manner. This process is managed and monitored internally and reported quarterly to the Corporate Governance Board, annually to the Executive Leadership Team and to the Governance Committee.

The Authority recognises the role it plays in supporting partnership working across Tyne and Wear and the contribution of partners in assisting it to deliver its own objectives. The fire service’s vision, strategy and strategic plans (such as the IRMP), and priorities are developed through robust mechanisms, and in consultation with staff, the community and other key stakeholders.

The Authority has formal partnership arrangements in place with Sunderland City Council to provide specialist support services. Other arrangements with emergency service partners demonstrate clear and appropriate governance accountabilities. The fire service operates a partnership register, which provides a framework for staff involved in or considering new partnership arrangements and assists in reviewing existing arrangements.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Authority’s purpose and intended outcomes for service users is communicated, both within the fire service and to external stakeholders. The TWFRS Strategy 2025 explains how the fire service intends to deliver high quality services that meet the needs of its communities now and in the future. The strategy presents a clear vision, strategic goals, and priorities for a five-year period.

The IRMP 2021-2024 drives continuous improvement and innovation in the fire service, ensuring that services are planned, designed and delivered in a way that balances efficiency and community risk. The IRMP process is used to improve community outcomes, strengthen prevention, reduce costs, reduce incidents and manage the risk in our communities. The IRMP is based on the analysis of extensive data and information, local intelligence, and a comprehensive understanding of local, regional and national risks.

The Community Risk Profile 2020-2023 (CRP) provides a comprehensive and forward looking assessment of the risks in the communities of Tyne and Wear. The IRMP 2021-2024 contains actions, which ensure that risks, including those identified in the CRP, are appropriately addressed and resources are targeted at these risks.

The Medium Term Financial Strategy (MTFS) 2021/2022 to 2024/2025 and the annual budget process ensures that financial resources are directed to the Authority's priorities. The MTFS and the Efficiency Plan are key to delivering value for money.

Budget monitoring remains robust at both strategic and service level via the production of regular financial monitoring reports for both Capital and Revenue budgets. These reports, as well as being scrutinised by budget managers, are reported to the Executive Leadership Team and quarterly to the Authority.

Annual department plans are in place and are supported by risk / business continuity planning. All departments prepare and monitor a suite of key performance indictors (KPIs) to review service standards and promote continuous improvement of corporate services.

Equality impact, risk and privacy impact assessments are carried out to ensure that any changes to procedures do not affect any stakeholders adversely and service delivery outcomes are not affected.

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

Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes

The MTFS includes actions to ensure the financial sustainability of the Authority and the budget planning processes ensure budgets are prepared in accordance with objectives, strategies and the MTFS. This involves input from both the fire service and Authority Members and shows how the resources will be deployed over the next few years to deliver agreed outcomes and priorities.

Collaboration with partners and agencies is an important aspect of the Authority's work including prevention and protection, responding to incidents and use of resources. The fire service has a successful record of blue light collaboration, including co-location at a number of sites, joint training and exercising and improved operational and preventative activities.

The work undertaken via the Northumbria Local Resilience Forum (LRF) in response to the Covid-19 pandemic has strengthened existing partnerships, initiated new partnerships, and increased engagement with the most vulnerable in society. During 2021/22, work included supporting the national vaccination programme (provision of vaccinators and site management / marshalling), and administering lateral flow tests.

The monitoring of staff availability, incidents, the workforce and budgets ensures that issues are identified and appropriate interventions agreed. The risk management policy sets out the process to identify and control exposure to uncertainty, which may impact on the achievement of the Authority's objectives or activities. A corporate risk register is in place and is reviewed regularly to ensure that risks are appropriately managed.

Fire Standards, National Occupational Standards and National Operational Guidance are overseen by the appropriate business areas, which ensure they are integrated into fire service policy, procedures and guidance.

The fire service operates a performance management framework. Performance reports are produced and reported to the Executive Leadership Team, Policy and Performance Committee and the Authority quarterly, for scrutiny and transparency.

Arrangements are in place for compliance with health and safety requirements. Health and safety policies and procedures detail roles and responsibilities and accident and investigation reporting internally and to the Health and Safety Executive under the Reporting of Injuries Diseases and Dangerous Occurrences regulations 2013 (RIDDOR). The fire service participates annually in the Royal Society for the Prevention of Accidents (RoSPA) Achievement Awards, consistently achieving the gold award, which demonstrates high health and safety standards.

Principle E: Developing the Service's capacity, including the capability of its leadership and the individuals within it

The Authority ensures the necessary roles and responsibilities for effective governance are identified and allocated so there is accountability for decisions made. This is done through the Authority's constitution and the scheme of delegation, which outlines the roles of Members and officers, which includes the statutory roles of Chief Fire Officer (Head of Paid Services), Finance Director (Chief Financial Officer) and the Monitoring Officer.

The fire service manages the performance of its staff through effective policies, procedures and working practices. To ensure the fire service meets the needs of the community staff have the skills, knowledge and experience they need to perform well. Robust recruitment and selection processes and detailed job profiles support this process.

Induction processes are in place for Members and staff. These include an introduction to the fire service, values and codes of conduct and the requirements of the role. The Authority operates a Member learning and development programme to improve Member knowledge, skills and abilities in their individual or collective roles in meeting the Authority's strategic objectives.

The health and wellbeing of the workforce is achieved through a range of measures including HR policies and guidance documents, flexible working, a fitness advisor and the work of the Occupational Health Unit who provide counselling, physiotherapy, trauma support and wellbeing at work initiatives. The fire service were awarded the 'Better Health at Work' gold award.

Appropriate training is conducted for operational and non-operational staff; ensuring staff acquire, maintain and develop the appropriate technical and professional skills required for their roles and to support the achievements of the Authority's strategic objectives. Staff are required to perform their roles safely, confidently and effectively in accordance with Service training policy and in alignment with identified role maps, National Operational Guidance, National Occupational Standards and competency frameworks for operational staff.

A team of officers regularly attend incidents, training and exercises to carry out a performance and review role, observing aspects of operational performance and feeding back improvement actions. Information gathered to verify and measure compliance with standard operating procedures and incident management systems is recorded on the Risk Management and Assurance Database.

All staff participate in the annual Performance Development Review (PDR) process where they and their manager discuss and set expectations about personal objectives and how they align to corporate goals. PDRs support staff to understand how they are performing and what opportunities are available for training and career progression.

The fire service achieved the Investors in People Gold Award status, which benchmarks the effectiveness of its leadership and management practices

Principle F: Managing risks and performance through robust internal control and strong public financial management

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 is the designated Chief Financial 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.

Financial management supports the delivery of services and transformational change as well as securing good stewardship. There are comprehensive budgeting systems in place and a robust system of budgetary control, including quarterly and annual financial reports, which indicate financial performance against forecasts. The Authority's Statements of Accounts are subject to scrutiny and the External Auditor delivers an opinion annually on whether the Authority is providing value for money. There is regular reporting of non-financial performance against targets and priorities to the Executive Leadership Team and to Members via the Authority and its committees.

Under the Civil Contingencies Act (2004) (Part 1. Para 2(1) (C)) and the Fire and Rescue Services Act 2004 there is a duty for all Category 1 Responders to prepare plans to ensure so far as reasonably practicable, so the fire service can perform its core functions in an emergency.

The fire service use a robust and transparent five stage framework to identify, assess, treat, report and review risk that utilises the right tools, methods and processes to manage risk in a transparent way. This framework conforms with the risk management legislation outlined within the Civil Contingencies Act (2004) and its supporting guidance, namely, The Principles of Effective Response and Recovery in addition to aligning with the ISO31000 international standard of risk management.

The Authority aligns with ISO22301 for Business Continuity and arrangements are in place to ensure that critical services can continue in the event of disruption and are subject to regular review, development and testing. Business continuity plans have been in operation during the Covid-19 pandemic and activities and have been co□ordinated with partners through the LRF to support the multi-agency response.

Management arrangements ensure that recommendations for improvement made by the Internal Auditor and Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), as well as self-identified improvements are monitored and progress regularly reported on.

Policies for anti-fraud and corruption and whistleblowing are in place, which confirms the Authority's commitment to operating in a fair and transparent manner. The Authority participates in the National Fraud Initiative.

Policies are in place to manage the handling of data including adherence to data protection legislation, Freedom of Information requests, data quality, storage and retention and information security. Where appropriate information sharing protocols have been developed and agreed with partners.

Principle G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Governance Committee operates in accordance with guidance provided by CIPFA, oversees, and reviews the adequacy and effectiveness of the governance arrangements and the internal control environment.

Reports and minutes of the Authority and its committees are publicly available on Sunderland City Council's website (the Authority's secretariat). Reports follow a structured format, which ensures that key information is presented in a clear and consistent manner to aid decision-making.

The Authority publishes information relating to salaries, business interests and performance data. Members and officers declare relevant interests in accordance with the Code of Practice on Local Authority Accounting in the UK. These declarations enable the Authority to identify and report any related party transactions. The Annual Pay Policy Statement is approved and published in accordance with the Localism Act 2011. Member salaries are paid in accordance with the Independent Remuneration Panel decisions and reported on the TWFRS website.

The Procurement Services Manager provides advice and clear guidance on the procuring of goods and services. There is a robust system of scrutiny, which includes competitive and formal procurement with advertising of opportunities in line with the Public Contracts regulations (PCR2015). Procurements are awarded on the Most Economically Advantageous Tender (MEAT) principle. Reports on significant (£500,000 and above) procurements are prepared for approval by the Authority.

The Annual Statement of Accounts and Annual Governance Statement are subject to scrutiny and approval in accordance with the Authority's constitution. The Annual Statement of Accounts provides clear information on income and expenditure and demonstrates the stewardship of public money for the year. The accounts are submitted for audit by the statutory deadline of 31 May. The Annual Governance Statement provides transparency on the governance arrangements and the planned improvements for the coming year. The External Auditor provides an opinion on the Statement of Accounts, which is published on the Authority's website. The Authority acts on recommendations and, where necessary, takes corrective action.

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. The work of Internal Audit is planned on the basis of risk and provides assurance that key risks are being managed. The Authority acts on recommendations and where necessary, takes improvement action.

Processes are in place to ensure that recommendations from HMICFRS and regulatory bodies are actioned.

REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control, at least annually and the Deputy Chief Fire Officer leads the review of the effectiveness.

The effectiveness of the governance framework draws on evidence and assurances from the work of the Authority and its committees, statutory officers, the Executive Leadership Team, the work of Internal and External Audit, other review agencies and HMICFRS. The process applied in maintaining and reviewing the effectiveness of the governance framework is set out below:

The Authority

The Authority's constitution sets out how it operates, how decisions are made and the procedures, which are followed to ensure these, are efficient, transparent, and accountable. Member training sessions are organised throughout the year to discuss matters in more detail and in an informal environment.

The Annual General Meeting of the Authority takes place in June of each year. The format and structure of its democratic decision process is re-affirmed, and approval is given to the powers and make-up of the Governance Committee, Policy and Performance Committee and Human Resources Committee. The terms of reference and responsibilities of these committees form part of the Authority's Standing Orders.

In addition to the above committees, there are a further three committees and a sub-committee, which meet on an ad-hoc basis to discuss specific matters as and when they arise. They are the Appointments Committee, Disciplinary Appeals Committee, Personnel Appeals Sub-Committee and an Emergency Committee.

The Authority and its committee structure monitor the effectiveness of the governance framework through the consideration of regular performance, financial and strategic risk management reports. The Authority and its committees receive regular feedback from senior officers on the delivery of services and the achievement of objectives and targets. The Chair of the Authority, Chief Fire Officer and the Finance Director oversee the review and sign off the Annual Governance Statement.

The Governance Committee

The Governance Committee considers the effectiveness of the Authority's governance arrangements, risk management arrangements, control environment and anti-fraud and corruption arrangements and seeks assurance that action is being taken on risk-related issues identified by the auditors and the HMICFRS on corporate governance matters.

The committee receives and considers Internal Audit's Annual Plan and Annual Report and the reports and opinions of the External Auditor, including the Auditor's Annual Report and monitors management action in response to the issues raised.

The committee has a responsibility to ensure internal control systems are effective and that policies and practices are compliant with statutory requirements, other regulations and guidance. This committee satisfies themselves that the Authority's assurance statements properly reflect the risk environment, any actions required to improve it and make recommendations or comments to the Authority as appropriate.

The committee is responsible for the ethical framework of the Authority and promotes high standards of conduct, working closely with the Monitoring Officer to deal with complaints about Member conduct.

The committee aligns with the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities* and undertakes an assurance and advisory role.

Statutory Officer Roles

The Authority appointments the following statutory officers:

• The Head of Paid Services (Chief Fire Officer) has overall responsibility for the management and operational activities of the fire service and:

  - Provides professional advice to the Authority and its committees; and
  - Ensures a system for recording and reporting Authority decisions, together with the Monitoring Officer.

• The Chief Financial Officer (Finance Director and s151 Officer) has overall responsibility for the financial management of the Authority and:

- Ensuring that the financial position of the Authority is monitored throughout the year and consideration is given to financial implications when taking decisions and with the support of External Audit that financial processes are complied with;
- For advising both senior officers and elected Members on all financial matters in line with CIPFA's document Role of the Chief Financial Officer in Local Government (2010). The Authority's financial management arrangements conform to the governance requirements of the CIPFA statement; and
- The post holder is professionally qualified and has many years' experience within Local Authority finance.

• The Monitoring Officer has overall responsibility for:

- Ensuring compliance with established policies, procedures, laws and regulations, and the lawfulness and fairness of decision-making;
- Reporting on matters she believes are, or are likely to be, illegal or amount to maladministration; o Matters relating to the conduct of Members and Principal Officers; and
- The operation of the Authority's constitution.

The Executive Leadership Team

The Executive Leadership Team are responsible for the development and maintenance of the governance environment by:

• Providing clear direction to the fire service and senior managers;

• Providing information from various sources to inform governance arrangements, e.g. performance reports, financial and risk management arrangements and;

• Contributing to the completion and review of the Annual Governance Statement.

Financial planning

The MTFS provides the financial strand linking the budget-planning framework for Revenue and Capital budgets with Authority and fire service goals and priorities over a rolling 4 year period. The MTFS is presented to the Authority as part of the Revenue Budget report and published papers are made available to the public in February of each year on Sunderland City Council's website.

The budget planning framework and draft budget is scrutinised and approved by the Authority as part of a well-embedded budget cycle process each year culminating with final approval in February. This process ensures that a realistic and affordable budget is approved in accordance with the advice of the Finance Director (Section 151 Officer), who provides assurance to Members that the budget is prudent, affordable and sustainable.

The Authority approved a balanced budget for 2021/22 in February 2021. Monitoring of expenditure against the budget is carried our throughout the year and the Executive Leadership Team is regularly kept informed of the position. Formal quarterly reports are also provided to the Authority where the Revenue Budget and Capital Programme are scrutinised and actions approved by Members of the Authority as considered necessary. The fire service reported an estimated underspend of £0.700m for the financial year 2021/22, the detail of which is set out in the quarterly budget monitoring report made to the Authority in November 2021. The final underspend position however will not be known until the outturn report is finalised and reported to members in July 2022.

The Authority continued to ensure it had good arrangements for managing its finances and achieving value for money throughout the year. The financial planning process and the need to provide best value services is well embedded and understood across the Authority by Members and staff. A financial services team, managed by the Head of Financial Services who reports directly to the Finance Director maintains the correct competencies and ensures that the Authority and the Executive Leadership Team receive appropriate financial information to support the key decisions and objectives of the fire service.

The Treasury Management Policy and Strategy 2021/22 (including both borrowing and investment strategies) for 2021/2022 and the Prudential ‘Treasury Management’ Indicators for 2021/2022 to 2024/2025 was presented to the Governance Committee in March 2021 for scrutiny before it was fully approved by the Authority. The Treasury Management Policy and Strategy and its Prudential Indicators, are regularly monitored and formally reported to Governance Committee quarterly, ensuring that the Authority’s proposed Capital Programme is sustainable, affordable and achievable within the total resources envelope available to the Authority and also helps inform the MTFS.

CIPFA Financial Management Code

In October 2019, CIPFA issued a new Financial Management Code. The purpose of the Code was to support good practice in financial management and to assist authorities in demonstrating their financial sustainability. It contains a set of minimum standards for financial management for local authorities, including fire authorities.

A detailed review has been undertaken by the Finance Director, which concluded that the Authority’s arrangements comply with the CIPFA Financial Management Code.

Performance management

There is a system of performance management embedded within the Authority’s management structure and processes. The TWFRS Strategy 2025 sets out the Authority’s key objectives, which are reflected in the annual departmental plans and KPIs. These plans are monitored by the Business Improvement Team, managed by the Senior Leadership Team and key outcomes reported to the Executive Leadership Team and Authority regularly.

The Operational Standards Programme 2021 has provided substantial assurance: an independent team visited all 61 watches across the duty systems during 2021/22 and the standard of performance was high. Identified areas for improvement were fed back and will be incorporated into future training programmes. A new programme of Operational Standards 2022/23 will include a continuation of station visits, support to phase II firefighters, and the development of leadership pathways for supervisory commanders.

The performance management framework is under review, with the aim to improve the management and reporting of corporate performance.

Risk management

The Governance Committee received a progress report regarding the management of corporate risks on 29 November 2021, to ensure independent scrutiny of the corporate risk register. The Chair noted the good practice of critically evaluating the register (min no.31/21 refers) which provides assurance to the committee that risk is being managed appropriately.

The corporate risks facing the Authority were reviewed on 5 April 2022 by the Executive Leadership Team as part of their ongoing management of risk and there is currently one risk that is categorised as intolerable on the register, namely:

• 01/20 Risk that the impending remedy for age discrimination in pension schemes results in detrimental financial and workforce impacts for the Service.

The Executive Leadership Team continue to monitor this risk closely and apply the appropriate mitigation whilst reporting progress to the Governance Committee and the Authority as part of the annual cycle of committee meetings for independent scrutiny and information, discussion and challenge respectively.

Business continuity

The Covid-19 pandemic allowed for real life testing of business continuity plans and the management of systems and processes and ensured that the fire service continued to deliver critical activities to the communities of Tyne and Wear. The fire service was also able to support local agencies and partners by taking on additional activities and it is of note that every request from partners for assistance with Covid matters was positively responded to and achieved.

The fire service maintained monthly Covid-recovery meetings into 2021/22 to ensure that the response remained appropriate and a safe return to normal ways of working once restrictions started to be lifted and subsequently removed.

The fire service ensured business continuity arrangements remained fit for purpose by undertaking regular reviews and updating individual business continuity plans as appropriate. Specific plans are also created and reviewed as required (i.e. Covid-19) to ensure the delivery of critical activities during any business interruption. The programme of testing and exercising of business continuity plans underpins the business continuity management system.

Internal Audit

Internal Audit is a key source of assurance for the Annual Governance Statement and operates in accordance with the Public Sector Internal Audit Standards. Internal Audit review the effectiveness of the Authority's governance arrangements, including the system of internal control, and reports on its adequacy. Internal Audit follow an audit plan based on an assessment of potential risks for the various systems and procedures.

The Internal Audit Plan for 2021/22 was noted and agreed by Governance Committee at their meeting on 8 March 2021 and set out the proposed plan of work for the Authority. The following five audits took place during the year:

• Project Management to review the arrangements in place to manage projects within the Service including the framework in place, benefits realisation, performance management and project evaluations.

• Performance Management to examine the process in place to monitor and report on performance within the Service.

• Financial Management a review of the strategy for holding reserves and its application within the Service. • Information Governance to review the results of the Service's Data Protection Officer's assurance work.

• Corporate Governance to review the new governance arrangements that have recently been implemented regarding the operational management of the Service.

The audit reports provided either substantial assurance (risk levels are low) or moderate assurance (risk levels are acceptable) for the audit work carried out during the year as follows:

Substantial Assurance:
• Performance Management
• Financial Management
• Corporate Governance

Moderate Assurance:
• Project Management
• Information Governance

In addition to the above, transactional audit work was also undertaken on the lead Authority's key financial systems (Sunderland City Council), which are used by the Authority. Systems audited covered during the year included:

• Accounts Payable;
• Accounts Receivable / Periodic Income; and
• Payroll. Substantial Assurance was reported on all areas of the systems and transactions tested.

The Governance Committee were updated on progress against the audit plan at their meeting on 29 November 2021 and received and noted the annual report on 27 May 2022. In summary, the Internal Audit report concluded that:

• Their audit work identified only 12 medium and 8 low risk recommendations but importantly did not identify any high or significant risks;

• The work undertaken did not identify any matters material to the overall internal control environment of the service;

• That 96% of all recommendations had been fully addressed by the year-end; and

• Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2021/22 'it is considered that overall, throughout the service, there continues to be a good internal control environment'.

External Audit

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

The External Auditor issued an unqualified opinion on the Authority's Financial Statements for the year ended 31 March 2021 and in addition provides detailed commentary on the Authority's arrangements for achieving value for money, which is a new requirement for 2020/21 onwards. Details of the auditor's findings in respect of the audit of the accounts were included in their draft Audit Completion Report issued on 29 November 2021 to Governance Committee, which was finalised on 6 December 2021, with the audit formally completed and signed off on 9 December 2021.

Mazars issued an unqualified opinion on both the Authority's financial statements and Value for Money Conclusion. The Auditor's Annual Report confirms that the Authority:

• Produced unqualified Financial Statements for 2020/21 that gave a true and fair view of the Authority's financial position and its financial performance as at 31 March 2021 and that no objections to the published Financial Statements had been received;

• Published its Narrative Statement with the Financial Statements, as statutorily required, and that the details were found to be consistent with those Financial Statements;

• Had provided an Annual Governance Statement that was found to accurately reflect the Authority's governance arrangements and that these followed the requirements of the 'Delivering Good Governance in Local Government Framework 2016';

• Had no matters identified that required a report in the public interest or from other powers available to the auditor under the 2014 Act; and

• Had not identified any areas of significant weakness in the Authority's value for money arrangements, specifically in relation to:

  - Financial sustainability
  - Governance
  - Improving economy, efficiency and effectiveness.

• Provided detailed commentary and the evidence used in gaining their value for money opinions.

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

The Authority was first inspected by HMICFRS in 2018/2019 and judged as good for all three areas of inspection:

• Effectiveness – our emergency response and services we provide to the public
• Efficiency – how we manage our finances and how efficient we are
• People – our culture, training and how we treat our people

In October 2020, HMICFRS carried out a virtual thematic inspection of the Authority's planning arrangements, response and ability to demonstrate effective service during the coronavirus pandemic. This resulted in a positive outcome letter (dated 22 January 2021) being sent to the CFO and Chair of the Authority, praising the planning and response to the pandemic and recognised that fire service had continued to deliver its statutory duties and the Authority continued to adhere to the principles of good governance and scrutiny.

The second round of full inspections were postponed due to the Covid-19 pandemic, but commenced for 2021/22, with the fire service being inspected in December 2021. The report for this inspection is expected to be released in summer 2022.

HOW THE AUTHORITY ADDRESSED THE GOVERNANCE IMPROVEMENT ACTIONS FROM 2020/2021

The Annual Governance Statement 2020/21 contained 15 improvement actions; eight new actions identified during the 2020/21 annual governance review and seven legacy actions.

Progress against these actions was reported to the Governance Committee on 7 March 2022, where 10 of the 15 were closed. The following five actions have been carried forward for completion during 2022/23:

• Arrange for the provision of anti-fraud and bribery training for TWFRS Members, managers and staff.

• Further guidance and training required for staff on Privacy Impact Assessments (PIA) to improve staff understanding of and compliance with PIA requirements.

• Roll out training on corporate governance (CG) for the Senior Leadership Team (SLT) including info asset management.

• Information Asset Register and recording system to be reviewed, supported by new technology and further training.

• Review and streamline policies and procedures, to include PIA and Equality Impact Assessment (EIA) and support training, to align to new strategic planning framework.

Whilst progress has been made against the above actions, further work is required and Appendix A provides a high-level summary of the action taken during 2021/22.

OPINION ON THE GOVERNANCE FRAMEWORK

The 2021/22 review of the effectiveness of the governance framework shows that the arrangements continue to be fit for purpose and good assurance can be given that the framework is operating effectively in practice. The outstanding improvement actions noted in 5.2 above and the new actions outlined in 7.1 below, need to be addressed to further enhance the Authority's governance arrangements.

No review can provide absolute assurance; however, this statement is intended to provide assurance that there is an ongoing process for reviewing the governance framework and its operation in practice.

Based on the evidence examined, the governance framework has continued to be in place for the year ending 31 March 2022 and up to the date of approval of the 2021/22 Statement of Accounts.

GOVERNANCE MATTERS IDENTIFIED FOR IMPROVEMENT DURING 2022/23

The review of the effectiveness of the Authority's governance framework has identified the following four actions to be addressed during 2022/23:

• Develop a communication and engagement strategy to ensure the fire service continues to effectively engaging with both internal and external stakeholders.

• Develop and deliver a structured management development programme for the Senior Management Group.

• Review and improve the fire service's information governance approach and develop an information governance framework.

• Review and where appropriate update the All Personnel Code of Conduct.

The action plan to progress these actions is set out below.

The total number of improvement actions for completion during 2022/23 is nine, comprising of four new actions and five legacy actions carried forward from 2021/22.

The Corporate Governance Board and Governance Committee have a responsibility for ensuring the delivery of these actions to improve the Authority's governance framework.

ASSURANCE SUMMARY

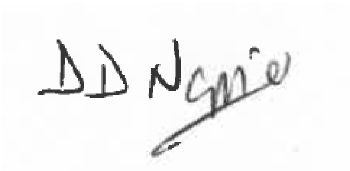
The Authority recognises that good governance provides the foundation for the delivery of good quality services that meet the needs of stakeholders and ensures that public money is well spent. This review confirms that the governance systems and monitoring arrangements the Authority had in place for 2021/22 were working effectively.

The Authority is satisfied that appropriate governance arrangements are operating and remains committed to enhancing these through the implementation of the improvement action plan during 2022/23.

To the best of our knowledge, the governance arrangements, as defined above and within the Authority's Code of Corporate Governance, have been effectively operating during 2021/22 with the exception of the points raised in 'Government Matters Identified for Improvement in 2022/23' and the outstanding actions still for completion as noted in in the Statement.

We pledge our commitment that over the coming year that steps will be taken to further enhance the Authority's governance arrangements. We are satisfied that these steps will address the improvements identified and we will monitor their implementation and operation during the year and as part of our next annual review.

Chris Lowther
Chief Fire Officer and
Chief Executive



Dennis Napier
Finance Director

Councillor Carole Burdis
Vice Chair of the Authority

Dated: 27 June 2022

Annual Governance Statement - Corporate Governance Annual Action Plan 2021/22 – outstanding actions

The Annual Governance Statement 2020/21 contained 15 improvement actions for progression during 2021/22 and comprised of eight actions identified during the 2020/21 annual governance review and seven legacy actions from previous years'. Progress against these actions was reported to the Governance Committee on 7 March 2022, and 10 of the 15 actions were closed.

The five outstanding actions are detailed below and completion against these objectives is due by the end of the financial year, in March 2023.

Strategic oversight of these actions will be undertaken by the Corporate Governance Board and progress will be reported to the Governance Committee.

Ref	Area for Improvement	Lead Officer	Responsible Officer	Actions Taken / Planned
7 2021/22	Arrange for the provision of anti-fraud and bribery training for TWFRS Members, managers and staff	HR Director	Head of Learning and Development Multimedia Technician	**In progress** A number of anti-fraud and corruption eLearning training courses have been critiqued to identify whether they would be appropriate for the Service to adopt. However, as the majority of courses were tailored towards the private sector, the Learning and Development team decided to develop an in-house, fire-service centric training package for staff. Material is being collated for input into the eLearning storyboard. To coincide with the development of this training the Service is reviewing its anti-fraud and bribery policy. The Monitoring Officer confirmed that Members receive training from their 'home' councils so no further action required.

8 2021/22	Further guidance and training required for staff on Privacy Impact Assessment to improve staff understanding of and compliance with PIA requirements	HR Director	Information Governance Advisor	**In progress** A data protection impact assessment (DPIA) / PIA module was included within Information Governance training sessions delivered to Department Heads. To accompany this training, a user guide on how to complete a DPIA is being designed and will be published for staff use.
67 2020/21	Roll out training on Corporate Governance (CG) for Senior Leadership Training (SLT) including: info asset management	HR Director	Information Governance Advisor	**In progress** Training has been undertaken with Department Heads and there will be a rolling programme to identify and train new Department Heads. The information asset policy will be updated to support this training.
60 2019/20	Information Asset Register (IAR) and recording system to be reviewed, supported by new technology and further training	HR Director AM Digital, Data & Safety	Information Governance Advisor Head of ICT	**In progress** Department heads are currently reviewing their Information Asset Registers (IARs) and work is ongoing with ICT to look at ways to host / make the IARs live documents. Regular IAR reviews are scheduled between the Information Governance Advisor and Department Heads. Supporting policies in relation to IARs and document retention and disposal are being reviewed and an eLearning package is in development.
43 2018/19	Review and streamline policies and procedures, to include PIA and Equality Impact	AM Digital, Data & Safety	Head of Business Improvement	**In progress** The policy and procedure review was completed and

	Assessment (EIA) and support training, to align to new strategic planning framework	HR Director	Information Governance Advisor	an improved process implemented during 2021, which including new templates, an updated procedure / guidance, and training conducted. The equality impact assessments (EIA) and associated documents were published and are in use and training was provided. Privacy Impact assessments (PIA) are to be incorporated into the policy and procedure documentation and additional PIA / EIA training is to be provided to staff.

The annual governance review 2021/22 identified four actions where the Authority will need to focus its efforts during 2022/23, and are set out in the action plan below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2023.

Strategic oversight of these actions will be undertaken by the Corporate Governance Board and progress will be reported to the Governance Committee.

Ref	Area for improvement	Lead Officer	Responsible Officer	Intended Outcome	How this is monitored
1 2022/23	Develop a communication and engagement strategy that sets out how the fire and rescue service will continue to effectively engaging with both internal and external stakeholders.	AM Data, Digital & Safety	Head of Communications and Corporate Affairs Media and Communications Manager	A communication and engagement strategy adopted and communicated.	Executive Leadership Team
2 2022/23	Develop and deliver a structured management development programme for the Senior Management Group.	HR Director	Organisational Development Manager Organisational Development Advisor	Members of the Senior Management Group develop appropriate knowledge and skills.	People Board

3 2022/23	Review and improve the fire and rescue service's information governance approach and develop an information governance framework.	HR Director AM Data, Digital & Safety	Information Governance Advisor HR Services Manager Head of ICT Head of Data, Information and Safety	An information governance framework adopted and communicated.	Corporate Governance Board
4 2022/23	Review and where appropriate update the All Personnel Code of Conduct.	HR Director	HR Director	An updated All Personnel Code of Conduct adopted and communicated.	People Board

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 2020	(3,943)	(29,419)	(261)	(2,148)	(35,771)	825,661	789,890
<u>Movement in reserves during 2020/21</u>							
(Surplus) / Deficit on provision of services	1,579	0	0	0	1,579	0	1,579
Other Comprehensive Income and Expenditure	0	0	0	0	0	84,758	84,758
Total Comprehensive Income and Expenditure	1,579	0	0	0	1,579	84,758	86,337
Adjustments between accounting basis & funding basis under regulations (note 6)	(6,547)	0	0	0	(6,547)	6,547	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(4,968)	0	0	0	(4,968)	91,305	86,337
Transfers (to) / from Earmarked Reserves	4,968	(5,805)	92	745	0	0	0
(Increase) / Decrease in 2020/21	0	(5,805)	92	745	(4,968)	91,305	86,337
Balance at 31 March 2021	(3,943)	(35,224)	(169)	(1,403)	(40,739)	916,966	876,227
<u>Movement in reserves during 2021/22</u>							
(Surplus) / Deficit on provision of services	**6,399**	**0**	**0**	**0**	**6,399**	**0**	**6,399**
Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**(15,343)**	**(15,343)**
Total Comprehensive Income and Expenditure	**6,399**	**0**	**0**	**0**	**6,399**	**(15,343)**	**(8,944)**
Adjustments between accounting basis & funding basis under regulations (note 6)	**(6,568)**	**0**	**0**	**0**	**(6,568)**	**6,568**	**0**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**(169)**	**0**	**0**	**0**	**(169)**	**(8,775)**	**(8,944)**
Transfers (to) / from Earmarked Reserves	**23**	**(25)**	**2**	**0**	**0**	**0**	**0**
(Increase) / Decrease in 2021/22	**(146)**	**(25)**	**0**	**0**	**(169)**	**(8,775)**	**(8,944)**
Balance at 31 March 2022	**(4,089)**	**(35,249)**	**(167)**	**(1,403)**	**(40,908)**	**908,191**	**867,283**

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.

2020/2021 Gross Expenditure £'000	2020/2021 Gross Income £'000	2020/2021 Net Expenditure £'000		Notes	**2021/2022 Gross Expenditure £'000**	**2021/2022 Gross Income £'000**	**2021/2022 Net Expenditure £'000**
2,195	(1,481)	714	Community Safety		**3,082**	**(1,105)**	**1,977**
22,755	(7,180)	15,575	Fire Fighting and Rescue Operations		**25,385**	**(7,336)**	**18,049**
14,580	(338)	14,242	Management and Support Services		**15,562**	**(330)**	**15,232**
352	0	352	Corporate Support Services		**106**	**0**	**106**
39,882	(8,999)	30,883	**Cost of Services**		**44,135**	**(8,771)**	**35,364**
230	(222)	8	Other Operating Expenditure	9	**0**	**0**	**0**
21,643	(36)	21,607	Financing and Investment Income and Expenditure	10	**21,090**	**(59)**	**21,031**
0	(50,919)	(50,919)	Taxation and Non-Specific Grant Income	11,27	**0**	**(49,996)**	**(49,996)**
61,755	(60,176)	1,579	**(Surplus) or Deficit on Provision of Services**		**65,225**	**(58,826)**	**6,399**
		(4,312)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	20			**(6,453)**
		89,070	Re-measurement of the Net Defined Benefit Liability/(Asset)	31			**(8,890)**
		84,758	**Other Comprehensive Income and Expenditure**				**(15,343)**
		86,337	**Total Comprehensive Income and Expenditure**				**(8,944)**

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 2021 £'000		Notes	**31 March 2022 £'000**
80,747	Property, Plant and Equipment	12	**86,321**
20	Long Term Investments		**20**
226	Long Term Debtors	14	**227**
80,993	**Long Term Assets**		**86,568**
1,077	Inventories		**951**
12,980	Short Term Debtors	15	**13,378**
39,351	Cash and Cash Equivalents	16	**38,141**
53,408	**Current Assets**		**52,470**
(449)	Short Term Borrowing	14	**(449)**
(7,578)	Short Term Creditors	17	**(6,664)**
(1,610)	Other Short Term Liabilities	14	**(1,610)**
(664)	Short Term Provisions	18	**(638)**
0	Grant Receipts in Advance - Revenue		**0**
(10,301)	**Current Liabilities**		**(9,361)**
(101)	Long Term Provisions	18	**(188)**
(10,778)	Long Term Borrowing	14	**(10,328)**
(69)	Donated Assets Account	27	**(57)**
(989,379)	Other Long Term Liabilities	14,31	**(986,387)**
(1,000,327)	**Long Term Liabilities**		**(996,960)**
(876,227)	**Net Assets / (Liabilities)**		**(867,283)**
40,739	Usable Reserves	8	**40,908**
(916,966)	Unusable Reserves	20	**(908,191)**
(876,227)	**Total Reserves**		**(867,283)**

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.

2020/2021 £'000		Notes	**2021/2022 £'000**
1,579	Net (surplus) or deficit on the provision of services		**6,399**
(9,914)	Adjustments to net surplus or deficit on the provision of services for non cash movement		**(10,045)**
222	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**0**
(8,113)	Net cash flows from operating activities		**(3,646)**
3,249	Investing activities	22	**2,784**
2,237	Financing Activities	23	**2,072**
(2,627)	**Net (increase) or decrease in cash and cash equivalents**		**1,210**
(36,724)	Cash and cash equivalents at the beginning of the reporting period	16	**(39,351)**
(39,351)	**Cash and cash equivalents at the end of the reporting period**		**(38,141)**

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 2021/2022 financial year and its position at the year-end of 31 March 2022. 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 2021/2022, 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 2021/2022 (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 cash flow 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 line with the loan agreement.

Any gains or 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 – 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 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, Senior Manager – Property Services, the Sunderland City Council's qualified (MRICS) Chartered Surveyor. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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 31 March 2020 and has been rolled forward to reflect the position as at 2022, in particular allowing for service accrued between 1 April 2020 and 31 March 2022 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 31 March 2014 are linked to final salary and benefits after 31 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 31 March 2019 and has been rolled forward to reflect the position as at 31 March 2022.

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 CABP.

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 schemes are detailed in the Statement of Accounts.

Recognising assets and liabilities
Property used in a PFI or 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 or 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 or 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 or 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 Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.23 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 2022/2023 (The Code) has adopted a number of new standards from 1 April 2022:

- IFRS 16 Leases;
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards:
    - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - IAS 37 (Onerous contracts) – clarifies the intention of the standard
    - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
    - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.

The only change that will impact on the Authority is IFRS 16 Leases.

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 31.

- Provisions – provisions are measured at the Finance Officer's 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 – Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

  The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases.

  In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case.

  On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters' Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and HMT published their response to their consultation on 4 February 2021, confirming their approach to remedying age discrimination, in line with their proposals. The liability calculations have been updated to be in line with the agreed final remedy.

Firefighters' Pension Schemes

The final remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. At retirement, these members will be given a choice in which scheme they wish to accrue benefits over the remedy period, 1 April 2015 to 31 March 2022. To make that choice all members will be automatically defaulted to the legacy scheme during the remedy period and the reformed scheme benefits kept as an underpin. From 1 April 2022, everyone is assumed to accrue benefits in the CARE scheme.

Given the uncertainty in how members' benefits will accrue over the remedy period, due to future salary increases, preferences for early/late retirement over more pension, assumptions have been made in order to determine which scheme the member will choose to accrue benefits in at retirement.

The estimated present value of the benefits that would accrue over the remedy period under each member's legacy and the CARE scheme have both been calculated and it has been determined that the member would choose the scheme that had the highest present value. Where retirement dates differed early retirement factors have been applied to the CARE benefits to bring in line with the assumed retirement age of the legacy scheme. Where the member's legacy scheme retirement age is lower than 55 it has been assumed that the member would remain in their legacy scheme. The effect of this adjustment to the McCloud allowance is a very slight reduction to the overall liability.

LGPS

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019.

This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

Although GAD were asked to carry out their analysis on a "worst-case" basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, the solution proposed by the Government would only apply the underpin to all members who were active on 31 March 2012. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012).

IAS19/FRS102 requires a best estimate value to be placed on the Authority in terms of liabilities and costs. Consistent with the approach adopted for the McCloud impact estimates made last year, estimates have been adjusted to include only members that were active on 31 March 2012. This is in line with that proposed in the Government's consultation.

- Guaranteed Minimum Pension (GMP) Indexation and Equalisation - Reforms to the State Pension system on 6 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 5 April 2016 through to 6th December 2018.

  In January 2018 the Government extended the ‘interim solution' to individuals reaching SPA on or before 5 April 2021 and indicated that it is committed to continuing to compensate all members of public sector pension schemes reaching SPA after 5 April 2021.

  In October 2020 the Government published a further consultation on indexation and equalisation of GMP, with the proposal being to extend the ‘interim solution’ to those members who reach State Pension Age after 5 April 2021. A past service cost was included in 2019/2020 for extending the equalisation of future retirees.

  There was also a further court ruling on 20 November 2020 regarding GMP equalisation. The court ruled that scheme trustees are required to revisit Cash Equivalent Transfer Values (CETVs) to ensure GMP equalisation. This may result in additional top-ups where GMP equailsation means that members did not receive their full entitlement. The scope of any costs are yet to be determined but it is expected to be a relatively small uplift for a relatively small subset of members.

  Separately, on 26 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 all members reaching state pension age from 5 April 2016 not just those covered by the current interim solution. 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 2022, 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 – Valuation	Assets are valued, in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards and involve the use of a number of estimation techniques including various property indices. Due to the economic effects of the Covid-19 pandemic, the Authority's valuer has been faced with an unprecedented set of circumstances and considers that less weight can be attached to market evidence which would usually be relied upon to inform opinions of value at 31 March 2022. The asset valuations at 31 March 2022 have therefore been provided on the basis of 'material valuation uncertainty' and the Authority's valuer has stated that valuations should be considered with less certainty and a higher degree of caution than usual. This does not mean that these valuations cannot be relied on, just that they have been provided in exceptional circumstances, which could result in future fluctuations occurring more rapidly than would usually be the case. See note 12 for more details on PPE.	The gross book value (GBV) of the Authority's land and buildings portfolio is £76.274m as at 31 March 2022. A 1% change in asset valuations would equate to a £0.76m change in GBV.
Property, Plant and Equipment - Depreciation	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. See note 12 for more details on PPE.	depreciation charge for buildings would increase by £0.134m for every year that useful lives had to be reduced.
Pension 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. Further information regarding Pension Liabilities can be found in note 31.	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 £2.18m and a 0.50% increase in the discount rate assumption would result in a decrease in the Firefighters' pension liability of £81m. 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 31 March 2022 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 31 March 2022 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.

2020/2021 General Fund Balance £'000	2020/2021 Capital Receipts Reserve £'000		2021/2022 General Fund Balance £'000	2021/2022 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*:		
(5,250)	0	Pensions costs – transferred to (or from) the Pensions Reserve (notes 20, 31)	**(7,520)**	**0**
(2,583)	0	Council Tax and NNDR – transfers to or from the Collection Fund Adjustment Account (note 20)	**119**	**0**
(10)	0	Holiday Pay – transferred to the Accumulated Absences Reserve (note 20)	**129**	**0**
(3,682)	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)	**(3,651)**	**0**
1,737	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 29)	**1,570**	**0**
560	0	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 29)	**690**	**0**
(230)	0	Transfer of non-current asset sale proceeds from revenue to the Capital Adjustment Account	**0**	**0**
(9,458)	0	Total Adjustments to Revenue Resources	**(8,662)**	**0**

2020/2021 General Fund Balance £'000	2020/2021 Capital Receipts Reserve £'000		2021/2022 General Fund Balance £'000	2021/2022 Capital Receipts Reserve £'000
		Adjustments between Revenue and Capital Resources		
222	(222)	Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Account	**0**	**0**
222	(222)	Total Adjustments between Revenue and Capital Resources	**0**	**0**
		Adjustments to Capital Resources		
349	0	Application of capital grants to finance capital expenditure (note 29)	**160**	**0**
0	2,562	Use of the Capital Receipts Reserve to finance capital expenditure (note 29)	**0**	**1,934**
349	2,562	Total Adjustments to Capital Resources	**160**	**1,934**
(8,887)	2,340	**Total Adjustments**	**(8,502)**	**1,934**

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).

2021/2022	**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	**1,727**	**250**	**1,977**
Firefighting and Rescue Operations	**16,218**	**1,831**	**18,049**
Management Support Services	**18,265**	**(3,033)**	**15,232**
Corporate Support Services	**106**	**0**	**106**
Net Cost of Services	**36,316**	**(952)**	**35,364**
Other Income and Expenditure	**(36,485)**	**7,520**	**(28,965)**
(Surplus) or Deficit	**(169)**	**6,568**	**6,399**
Opening General Fund Balance and Earmarked Reserves at 1 April	**40,739**		
Plus Surplus in Year	**169**		
Closing General Fund Balance and Earmarked Reserves at 31 March	**40,908**		

2020/2021			
Community Safety	453	261	714
Firefighting and Rescue Operations	13,661	1,914	15,574
Management Support Services	15,120	(878)	14,242
Corporate Support Services	352	0	352
Net Cost of Services	29,586	1,297	30,883
Other Income and Expenditure	(34,554)	5,250	(29,304)
(Surplus) or Deficit	(4,968)	6,547	1,579
Opening General Fund Balance and Earmarked Reserves at 1 April	35,771		
Plus Surplus in Year	4,968		
Closing General Fund Balance and Earmarked Reserves at 31 March	40,739		

The nature of the Cost of Services presented in the Expenditure and Funding Analysis is shown below:

2021/2022	**Community Safety £'000**	**Fire Fighting and Rescue Operations £'000**	**Corporate and Democratic core £'000**	**Non Distributed Costs £'000**	**Total £'000**
Fees, charges and other service income	**118**	**208**	**0**	**0**	**326**
Government grants	**646**	**4,118**	**0**	**0**	**4,764**
Other grants, reimbursements and contributions	**43**	**147**	**0**	**0**	**190**
Total Income	**807**	**4,473**	**0**	**0**	**5,280**
Employee expenses	**1,354**	**15,893**	**2**	**12**	**17,261**
Other service expenses	**324**	**2,310**	**95**	**0**	**2,729**
Support services	**3,733**	**16,879**	**42**	**0**	**20,654**
Total Expenditure	**5,411**	**35,082**	**139**	**12**	**40,644**
Deficit on Cost of Services	**4,604**	**30,609**	**139**	**12**	**35,364**

2020/2021	**Community Safety £'000**	**Fire Fighting and Rescue Operations £'000**	**Corporate and Democratic core £'000**	**Non Distributed Costs £'000**	**Total £'000**
Fees, charges and other service income	59	168	0	0	227
Government grants	1,004	4,132	0	0	5,136
Other grants, reimbursements and contributions	144	16	0	0	160
Total Income	1,207	4,316	0	0	5,523
Employee expenses	1,050	13,928	2	201	15,181
Other service expenses	225	2,203	152	0	2,580
Support services	3,024	16,089	34	0	19,147
Total Expenditure	4,299	32,220	188	201	36,908
Deficit on Cost of Services	3,092	27,904	188	201	31,385

Note 8 – Movements in Earmarked Reserves

	Balance at 1 April 2020 £'000	Transfers out 2020/2021 £'000	Transfers in 2020/2021 £'000	**Balance at 31 March 2021 £'000**	**Transfers out 2021/2022 £'000**	**Transfers in 2021/2022 £'000**	**Balance at 31 March 2022 £'000**
General Fund Balance	3,943	0	0	**3,943**	**0**	**146**	**4,089**
Capital Reserves							
Capital Receipts Reserve	2,148	(967)	222	**1,403**	**0**	**0**	**1,403**
Capital Grant Reserve	261	(92)	0	**169**	**(2)**	**0**	**167**
Total Capital Reserves	2,409	(1,059)	222	**1,572**	**(2)**	**0**	**1,570**
Revenue Reserves							
PFI Smoothing Reserve	8,288	(57)	0	**8,231**	**(43)**	**0**	**8,188**
Insurance Reserve	1,131	(3)	0	**1,128**	**(85)**	**0**	**1,043**
Early Retirement Reserve	9	(4)	0	**5**	**(5)**	**0**	**0**
Capital Developments Reserve	5,506	(1,689)	1,640	**5,457**	**(1,934)**	**1,059**	**4,582**
Resilience Reserve	3,500	0	0	**3,500**	**0**	**0**	**3,500**
Budget Carry Forward Reserve	1,688	(315)	1,896	**3,269**	**(1,416)**	**401**	**2,254**
New Dimensions Reserve	767	(2)	80	**845**	**(193)**	**0**	**652**
Transformation and Reform Reserve	4,515	(57)	2,065	**6,523**	**0**	**3,157**	**9,680**
Medium Term Planning Reserve	1,336	0	2,108	**3,444**	**0**	**826**	**4,270**
Emergency Services Mobile Communications Reserve	1,163	(83)	0	**1,080**	**0**	**0**	**1,080**
COVID-19 Reserve	1,515	(75)	302	**1,742**	**(1,742)**	**0**	**0**
Total Revenue Reserves	29,419	(2,285)	8,091	**35,224**	**(5,418)**	**5,443**	**35,249**
Total Reserves	35,771	(3,344)	8,313	**40,739**	**(5,420)**	**5,589**	**40,908**

The table, above, shows the movement on the Authority's earmarked reserves for the year ended 31 March 2022. Detail on the purpose of each reserve is provided below:

- **PFI Smoothing Reserve -** Government Grants received for PFI schemes, in excess of previous levels of expenditure, were carried forward as an earmarked reserve to fund future contract expenditure. This had 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 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.

- **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, and to address temporary shortfalls in the medium term financial plan until efficiencies are realised.

- **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 established to deal with the implications of the COVID-19 pandemic.

Note 9 – Other Operating Expenditure

2020/2021 £'000		**2021/2022 £'000**
8	(Gain)/Loss on Disposal of Non-Current Assets	**0**
8	**Total**	**0**

Note 10 – Financing and Investment Income and Expenditure

2020/2021 £'000		**2021/2022 £'000**
2,183	Interest Payable	**1,860**
19,460	Net Interest on the Net Defined Benefit Liability (Asset)	**19,230**
(36)	Interest and Investment Income	**(59)**
21,607	**Total**	**21,031**

Note 11 – Taxation and Non Specific Grant Income

2020/2021 £'000		**2021/2022 £'000**
(24,691)	Council Tax Income	**(25,334)**
(15,704)	Non Domestic Rate Income	**(14,713)**
(8,939)	Non Ringfenced Government Grants	**(8,989)**
(1,076)	COVID-19 Section 31 Grant	**(134)**
(509)	Business Rates Section 31 Grant	**0**
0	Local Council Tax Support Scheme Grant	**(826)**
(50,919)	**Total**	**(49,996)**

Note 12 – Property, Plant and Equipment

Movement on Balances 2021/2022

	Land & Buildings £’000	Vehicles, Plant Furniture & Equipment £’000	Assets Under Construction £’000	Surplus Assets £’000	Assets Held for Sale £’000	TOTAL £’000	PFI Assets included in Property Plant and Equipment £’000
Cost or Valuation							
At 1 April 2021	**71,425**	**27,159**	**2,319**	**0**	**0**	**100,903**	**37,272**
Additions	**475**	**3,930**	**163**	**0**	**0**	**4,568**	**134**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	**4,503**	**0**	**0**	**0**	**0**	**4,503**	**2,812**
Revaluation increases/(decreases) recognised in the Provision of Services	**(129)**	**0**	**0**	**0**	**0**	**(129)**	**(38)**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Movements in Cost or Valuation	**(150)**	**0**	**(1,785)**	**0**	**150**	**(1,785)**	**150**
At 31 March 2022	**76,124**	**31,089**	**697**	**0**	**150**	**108,060**	**40,330**
Accumulated Depreciation and Impairment At 1 April 2021	**132**	**20,024**	**0**	**0**	**0**	**20,156**	**0**
Depreciation Charge	**2,089**	**1,573**	**0**	**0**	**0**	**3,662**	**996**
Depreciation written out to Revaluation Reserve	**(1,950)**	**0**	**0**	**0**	**0**	**(1,950)**	**(958)**
Depreciation recognised in the Provision of Services	**(129)**	**0**	**0**	**0**	**0**	**(129)**	**(38)**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**	**0**
At 31 March 2022	**142**	**21,597**	**0**	**0**	**0**	**21,739**	**0**
Net Book Value at 31 March 2021	**71,293**	**7,135**	**2,319**	**0**	**0**	**80,747**	**37,272**
Net Book Value at 31 March 2022	**75,982**	**9,492**	**697**	**0**	**150**	**86,321**	**40,330**

Movement on Balances 2020/2021

	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 2020	71,628	25,088	1,043	230	97,989	37,886
Additions	124	2,071	1,276	0	3,471	14
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,477	0	0	0	1,477	512
Revaluation increases/(decreases) recognised in the Provision of Services	(1,804)	0	0	0	(1,804)	(1,140)
Disposals	0	0	0	(230)	(230)	0
At 31 March 2021	71,425	27,159	2,319	0	100,903	37,272
Accumulated Depreciation and Impairment						
At 1 April 2020	2,675	18,400	0	0	21,075	2,552
Depreciation Charge	2,001	1,624	0	0	3,625	917
Depreciation written out to Revaluation Reserve	(2,837)	0	0	0	(2,837)	(2,329)
Depreciation recognised in the Provision of Services	(1,707)	0	0	0	(1,707)	(1,140)
Disposals						
At 31 March 2021	132	20,024	0	0	20,156	0
Net Book Value at 31 March 2020	68,953	6,688	1,043	230	76,914	35,334
Net Book Value at 31 March 2021	71,293	7,135	2,319	0	80,747	37,272

Capital Commitments

At 31 March 2022, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/2023, budgeted to cost £5.481m (as at 31 March 2021 £3.670m). A summary of the commitments are:

- ICT Software and Hardware (£0.216m)
- Estates (£0.290m)
- Operations and Resilence (£0.189m)
- Prevention and Education (£0.152m)
- ESMCP (£1.806m)
- Technical Services Centre (£0.013m)
- Vehicle Replacement Programme (£2.814m)

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	Assets Held for Sale £'000	Total £'000
Carried at historic cost	0	31,089	697	0	31,786
Valued at fair value as at:					
31 March 2022	75,587	0	0	150	75,737
Assets held under finance leases	537	0	0	0	537
Total	**76,124**	**31,089**	**697**	**150**	**108,060**

Note 13 – Assets Held for Sale

The Authority has agreed sale of land at Washington Community Fire Station. This will be sold in 2022/2023 and yield a one off capital receipt of £150,000.

Note 14 – Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2022 £'000	31 March 2021 £'000	**31 March 2022 £'000**	31 March 2021 £'000
Debtors				
Financial assets carried at amortised amount	**227**	226	**0**	0
Financial assets carried at contract amount**	**0**	0	**9,494**	7,844
Non-Financial Assets	**0**	0	**1,763**	1,710
Total Debtors	**227**	226	**11,257**	9,554
Borrowings				
Financial liabilities at amortised cost *	**(10,346)**	(10,778)	**(431)**	(449)
Total Borrowings	**(10,346)**	(10,778)	**(431)**	(449)
Other Liabilities				
PFI and finance lease liabilities	**(14,470)**	(15,830)	**(1,349)**	(1,110)
Injury Pension Liability	**(6,139)**	(6,639)	**(500)**	(500)
Non-Financial Liabilities				
Pension Liability	**(965,540)**	(966,910)	**0**	0
Total Other Liabilities	**(986,149)**	(989,379)	**(1,849)**	(1,610)
Creditors				
Financial liabilities carried at contract amount**	**0**	0	**(2,932)**	(2,450)
Non-Financial Liabilities	**0**	0	**(693)**	(692)
Total Creditors	**0**	0	**(3,625)**	(3,142)
Cash and Cash Equivalents				
Bank Deposits	**0**	0	**10,626**	11,836
Investments	**0**	0	**27,514**	27,514
Total Cash and Cash Equivalents	**0**	0	**38,140**	39,350

* 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:

2021/2022	**Financial Liabilities measured at Amortised Cost £'000**	**Financial Assets measured at Amortised Cost £'000**
Interest expense	1,860	0
Interest income	0	(59)
Net (gain) / loss for the year	**1,801**	

Comparative figures as at 31 March 2021 are as follows:

2020/2021	**Financial Liabilities measured at Amortised Cost £'000**	**Financial Assets measured at Amortised Cost £'000**
Interest expense	2,183	0
Interest income	0	(36)
Net (gain) / loss for the year	**2,147**	

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 127/21;
- 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:

31 March 2021 Carrying Amount £'000	31 March 2021 Fair Value £'000		**31 March 2022 Carrying Amount £'000**	**31 March 2022 Fair Value £'000**
9,446	11,142	PWLB Debt	**9,327**	**9,434**
1,332	1,797	Non PWLB Debt	**1,019**	**1,315**
449	449	Short Term Borrowing	**431**	**430**
15,947	15,947	Long Term PFI and Finance Lease Liability	**14,470**	**14,470**
1,110	1,110	Short Term PFI and Finance Lease Liability	**1,349**	**1,349**
6,639	6,639	Long Term Injury Pension Liability	**6,139**	**6,139**
500	500	Short Term Injury Pension Liability	**500**	**500**
3,142	3,142	Short Term Creditors	**3,625**	**3,625**
38,565	40,726	**Financial Liabilities**	**36,860**	**37,262**

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 2022) 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.

31 March 2021 Carrying Amount £'000	31 March 2021 Fair Value £'000		**31 March 2022 Carrying Amount £'000**	**31 March 2022 Fair Value £'000**
27,514	27,514	Deposits with Money Market Funds, Banks & Building Societies	**27,514**	**27,514**
11,836	11,836	Cash in Hand	**10,626**	**10,626**
226	226	Long Term Debtors	**227**	**227**
9,554	9,554	Short Term Debtors	**11,257**	**11,257**
49,130	49,130	**Financial Assets**	**49,624**	**49,624**

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 exposure to the maturity structure of its debt; and
  - -its maximum annual exposure to investments maturing beyond a year.
- 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 Lead Authority.

The Authority’s maximum exposure to credit risk at 31 March 2022 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 31 March 2022 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, £0.011m is beyond its due date for payment. The past due amount can be analysed by age as follows:

31 March 2021 £'000		**31 March 2022 £'000**
27	Less than 3 months	**58**
1	Between 3 and 6 months	**39**
0	Between 6 months to one year	**12**
1	More than one year	**1**
29		**110**

From the analysis, the value of bad debts is not significant enough to require a provision.

Amounts arising from expected credit loss

All of the Authority's financial assets have been assessed as Stage 1 at both 31 March 2021 and 31 March 2022, 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 the 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.

According to this assessment strategy, at 31 March 2022, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

31 March 2021 £'000		31 March 2022 £'000
(115)	Increase in interest payable on variable rate borrowings	**(110)**
275	Increase in interest received on variable rate investments	**275**
160	**Impact on Surplus or Deficit on the Provision of Services**	**165**
0	Decrease in fair value of fixed rate investment assets	**0**
0	**Impact on Comprehensive Income and Expenditure**	**0**
2,654	Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**2,190**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Note 15 – Short-Term Debtors

31 March 2021 £'000		31 March 2022 £'000
5,179	Central Government bodies	**6,404**
366	Other local authorities	**(1,428)**
2	NHS bodies	**2**
0	Public corporations and trading funds	**6**
7,433	Other entities and individuals	**8,394**
12,980	**Total**	**13,378**

Note 16 – Cash and Cash Equivalents

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

31 March 2021 £'000		31 March 2022 £'000
1	Cash held by the Authority	**1**
11,836	Bank Current Accounts	**10,626**
27,514	Short Term Investments held with Lead Authority	**27,514**
39,351	**Total**	**38,141**

Note 17 – Short-Term Creditors

31 March 2021 £'000		31 March 2022 £'000
(889)	Central Government bodies	**(819)**
(5,379)	Other local authorities	**(3,795)**
(110)	Public corporations and trading funds	**(150)**
(1,200)	Other entities and individuals	**(1,900)**
(7,578)	**Total**	**(6,664)**

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 2021/2022 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 31 March 2020	(75)	(553)	(628)
Additional provisions made in 2020/2021	(67)	(367)	(434)
Amounts used in 2020/2021	41	256	297
Balance at 31 March 2021	**(101)**	**(664)**	**(765)**
Additional provisions made in 2021/2022	**(175)**	**(115)**	**(290)**
Amounts used in 2021/2022	**88**	**141**	**229**
Balance at 31 March 2022	**(188)**	**(638)**	**(826)**

The nature of the individual provisions held at 31 March 2022 is detailed below:

	Short Term £'000	Long Term £'000	2021/2022 Total £'000
Insurance provision	0	(188)	**(188)**
Business rates appeal provision	(638)	0	**(638)**
	(638)	(188)	**(826)**

Note 19 – Usable Reserves

Movements in the Authority's usable reserves are detailed in Note 8 – Movements in Earmarked Reserves.

Note 20 – Unusable Reserves

31 March 2021 £'000		31 March 2022 £'000
28,165	Revaluation Reserve	**34,499**
24,099	Capital Adjustment Account	**24,922**
(967,256)	Pensions Reserve	**(965,886)**
(1,674)	Collection Fund Adjustment Account	**(1,555)**
(300)	Accumulated Absence Account	**(171)**
(916,966)	**Total Unusable Reserves**	**(908,191)**

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.

2020/2021 £'000		2021/2022 £'000
24,045	Balance at 1 April	**28,165**
7,132	Upward revaluation of assets	**6,699**
(2,820)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(246)**
28,357	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**34,618**
(115)	Difference between fair value depreciation and historical cost depreciation	**(119)**
(77)	Accumulated gains on non-current assets sold	**0**
28,165	**Balance at 31 March**	**34,499**

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 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2020/2021 £'000		2021/2022 £'000
22,610	**Balance at 1 April**	**24,099**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,604)	Charges for depreciation and impairment of non-current assets	**(3,542)**
(153)	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	**0**
18,853		**20,557**
	Capital financing applied in the year:	
2,562	Use of Capital Receipts to finance new capital expenditure	**1,934**
349	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**160**
1,737	Statutory provision for the financing of capital investment charged against the General Fund balance	**1,570**
560	Capital expenditure charged against the General Fund balance	**690**
38	Movement in the Donated Asset Account credited to the Income and Expenditure Statement	**11**
24,099	**Balance at 31 March**	**24,922**

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.

2020/2021 £'000		**2021/2022 £'000**
(872,935)	**Balance at 1 April**	**(967,256)**
(89,070)	Re-measurement of the net defined benefit liability / (asset)	**8,090**
(38,441)	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	**(38,710)**
33,190	Employers pensions contributions and direct payments to pensioners payable in the year	**31,990**
(967,256)	**Balance at 31 March**	**(965,886)**

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.

2020/2021 £'000		**2021/2022 £'000**
909	**Balance at 1 April**	**(1,674)**
(2,583)	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	**119**
(1,674)	**Balance at 31 March**	**(1,555)**

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

2020/2021 £'000		**2021/2022 £'000**
(290)	Balance at 1 April	**(300)**
290	Settlement or cancellation of accrual made at the end of the preceding year	**300**
(300)	Amounts accrued at the end of the current year	**(171)**
(300)	**Balance at 31 March**	**(171)**

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

2020/2021 £'000		**2021/2022 £'000**
3,471	Purchase of property, plant and equipment	**2,784**
(222)	Net proceeds from the sale of property, plant and equipment, investment properties and intangible assets	**0**
3,249	**Net cash flows from Investing Activities**	**2,784**

Note 23 – Cash Flow Statement – Financing Activities

2020/2021 £'000		**20212022 £'000**
468	Repayments of short and long term borrowing	**449**
1,652	Other payments and financing activities	**1,504**
2,120	**Net cash flows from Financing Activities**	**1,953**

Reconciliation of Liabilities arising from Financing Activities

	1 April 2021 £'000	**Financing Cash Flows £'000**	**31 March 2022 £'000**
Short and long term borrowing	11,227	(449)	10,778
On balance sheet PFI liabilities	16,940	(1,121)	15,819
Injury pension liability	7,139	(500)	6,639
Total liabilities from Financing Activities	**35,306**	**(2,070)**	**33,236**

Note 24 – Members' Allowances and Expenses

	2020/2021 £'000	**2021/2022 £'000**
Total Members' Allowances and Expenses	83	**83**

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	2020/2021 Number of Employees	**2021/2022 Number of Employees**
£50,000-£54,999	8	**20**
£55,000-£59,999	16	**11**
£60,000-£64,999	6	**6**
£65,000-£69,999	3	**8**
£70,000-£74,999	2	**0**
£75,000-£79,999	2	**0**
£80,000-£84,999	2	**3**
	39	**48**

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 Deputy Chief Fire Officer, the Assistant Chief Fire Officer 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
	£	£	£	£	£	£	£
2021/2022							
Chief Fire Officer and Chief Executive: Chris Lowther	**158,429**	**0**	**0**	**158,429**	**45,571**	**0**	**204,000**
Deputy Chief Fire Officer	**134,664**	**0**	**0**	**134,664**	**50,168**	**0**	**184,832**
Assistant Chief Fire Officer – Organisational Development	**127,380**	**0**	**0**	**127,380**	**36,044**	**0**	**163,424**
Finance Director	**84,021**	**0**	**0**	**84,021**	**14,808**	**0**	**98,829**
2020/2021							
Chief Fire Officer and Chief Executive: Chris Lowther	156,307	0	0	156,307	45,017	0	201,324
Deputy Chief Fire Officer	132,316	0	0	132,316	49,354	0	181,670
Assistant Chief Fire Officer – Organisational Development (to 27.08.20)	45,835	0	0	45,835	13,200	0	59,035
Assistant Chief Fire Officer – Organisational Development (from 29.06.20)	97,991	248	0	98,239	25,857	0	124,096
Finance Director	82,822	0	0	82,822	14,825	0	97,647

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.

	2020/2021 £'000	**2021/2022 £'000**
Fees paid to external auditors with regard to external audit services carried out by the appointed auditor (Mazars LLP)	34	**7**
	34	**7**

An additional fee of £9,923 was paid in 2020/2021 in respect of a variation to the scale fee for audit work in 2019/2020 due to additional work carried out on the final accounts.

Refunds of £4,650 and £12,161 were received in 2021/2022 in respect of the Audit PSAA and the Redmond Review.

Note 27 – Grant Income

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

	2020/2021 £'000	**2021/2022 £'000**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(8,939)	**(8,989)**
National Non Domestic Rates	(4,248)	**(3,256)**
Top Up Grant	(11,457)	**(11,457)**
Council Tax Income	(24,691)	**(25,334)**
COVID-19 S31 Grant	(1,075)	**(134)**
Business Rates S31 Grant	(509)	**0**
Local Council Tax Support Scheme Grant	0	**(826)**
	(50,919)	**(49,996)**
Credited to Services		
PFI Grant	(3,358)	**(3,358)**
New Dimensions	(872)	**(872)**
Firelink	(276)	**(236)**
Pensions	(2,593)	**(2,593)**
Pensions Admin	(49)	**(50)**
New Threats	(30)	**(55)**
FS Building Risk Review	(146)	**0**
FS Protection Uplift	(157)	**(243)**
FS Grenfell Infrastructure	(152)	**0**
FS Accreditation & Recognised Prior Learning	(22)	**0**
	(7,655)	**(7,407)**

The Authority has 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 balance at the year-end are as follows:

	31 March 2021 £'000	**31 March 2022 £'000**
Donated Assets Account		
New Dimensions Equipment	69	**57**
	69	**57**

Note 28 – Related Parties

The 'Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022' 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.

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 58. The cost of Support Services received by the Authority total £317,881 (£314,734 in 2020/2021).

Trading Arrangement:

TWFRS Ltd

The Authority has a trading company TWFRS Ltd which commenced operating on 1 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 (Impeller) until November 2019 when Impeller went into liquidation. This had an adverse one-off impact on the finances of TWFRS Ltd which meant that the Company reported a net loss of £270,748 in 2019/2020. The Company has since reviewed its activities and structures with the full support of the Authority to develop plans to ensure it can continue to trade successfully, and thereby start to repay the loan originally advanced to Impeller totalling £225,000.

However, the pandemic has continued to have a significant impact on the ability of TWFRS Ltd to trade to any real significance. Although it has developed a revised business plan and taken measures to get the business back on a steady footing, there has been very little trading in 2021/2022 as the Company concentrated on re-engaging with past customers and developing new business opportunities. The financial results are not yet available but will be reported in full once the auditors have completed their audit work. It is expected, however, that with the low level of business carried out during the year, there will be a small loss and that, as a consequence, no loan repayments are possible, nor will any dividends be paid or proposed as a result. The Company however continues to trade and business is now beginning to attract new customers with the expectation it will return to profit in 2022/2023.

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.

	2020/2021 £'000	**2021/2022 £'000**
Opening Capital Financing Requirement	30,340	**28,602**
Capital Investment:		
Property, Plant and Equipment	3,471	**2,784**
Revenue Expenditure Funded from Capital under Statute	92	**79**
Sources of Finance		
Capital Receipts	(2,562)	**(1,934)**
Government grants and other contributions	(349)	**(160)**
Sums set aside from		
Direct Revenue Contributions	(653)	**(769)**
MRP	(1,737)	**(1,570)**
Closing Capital Financing Requirement	28,602	**27,032**
Explanation of movements in year:		
Assets acquired under PFI contracts	0	0
Minimum Revenue Provision	(1,737)	**(1,570)**
Increase / (Decrease) in Capital Financing Requirement	(1,737)	**(1,570)**

*Amendment to opening Capital Financing Requirement to include PFI schemes and ensure alignment with the Capital Financing Requirement reported to the Authority.

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.

Although the payments made to the contractor are described as unitary payments, they have been determined through competitive tendering to reflect the cost of the services and works provided, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

2020/2021 £'000		**2021/2022 £'000**
17,642	Balance outstanding at start of year	**16,382**
0	Additions	**0**
(1,260)	Repayment of capital	**(1,112)**
16,382	**Balance outstanding at the year end**	**15,270**

The Authority makes agreed 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.

	2022/2023 £'000	**2023/2024 - 2026/2027 £'000**	**2027/2028 - 2031/2032 £'000**	**2032/2033 - 2035/2036 £'000**	**Total £'000**
Finance Lease Creditor Repayment	1,352	6,376	7,348	1,205	**16,281**
Finance Lease Creditor Interest	1,410	4,751	2,114	231	**8,506**
Lifecycle Maintenance Costs	68	292	407	317	**1,084**
Contingent Rentals	157	773	918	22	**1,870**
Operating Costs	2,486	10,195	8,647	1,157	**22,485**
PFI Grant	(3,358)	(10,074)	(8,728)	(1,731)	**(23,891)**
Total Net Expenditure	**2,115**	**12,313**	**10,706**	**1,201**	**26,335**

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 37.3% in respect of the 1992 Scheme, 27.4% in respect of the 2006 Scheme and 28.8% 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 17.9%.

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	
	2021/2022 £'000	2020/2021 £'000	**2021/2022 £'000**	2020/2021 £'000	**2021/2022 £'000**	2020/2021 £'000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Service Cost comprising:						
Current Service Cost	**3,660**	2,470	**13,200**	13,050	**16,860**	15,520
Past Service Costs	**0**	0	**0**	0	**0**	0
Financing and Investment Income and Expenditure:						
Net Interest Expense	**690**	610	**18,540**	18,850	**19,230**	19,460
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,350**	3,080	**31,740**	31,900	**36,090**	34,980
Other Post Employment Benefits Charged to the CIES						
Re-measurement of the Net Defined Benefit Liability comprising:						
Local Government Scheme						
Return on Plan Assets	**(1,140)**	(14,580)	**0**	0	**(1,140)**	(14,580)
Actuarial (Gains) and Losses due to changes in Demographic Assumptions	**(1,010)**	0	**0**	0	**(1,010)**	0
Actuarial (Gains) and Losses due to changes in Financial Assumptions	**(7,080)**	20,290	**0**	0	**(7,080)**	20,290
Actuarial (Gains) and Losses due to Liability Experience	**220**	(820)	**0**	0	**220**	(820)
Firefighters' Scheme						
Experience (Gains) and Losses arising on the Defined Benefit Obligation	**0**	0	**10,960**	500	**10,960**	500
Changes in Financial Assumptions underlying the Present Value of the Defined Benefit Obligation	**0**	0	**(10,840)**	83,680	**(10,840)**	83,680
Changes in Demographic Assumptions underlying the Present Value of the Defined Benefit Obligation	**0**	0	**0**	0	**0**	0
Total Post Employment Benefits Charged to the CIES	**(4,660)**	7,970	**31,860**	116,080	**27,200**	124,050

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2021/2022	2020/2021	**2021/2022**	2020/2021	**2021/2022**	2020/2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Movement 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	**3,000**	1,780	**4,520**	3,470	**7,520**	5,250
Actual amount charged against General Fund Balance for pensions in the year:						
Employers Contributions Payable to the Scheme	**1,350**	1,300	**0**	0	**1,350**	1,300
Retirement Payments Payable to Pensioners	**0**	0	**27,580**	30,530	**27,580**	30,530

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	
	31 March 2022 £'000	31 March 2021 £'000	**31 March 2022 £'000**	31 March 2021 £'000	**31 March 2022 £'000**	31 March 2021 £'000
Present value of the defined benefit obligation	**(99,940)**	(103,300)	**(938,090)**	(933,450)	**(1,038,030)**	(1,036,750)
Fair value of plan assets	**72,490**	69,840	**0**	0	**72,490**	69,840
Net liability arising from defined benefit obligation	**(27,450)**	(33,460)	**(938,090)**	(933,450)	**(965,540)**	(966,910)

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

	Local Government Pension Scheme	
	2021/2022 £'000	2020/2021 £'000
Opening fair value of scheme assets	**69,840**	53,970
Interest income	**1,470**	1,240
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	**1,140**	14,580
Contributions from employer	**1,350**	1,300
Contributions from employee in to the scheme	**470**	450
Benefits paid	**(1,780)**	(1,700)
Closing balance at 31 March	**72,490**	69,840

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	
	2021/2022	2020/2021	**2021/2022**	2020/2021	**2021/2022**	2020/2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Opening Balance at 1 April	**103,300**	80,760	**933,450**	845,800	**1,036,750**	926,560
Current Service Cost	**3,660**	2,470	**13,200**	13,050	**16,860**	15,520
Interest Cost	**2,160**	1,850	**18,540**	18,850	**20,700**	20,700
Contributions by scheme participants	**470**	450	**2,440**	2,410	**2,910**	2,860
Re-measurement (gains) and losses:						
Local Government Scheme						
Actuarial (gains)/losses arising from changes in demographic assumptions	**(1,010)**	0	**0**	0	**(1,010)**	0
Actuarial (gains)/losses arising from changes in financial assumptions	**(7,080)**	20,290	**0**	0	**(7,080)**	20,290
Other	**220**	(820)	**0**	0	**220**	(820)
Firefighters' Scheme						
Experience (gains) and losses arising on pension liabilities	**0**	0	**10,960**	500	**10,960**	500
Changes in assumptions underlying the present value of the pension liabilities	**0**	0	**(10,840)**	83,680	**(10,840)**	83,680
Past service cost	**0**	0	**0**	0		0
Benefits paid	**(1,780)**	(1,700)	**(29,840)**	(31,890)	**(31,620)**	(33,590)
Pension transfers in	**0**	0	**180**	1,050	**180**	1,050
Liabilities extinguished on settlements	**0**	0		0		0
Closing balance at 31 March	**99,940**	103,300	**938,090**	933,450	**1,038,030**	1,036,750

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The net liability of £965.540m has a substantial impact on the negative net worth of £867.283m 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 31 March 2023 is £1.35m.

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 31 March 2022			Asset split at 31 March 2021
	Quoted %	**Unquoted %**	**Total %**	%
Equities	47.8	9.2	**57.0**	55.5
Government Bonds	2.0	0.0	**2.0**	2.2
Corporate Bonds	18.8	0.0	**18.8**	19.8
Property	0.0	8.4	**8.4**	7.9
Cash	1.8	0.0	**1.8**	4.0
Other Assets	4.8	7.2	**12.0**	10.6
Total	75.2	24.8	**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	
	2021/2022	2020/2021	**2021/2022**	2020/2021
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	**21.8 years**	21.9 yrs	**21.5 years**	21.4 yrs
Women	**25 years**	25.1 yrs	**21.5 years**	21.4 yrs
Longevity at 65 for future pensioners (aged 45):				
Men	**23.5 years**	23.6 yrs	**23.2 years**	23.1 yrs
Women	**26.7 years**	26.9 yrs	**23.2 years**	23.1 yrs
CPI	**3.00%**	2.70%	**3.00%**	2.40%
Rate of increase in salaries	**4.50%**	4.20%	**4.75%**	4.15%
Rate of increase in pensions	**3.00%**	2.70%	**3.00%**	2.40%
Rate for discounting scheme liabilities	**2.70%**	2.10%	**2.65%**	2.00%
Commutation – Pre 2008	**75.00%**	75.00%	**N/A**	N/A
Commutation – Pre 1 April 2010	**N/A**	N/A	**N/A**	N/A
Commutation – Post 31 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)	+3,480	-3,380		
Rate of increase in salaries (increase or decrease by 0.1%)	+400	-400		
Rate of increase in pensions (increase or decrease by 0.1%)	+1,790	-1,790		
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	-2,180	+2,180		
Longevity (increase or decrease in 1 year)			+34,000	-34,000
Rate of increase in salaries (increase or decrease by 0.50%)			+11,000	-11,000
Rate of increase in pensions (increase or decrease by 0.50%)			+69,000	-69,000
Rate for discounting scheme liabilities (increase or decrease by 0.50%)			-81,000	+81,000

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 (22.1 years, 2020/21) and in the firefighter scheme is 19 years (18 years, 2020/21).

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.

	2021/2022 £'000		2020/2021 £'000	
Contributions Receivable				
From employers				
- normal	**(5,524)**		(5,501)	
- early retirement	**0**		0	
From members	**(2,449)**	**(7,973)**	(2,407)	(7,908)
Transfers In				
Individual transfers in from other schemes		**(190)**		(1,046)
Benefits Payable				
Pensions	**24,574**		24,121	
Commutations and lump sum retirement benefits	**4,617**		6,134	
Lump sum death benefits	**0**	**29,191**	0	30,255
Payments to and on account of leavers				
Individual transfers out to other schemes		**73**		16
Deficit/surplus for the year before top-up grant receivable from/amount payable to Central Government		**21,101**		21,317
Top-up grant (receivable)/amount payable to sponsoring department		**(21,101)**		(21,317)
Net amount payable/(receivable) for the year		**0**		0

Firefighters' Pension Net Assets Statement

	31 March 2022 £'000	31 March 2021 £'000
Net Current Assets and Current Liabilities		
Pension top-up grant receivable from / (due to) sponsoring department	**2,108**	2,246
Pre-paid pension benefits	**4,642**	2,028
Cash Overdrawn due to the General Fund	**(6,750)**	(4,274)
	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 37.3% for the 1992 Firefighters' Pension Scheme, 27.4% for the 2006 Firefighters' Pension Scheme and 28.8% 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 1 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 1 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 1 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 Asset
A contingent asset is a probable asset 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.

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.