Item (iii)

Tyne and Wear
Fire and Rescue Authority

Statement of Accounts
2015/2016

Barry Scarr
Finance Officer
(Relevant Finance Officer)

Contents

Authority Membership 2015/2016

Chairman
Councillor T. Wright (Sunderland City Council)

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

Councillors
<u>Sunderland City Council</u>

Councillor M. Forbes to 13th June 2016
Councillor B. Price to 13th June 2016
Councillor L. Lauchlan to 13th June 2016
Councillor R. Oliver from 13th June 2016
Councillor P. Middleton from 13th June 2016
Councillor M. Turton from 13th June 2016

<u>Newcastle City Council</u>
Councillor R. Renton
Councillor H. Stephenson
Councillor D. Stockdale

<u>Gateshead Council</u>
Councillor G. Haley
Councillor P. Mole to 13th June 2016
Councillor K. Dodds from 13th June 2016
Councillor C. Ord to 8th June 2015
Councillor P. Maughan from 8th June 2015

<u>North Tyneside Council</u>
Councillor S. Mortimer to 25th June 2015
Councillor C. Burdis
Councillor J.L.L. Harrison
Councillor B. Pickard from 25th June 2015

<u>South Tyneside Council</u>
Councillor J. Bell
Councillor J. Perry

Independent Members
Mr G.N. Cook
Miss G.M. Goodwill
Mr M. Knowles
M/s S. Joseph

Chief Officers
T. Capeling, Chief Fire Officer and also Clerk to the Authority (Chief Executive) from 16th November 2015
D. Smith, Clerk to the Authority to 30th September 2015
S. Tognarelli, Finance Officer to 31st March 2016
B. Scarr, Finance Officer from 1st April 2016

Introduction

We are pleased to present the Statement of Accounts for the year 2015/2016 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 will be received at a full meeting of the Authority in July 2016. The Code follows the framework recommended by CIPFA / SOLACE and the review specifically assesses the Authority's arrangements for compliance with the Code, which identifies the underlying principles of Corporate Governance – openness and inclusivity, integrity, 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 2016/2017.

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 also 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.

Tom Capeling Chief Fire Officer and Chief Executive	Barry Scarr Finance Officer	Councillor Tom Wright Chair of the Authority

Dated: 26th September 2016

Certification of the Statement of Accounts

Statement of Accounts 2015/2016 (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 2011 Regulation 8 (1) the Statement of Accounts for 2015/2016 (subject to audit) presents a true and fair view of the financial position of Tyne and Wear Fire and Rescue Authority as at 31st March 2016 and its income and expenditure for the year then ended.

Mr B Scarr
Finance Officer

Dated: 28th June 2016

Audited Statement of Accounts 2015/2016 Certification on behalf of those charged with governance

As Chairman of the Governance Committee held on 26th September 2016, I hereby acknowledge receipt of the audited Statement of Accounts for 2015/2016 by this Committee, in accordance with the Accounts and Audit Regulations 2011 Regulation 8 (3) (a), and confirm that the Statement of Accounts was approved at the Governance Committee of 26th September 2016 in accordance with sub-paragraph 8 (3) (b) with regard to the aforementioned Regulations.

Mr G.N Cook
Chairman of the Governance Committee

Dated: 26th September 2016

Audited Statement of Accounts 2015/2016 Certification by the Responsible Finance Officer

As the Authority's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2015/2016 in accordance with Regulation 8 (1) of the Accounts and Audit Regulations 2011.

Mr B Scarr
Finance Officer

Dated: 26th September 2016

Narrative Statement – 2015/2016

Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.104 million spread amongst the five constituent councils of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland in the North East of England. The population density of the area is comparable to that of other Metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, West Midlands and West Yorkshire), and accounts for 43% of the North East's population in just 6% of the total land area. The area covered by the Service covers 538 square kilometres and borders with Counties of Durham to the south and Northumberland to the north.

In addition to Tyne and Wear's two major cities, Newcastle and Sunderland, the area boasts two large football stadiums, numerous museums and art galleries, three universities and a number of higher education colleges. The county has a range of well-developed transport links including the Metro light railway system, the UK's tenth busiest international airport, an international ferry terminal, two major ports, and Newcastle Central Railway Station which acts as a major staging point on the east coast mainline railway and cross country networks.

Traditional employment areas of shipbuilding, coal mining and heavy industries have declined significantly over the last 25 years, giving rise to a changing risk profile, and transitions in unemployment rates. Today, many of the traditional industries have been replaced by modern industrial developments and service based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's GDP). Some of the largest employers in the area include Nissan Motor Manufacturing (UK) Ltd, AA Insurance, The Sage Group and Komatsu.

Vision and Purpose

The Vision Statement of Tyne and Wear Fire and Rescue Service **'Creating the Safest Community'** is reflected by its Mission Statement **'To save life, reduce risk, provide humanitarian services and protect the environment'**.

To achieve this Vision, the Fire and Rescue services provided must:

- be **well managed** - employees are expected to manage the areas for which they are responsible within budget;
- aim for **excellence in service provision** taking account of stakeholders' views; and
- work **in effective partnership** with the communities we represent, and external organisations.

The Service also recognises that all employees need to have a clear understanding about the working practices and the core values required for long term success. Everyone within the Authority has a responsibility for ensuring these values are implemented and upheld.

The Authority publishes an Annual Report to highlight its successes over the previous twelve months, including its performance against national indicators and the opinions of external inspectors, as well as outlining details of the improvements introduced to meet the Authority's vision of "Creating the Safest Community".

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

Performance

The Fire Authority is responsible for Tyne and Wear Fire and Rescue Service and is required by law to publish certain performance indicators annually in the local press. These show the statistical performance of the brigade but cannot provide any indication of the true quality or scope of the service delivered every day to the citizens of Tyne and Wear.

Narrative Statement - 2015/2016 (continued)

Summary of Performance

The Authority's key strategic priority is to prevent fires, deaths and injuries from fires and other emergencies. In order to achieve this goal, wide ranging community safety services, legislative fire safety services and operational response services are provided to the public of Tyne and Wear. The primary focus is to prevent fires and other emergencies from occurring, whilst also ensuring that if they do occur, every attempt is made to limit their impact.

The primary mechanism for achieving this is through the Authority's Strategic Community Safety Plan, which is focused on improving overall community safety through more effective and efficient use of resources to drive down incidents and respond to them more effectively.

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is targeted home safety checks, which involve Community Firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and practical support, such as installing smoke detectors. During 2015/2016, the Service carried out 29,536 home safety checks (30,504 in 2014/2015) and attended a total of 14,377 incidents (14,501 in 2014/2015).

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	2013/2014	2014/2015	2015/2016
Number of fatalities from all fires	0	3	2
Number of injuries from accidental dwelling fires	58	47	40
Number of accidental fires in dwellings	570	575	554
Number of false alarms due to automatic fire detection from non-domestic properties	2,456	2,531	1,816
Number of primary fires	1,599	1,575	1,663
Number of deliberate fires	4,815	3,989	4,045

The Authority has a long track record of reducing fires and, in 2015/2016, reported positive performance on a number of key areas relating to operational and organisational performance. The service attended 554 accidental fires in the home, a 3.7% reduction from the previous year (575 in 2014/2015). At the same time there was a 15% reduction in injuries from the accidental dwelling fires, to 40 in 2015/2016 from 47 in 2014/2015. Although the numbers of primary and deliberate fires have risen in 2015/2016, the overall trend is that of reducing numbers over the last ten year period.

Performance Improvement

Through the delivery of goals, priorities, strategies and plans, the Service is able to ensure that front line services work towards the overall vision and mission. Frameworks and processes allow the services provided to be monitored and scrutinised to provide continuous improvement.

Performance Action Groups (PAG) address performance at a district and service level and continue to meet to monitor performance and identify areas for improvement by directing resources and establishing priorities with effective delivery of initiatives and projects.

Efficiency

The Authority produces a fully costed Integrated Risk Management Plan (IRMP) which reflects local needs and sets out plans to effectively tackle existing and potential risks to communities. The actions from the 2014-2017 Integrated Risk Management Plan (IRMP) reviews have been progressed during 2015/2016 and are detailed further on the next page. Additional efficiency savings of £0.614m have also been achieved

Narrative Statement – 2015/2016 (continued)

over and above the IRMP actions developed during the year.

The second phase of the Response Review is almost complete, generating £1.151m of savings for the Authority in 2015/2016. Further phasing in of the Response Model Review will generate estimated savings of £2.678m over the next three years, with the total saving anticipated to be £4.795m once fully implemented in 2018/2019. In addition, a further £0.212m and £0.090m will be achieved from the final stages of bringing Control in House and the completed and fully implemented Catering Review. These have been built in to the budget for 2016/2017.

Once the Trading Company is fully established and operational, the Authority will receive the benefit of any surplus funds, the timing of which will be included in the Authority's Budgets as they are confirmed.

A further two IRMP 2014-2017 reviews, an organisational review covering all aspects of the Authority's structures and joint working with other emergency services and key partners, are being progressed and, once completed, will help to address the budget gap in resources that the Authority faces due to continuing reductions in government funding. However, depending on the savings realised, further IRMP actions may need to be developed by the Authority.

In addition, the Authority is also committed to regularly delivering further efficiency savings through:

- following best practice in relation to procurement of goods and services;
- working in collaboration with partners both locally and regionally where practical;
- carrying out regular base budget reviews; and
- continuing policy and service reviews.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2016, the Government confirmed the local government finance settlement for 2016/2017 and projections for the following three years up to 2019/2020. The main details included the following:

The funding implications over the next four years are slightly better than forecast but the Authority's overall financial position remains very challenging. Although the Settlement appears to show that the more deprived areas, mainly the Metropolitan Fire Authorities, have lower overall percentage cuts to government funding, because of a fairer approach adopted by government from 2016/2017 onwards, when locally generated resources are also taken in to account, the more deprived areas still show greater reductions to their overall resources, known as the Core Spending Power, than other types of fire authority. The revised grant distribution methodology also does not address the inequalities experienced by the Authority from 2010/2011 to 2015/2016.

The safety net threshold set to limit the losses on Business Rates income collected in any one year has been retained. However, the limit has been further increased to £13.160m in 2016/2017 so it is very unlikely that this threshold will be reached and, as such, provides little protection to the Authority.

The Government has retained the threshold council tax limit to hold a referendum at 2% in 2016/2017 and has advised that there will be no further allocations of Council Tax Freeze Grant. It has also built in to the four year settlement assumed increases to both business rates and council tax. This is therefore seen as a major shift in government policy, with some of the cuts to local government being passed directly on to the council tax payer through anticipated annual council tax increases up to 2019/2020.

The key elements of the Authority's settlement for 2016/2017 are:

- Compared to the national position, a reduction in the Government's Core Spending Power for the Authority of £0.925m or 1.9% to £48.394m, compared to an adjusted 2015/2016 position of £49.319m;
- The bulk of the cut is in respect of a reduction in the Settlement Funding Assessment (SFA) of £1.674m or 5.67% (the element in the grant formula that recognises need and available resources);

Narrative Statement – 2015/2016 (continued)

- An additional grant to compensate for the gap between the capped business rates of 2% and the applicable (higher) actual RPI that was prevalent in the past two financial years (2014/15 and 2015/16). The Authority's SFA Adjustment grant allocation for 2016/2017 is still unknown; and
- The Authority did not receive any of the £300m additional transitional grant funding announced for 2016/2017 and 2017/2018.

The Government has provided indicative funding allocations up to 2019/2020 and has made a commitment to provide central funding allocations for each year of the Spending Review, should authorities choose to accept the offer and publish an efficiency plan. The Authority will consider the position and a detailed report will be presented to members in September, in order to notify Government of their decision by the deadline of 14th October 2016. In addition, the indicative figures take no account of the proposed Business Rates Review and the move to 100% Retained Business Rates in 2020, which could impact on the final allocations.

Against this context of significant and continuing grant reductions, the Authority has published a revised Medium Term Financial Strategy (MTFS), which covers the period 2016/2017 to 2019/2020 and can be found on the Authority's website (15th February 2016 Authority meeting). This aims to:

- provide an analysis of the financial position likely to face the Authority over the medium term and establish approaches to address the Strategic Priorities of the Authority as set out in the current Integrated Risk Management Plan which will achieve value for money in the use of those resources;

- set out the medium term financial position which the Authority is likely to face and to update the Budget Planning Framework for the preparation of future Revenue and Capital Budgets; and

- set out actions to be taken in the short to medium term to mitigate against the significant grant reductions already detailed and to prepare for the additional grant reductions expected in the next three year period to 2019/2020.

In summary the MTFS over the 4 year period up to the end of 2019/2020, using the government's funding projections, shows that the Authority is facing a budget gap of £2.830m despite taking into account anticipated future IRMP savings of £3.358m. However, this is viewed as the best case position as some of the government's estimates for growth in local resources, particularly those assumed for council tax, are considered overly optimistic and in excess of the Authority's estimates. If the Authority's estimate for Council Tax growth is used instead of the government's figures then the projected budget gap increases to £3.648m.

In light of this position and the anticipated prolonged funding reductions over the next four years, the Authority is assessing how its current actions set out in the Integrated Risk Management Plan (IRMP 2014-2017) can help to address the significant potential funding gap that the Authority is projecting. This is particularly important as the Authority has little scope to increase its local resources when the government has already built in an assumption that council tax will increase by CPI in terms of precept levels and has also assumed growth in business rates in its 4 year settlement.

In the meantime the Authority continues to implement a major review of its Fire Cover Response Model which, along with other measures established within the 2014-2017 IRMP, will help to address the continuing reductions in government funding. Depending on the savings realised, further IRMP actions will need to be considered and developed to address the estimated budget gap.

Financial Performance of the Fire Authority 2015/2016

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2015/2016 to be met from Government Grants and local taxpayers was approved by the Authority at £49.806million*. 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 £74.62 for 2015/2016. This represented a 1.99% increase in Band D, below the Government's 2% referendum threshold level.

Narrative Statement – 2015/2016 (continued)

The following table summarises the financial position for the year:

	2015/2016 Original Estimate £000	2015/2016 Revised Estimate £000	2015/2016 Actual Outturn £000		2014/2015 Actual Outturn £000
Community Safety	**5,835**	**6,179**	**4,408**		5,604
Fire Fighting and Rescue Operations	**44,053**	**44,318**	**25,743**		27,828
Corporate and Democratic Core	**275**	**275**	**183**		242
Non Distributed Costs	**(67)**	**(67)**	**785**		452
Exceptional Items – Revaluation Losses	**0**	**0**	**0**		2,753
Net Cost of Services	**50,096**	**50,705**	**31,119**		36,879
(Gain) / Loss on Derecognition of Non Current Assets	**0**	**0**	**564**		0
Cleaning DSO (Surplus) / Deficit	**0**	**0**	**0**		(34)
Interest Payable	**0**	**0**	**2,601**		2,662
Contingencies	**1,248**	**1,042**	**0**		0
Interest on Balances	**(225)**	**(225)**	**(153)**		(160)
Pension Interest Cost and Expected Return on Pension Assets	**590**	**590**	**25,880**		32,250
Net Operating Expenditure	**51,709**	**52,112**	**60,011**		71,597
Capital Financing:					
Reversal of Capital Charges and Impairments	**(2,968)**	**(2,968)**	**(3,821)**		(3,837)
Minimum Revenue Provision	**1,238**	**1,238**	**1,481**		1,489
Revenue Contribution to Capital Outlay	**495**	**495**	**5,738**		3,601
Reversal of Loss on Disposal of Fixed Assets	**0**	**0**	**0**		0
	50,474	**50,877**	**63,409**		72,850
Contribution to/(from) IAS 19 Pension Reserve	**(561)**	**(561)**	**(12,020)**		(18,730)
Contribution to/(from) Collection Fund Account	**0**	**0**	**147**	*	34
Contribution to/(from) Accumulated Absences Account	**0**	**0**	**(95)**		79
Contribution to/(from) Earmarked Reserves	**(107)**	**(510)**	**(1,487)**		(2,395)
Net Budget	**49,806**	**49,806**	**49,954**		51,838
Resources:					
Revenue Support Grant and General Grants	**(14,945)**	**(14,945)**	**(14,945)**	*	(17,816)
Top Up Grant	**(9,980)**	**(9,980)**	**(9,980)**	*	(9,793)
Business Rates and Collection Fund	**(4,475)**	**(4,475)**	**(4,424)**	*	(4,208)
Precepts and Collection Fund	**(20,406)**	**(20,406)**	**(20,666)**	*	(20,032)
Total Resources	**49,806**	**49,806**	**50,015**		51,849
(Increase) / Reduction to Balances in year	**0**	**0**	**(61)**		(11)
General Fund Balance Brought Forward	**(3,882)**	**(3,882)**	**(3,882)**		(3,871)
General Fund Balance Carried Forward	**(3,882)**	**(3,882)**	**(3,943)**		(3,882)

* In the accounts, the Net Budget Requirement for 2015/2016 of £50.015m is made up of Total Resources of £49.806m as set out in the estimates in the above table, plus an amendment required under the Code in respect of the Collection Fund Account of £0.147m and additional section 31 grant received during the year of £0.085m, less repayment of Business Rates Reconciliation Grant of £0.024m.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the full Authority. These reports detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also include a review of certain other key financial items, including Treasury Management and Prudential

Indicators. Again, this reflects strong and robust financial management in 2015/2016, continuing the Authority's strong track record in this regard.

The Revenue Budget Outturn for 2015/2016 was reported in June showing a net overall underspend of £0.589m, at £49.217m compared with an original budget of £49.806m. The reasons for this variation are detailed below:

- Employee costs – a total net overspend of £0.078m. Planned lower net staffing costs in preparation for the IRMP establishment changes and a continued increase in firefighter turnover through higher than expected pension take up, along with lower employer pension costs have almost absorbed the continuing industrial action costs and the interim overtime costs while the IRMP staffing reviews are being fully reviewed and implemented;
- Premises – an underspend of £0.026m. Savings have been made on utility service costs, but these have been partly reduced by increased business rates from the move from Fulwell to the new Marley Park station during the year;
- Transport – an underspend of £0.171m primarily from reduced fuel costs and lower annual vehicle insurance charges;
- Supplies and Services – an overspend of £0.113m primarily due to payment of the agreed loan to the Trading Company (Impeller Resilience and Assurance Ltd) being absorbed from the revenue budget rather than funded from earmarked reserves, as originally planned;
- Contingencies – an underspend of £0.052m as part of the contingency set aside when setting the budget has not been required during the year;
- Income – an overachievement of £0.410m largely due to receipt of Transformation Revenue Grant and an unexpected Section 31 revenue (Response) grant, an increase in receipts from backdated NNDR refunds and an increase in fees and charges income from secondments, new police collaboration rental arrangements, and income from trading activities;
- Interest received - £0.071m under budget due to reductions in cash flow levels and a drop in interest rates for short term monies;
- Reserves and Provisions Appropriations - £0.278m increase predominantly due to the use of the Organisational Change Reserve to fund one-off transitional costs incurred during the year, and year end accounting entries required for the IFRS employee benefits; and
- Other minor miscellaneous overspendings of (£0.086m) across a number of budget headings;

At the meeting of the Fire Authority in June, Members agreed to appropriate £0.355m of the underspend to the Organisational Change Reserve to fund the cost of the agreed Leadership Development Programme, and £0.235m to the Capital Development Reserve to support the proposed Hebburn Fire Station development included in the Capital Programme for 2017/2018.

As part of the accounts process there were a number of adjustments to be made in respect of the final Government funding received, resulting in additional grant of £0.061m. This position is now reflected in the accounts and these funds have been transferred to the General Fund. The table on page 10 shows the General Fund Balance of the Authority as at 31st March 2016 increased to £3.943m from £3.882m as a result.

During the audit of the accounts there was a change made to the Minimum Revenue Provision charge for 2015/2016. This resulted in an additional transfer of £0.102m being made to the Capital Development Reserve to assist in the financing of future development plans set out in the Capital Programme.

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 full actuarial valuation of the Pension Fund was carried out as at 31st March 2013 and has been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2016. The Authority, as such, continues to comply fully with this Standard and the

Accounting Policy 1.13 in the Statement of Accounts on pages 40 to 42 and the Notes to Core Financial Statements provide details of the necessary disclosures required.

The net overall impact of IAS19 accounting entries is neutral in the accounts and, in reality, as the Authority is making the necessary pension deficiency payments to address any assessed shortfall in the pension fund by the Actuary over time, the Balance Sheet net worth is in effect being distorted by future years' deficits which are being fully addressed by the Authority.

The financial health of the Authority is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit reflected in the Balance Sheet on Page 30 of the Statement of Accounts, as assessed by the Actuary as at 31st March 2016, is being addressed by the Authority in line with government regulations whereby a period of 21 years to correct the deficit position has been agreed. The Authority can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

Arrangements for Funding and Accounting for Firefighter Pensions

From 1st April 2006, revised arrangements came into effect for funding firefighter pensions, with Fire and Rescue Authorities administering and paying firefighters' pensions through a local firefighters' pension fund. Together, employee and employer contributions meet the accruing pension liabilities of currently serving firefighters, meaning that Fire and Rescue Authorities meet all of the costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them.

Ill-health 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 two 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:

Narrative Statement – 2015/2016 (continued)

	Balance at 31st March 2015 £'000	Balance at 31st March 2016 £'000
Non-current assets	65,671	**67,430**
Net current assets	29,611	**33,487**
Long term liabilities and provisions	(828,336)	**(735,134)**
Net Assets	(733,054)	**(634,217)**
Represented by:		
Usable reserves	34,240	**32,814**
Unusable reserves	(767,294)	**(667,031)**
	(733,054)	**(634,217)**

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 (e.g. Inventories).

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

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

Reserves are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred. Not all reserves can be used to fund services and these are reported in two groups, 'usable' and 'unusable' reserves. Usable reserves, such as the General Fund and earmarked reserves, are those where members will be involved in deciding on the levels maintained and their use. Unusable reserves, such as the Revaluation Reserve and the Capital Adjustment Account, are technical accounting requirements and are therefore not cash reserves, which is why they are classified as unusable to reflect this fact.

The Authority is a going concern due to the fact that, whilst recognising that the Authority has a negative net worth of £634.217m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £698.540m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

The fact all pension costs would never be incurred in one year (as implied by IAS19), and coupled with the fact that the Authority is addressing this potential deficiency over a 21 year period in accordance with pension 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 then the Authority has a 'real' net worth of £64.323m. The Authority also has assets worth £67.430m and cash backed reserves of £32.814m 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

The Authority approved a capital programme for 2015/2016 of £5.302m, which was subsequently revised to £6.921m during the year. Actual expenditure for the year was £6.147m, financed from a combination of revenue contributions of £0.197m, grant funding of £3.856m and earmarked reserves of £2.094m.

The main reasons for the variation in spending of £0.774m have arisen due to the following:

- Expenditure on a number of projects planned for 2015/2016 of £0.983m slipped into 2016/2017:

Narrative Statement – 2015/2016 (continued)

- Business case agreed to replace the HR/MIS software commenced in January 2016 to be completed by July 2017;
- Delayed delivery of the new asset management system;
- Delayed delivery of the vehicle charging points;
- Delays with the contractor on the PV cells project at Tynemouth Station;
- Late addition to the programme to reconfigure the car park at West Denton so this will continue in to 2016/2017;
- Negotiation with the contractor on the final payment for works at Marley Park;
- Awaiting decisions to be made on modifications to the final Targeted Response Vehicle;
- Continuation of work on the cold cutting extinguishing system;
- Deferred final payment of the new Command and Control system until the contract is agreed;
- Delayed replacement of the BA compressors due to information gathering;
- Continuation of works on the Police Integration Project; and
- Replacement of the foam and firefighting equipment not required until 2016/2017;

• A small saving of £0.003m to the Vehicle Replacement Programme as lease buyouts have been funded from the revenue leasing budget;
• Net underspends on a number of schemes completed during the year of £0.085m; and
• Additional capital of £0.297m was funded from the Community Safety Reserve.

Acquisitions and Capital Works

The Authority is involved in a number of major capital works projects. The main schemes are listed below, for information, together with the amounts of expenditure incurred during 2015/2016, the total estimated gross cost of each scheme, and the status of the project at the end of the financial year.

Scheme / Project	Expenditure During 2015/2016 £'000	Total Estimated Scheme Costs £'000	Completed / In Progress as at 31st March 2016
Command and Control Project	490	1,793	In Progress
Estates Development Strategy	2,279	6,512	In Progress

Disposals

There have been no disposals during 2015/2016.

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 15th February 2015, which detailed the 2015/2016 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 relates to two of the Prudential Indicators required under the Prudential Code, which was introduced from 1st April 2004.

• Authorised Limit for External Debt for 2015/2016 of £54.905 million;
• Operational Boundary for External Debt for 2015/2016 of £49.905 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 2015/2016. The highest level of external debt incurred by the Authority during 2015/2016 was £36.813m on 1st April 2015. This includes £23.321m 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.

Narrative Statement - 2015/2016 (continued)

Private Finance Initiative (PFI)

The Authority entered into a contract on 28th March 2003 to provide facilities at six new Community Fire Stations, a Service Headquarters and a new Technical Services Centre. These PFI facilities are located on more effective sites, designed and located to meet the Authority's strategic objectives. Improved community outcomes are being delivered through better engagement with communities through these facilities and the scheme has enabled a major redesign of service delivery. The contract expires on 2nd May 2029 when all of the facilities will become the assets of the Authority.

In June 2009 the Authority also entered into a separate and collaborative PFI contract with Northumberland FRA and Durham and Darlington FRA to provide a new Community Fire Station at Tynemouth. The North East Fire and Rescue Authority (NEFRA) contract expires in May 2035.

The Authority's costs of both schemes are included within its financial statements.

Estates Development Plan

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

- the continued alteration of premises to ensure that facilities continue to comply with the issues of equality, diversity, dignity and health and safety;
- modifications to buildings in order to minimise carbon emissions; the requirement to comply with organisational targets to reduce Carbon footprint, and to conserve more energy;
- continued modifications to the estate with a proactive preventative maintenance programme to ensure that buildings are of a suitable, modern and acceptable standard in order to best deliver services; and
- work continues on certain buildings to secure joint working arrangements agreed with the Police and Crime Commissioner for Northumbria as part of greater collaboration with other 'blue light' services.

The Authority has a Development Reserve to assist in implementing the estates development plan over the medium to long term, and specific earmarked reserves have been established to address issues arising from the Carbon Management Plan, equality and diversity measures and greater collaboration joint working arrangements.

Financial Statements

The Statement of Accounts shows the Authority's final accounts for 2015/2016. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016' and are based on International Financial Reporting Standards (IFRS), known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2011, and the Local Government and Housing Act 1989.

Certain financial statements are required to be prepared under the Code of Practice as follows:

1. **Statement of Responsibilities**
   This discloses the respective responsibilities of the Authority and the Finance Officer.

2. **Movement in Reserves Statement (MiRS)**
   This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other non-usable reserves.

3. **Comprehensive Income and Expenditure Statement**
   This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Narrative Statement – 2015/2016 (continued)

4. **Balance Sheet**
The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority.

5. **Cash Flow Statement**
The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

6. **Notes (including a summary of significant accounting policies and other explanatory information)**

The Notes to the financial statements have three significant roles. They:

- Present information about the basis of preparation of the financial statements and the specific accounting policies used;
- Disclose information that is required by the Code that is not presented elsewhere in the financial statements; and
- Disclose information that is not presented elsewhere in the financial statements but is relevant to an understanding of them.

7. **Supplementary Statements**
Firefighters' Pensions – Fund Account, Net Assets Statement and Notes
These statements summarise the transactions and the net assets relating to the Firefighters' Pension Fund, which are required to be reported separately within the Statement of Accounts for the Authority.

Barry Scarr
Finance Officer

Dated: 26th September 2016

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 Director of Finance of the Lead Authority (Sunderland City Council);

- 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 which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016 ('the Code'), is required to show a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2016.

Authorised for Issue Date

The unaudited accounts were certified on 28th June 2016 and the audited accounts were authorised for issue on 26th September 2016.

I certify that, in preparing this Statement of Accounts, I have:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent; and

- complied with the Code, except where disclosed.

I have also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Barry Scarr
Finance Officer

Dated: 26th September 2016

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

Opinion on the Authority financial statements

We have audited the financial statements of Tyne & Wear Fire and Rescue Authority for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters' Pension Fund Account and the Firefighters' Pension Fund Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Tyne & Wear Fire and Rescue Authority in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Tyne & Wear Fire and Rescue Authority, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Finance Officer and auditor

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Tyne & Wear Fire and Rescue Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or

Independent Auditor's report to the Members of Tyne and Wear Fire and Rescue Authority (continued)

- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, Tyne & Wear Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Mark Kirkham
For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham DH1 5TS

26 September 2016

Annual Governance Statement

SCOPE OF RESPONSIBILITY

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

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

The Authority has had a Code of Corporate Governance in place since 2003, revised during 2014/15. The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. The revised Code is available on the Authority's website (www.twfire.gov.uk) or can be obtained from the Fire and Rescue Service Headquarters.

This Statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement of internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at the Authority for the year ending 31 March 2016, during the approval of the Annual Report and Statement of Assurance and Statement of Accounts.

THE GOVERNANCE FRAMEWORK

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

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

- The Strategic Community Safety Plan incorporates our Integrated Risk Management Plan (IRMP) actions which recognises the risks within the Authority boundaries that are identified in the Community Risk Profile and need to be addressed, and ensures that the available resources are targeted at these risks.

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

  - Distribution of the Strategic Community Safety Plan on the Authority's website and intranet;
  - Consultation with staff, public and stakeholders on IRMP proposals;
  - The issue of an Annual Report and Statement of Assurance setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been;
  - Through the Authority's Investors in People processes;
  - Listening events and management/staff briefings; and
  - Posters throughout the Authority's premises.

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

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

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

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

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

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

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

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

- External auditors deliver a conclusion annually on whether the Authority has, in all significant respects, proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

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

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

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

Annual Governance Statement (continued)

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

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

- The following are in place:
  - Members' Codes of Conduct;
  - Employees' Code of Conduct;
  - Registers of Interests, Gifts and Hospitality; and
  - Monitoring Officer Protocols.

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

- The Director of Corporate Services at Sunderland City Council is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs.

- The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.

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

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

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

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

  - Risk Management Strategy and Policy Statement;
  - Corporate Risk Profile;
  - Integrated Risk Management Plan;
  - Nominated Risk Manager;
  - Corporate Risk Management Group;
  - Partnerships Risk Register;
  - Member Risk Champion;
  - Risk Management and Assurance Database;
  - Information Asset Register; and
  - Information Asset Management Policy.

Annual Governance Statement (continued)

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

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

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

- Appropriate project management disciplines are utilised.

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

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

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

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

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

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

- receive and consider the external audit plan;

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

- receive and consider the annual report of internal audit;

- consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter;

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

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

- make recommendations or comments to the Authority as appropriate.

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

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

Annual Governance Statement (continued)

- The Authority maintains an Internal Audit Service, provided by Sunderland City Council.

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

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

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

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

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

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

- The Elected Member Learning and Development Programme aims:

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

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

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

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

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

Annual Governance Statement (continued)

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

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

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

- A review of all partnerships is presented to the Strategic Management Team on an annual basis.

- An Information Sharing Protocol is also in the final stages of development which will underpin Information Sharing Agreements with partners.

REVIEW OF EFFECTIVENESS

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

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

- The role of the Authority:

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

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

- The role of the Strategic Management Team:

  - The findings of the Annual Governance Review have been reported to the Strategic Management Team for their consideration and approval of the Annual Governance Statement.

- The role of the Governance Committee:

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

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

    - the effectiveness of corporate governance arrangements;

    - the Authority's treasury management policy and strategy, including the annual borrowing and investment strategy;

Annual Governance Statement (continued)

- organisational performance; and
- potential for future changes in service provision based on relevant performance information, risk analysis and changes in economic, social and environmental conditions or statutory requirements.

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

Internal audit planning processes include consultation with the Principal Officers, reviews of the Strategic Community Safety Plan, Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based and includes risks in relation to the achievement of Service objectives, and Internal Audit Services carry out regular systematic auditing of key financial and non-financial systems.

External audit is now undertaken by Mazars, a private company appointed by the Audit Commission for this purpose. The Annual Audit Letter gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).

In the latest Annual Audit Letter covering 2014/15, Mazars issued an unqualified conclusion on both financial arrangements and Value for Money, and identified no significant weaknesses in the Authority's arrangements for internal control. Their report included comments that:

- The Authority has maintained its strong record in the delivery of its action plans and its budgets;
- The Authority maintains healthy financial reserves to help it manage the future cuts that are likely to be required;
- Performance is good overall and the Authority is still driving improvement despite spending cuts;
- The Authority continues to deliver savings arising from Integrated Risk Management Plan (IRMP) action plans and has recently set out the timescale for the remaining actions necessary for the implementation of the Review of the Operational Response IRMP Plan;
- Overall, the Authority has responded well to the financial pressures it has faced, at a time of unprecedented reductions in public sector spending; and
- During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. We are particularly grateful to officers for their patience in dealing with the late adjustments arising from the revised pension commutation factors.

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

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

Annual Governance Statement (continued)

ASSURANCE STATEMENTS

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

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

Cllr Tom Wright	Tom Capeling	Barry Scarr
Chair of the Authority	Chief Fire Officer and Chief Executive	Finance Officer

Dated: 26th September 2016

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	Earmarked General Fund Reserves	Capital Receipts Reserve	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2014	**(3,871)**	**(29,468)**	**(3,285)**	**(36,624)**	**720,921**	**684,297**
Movement in reserves during 2014/2015						
(Surplus) or Deficit on provision of services	19,748	0	0	19,748	0	19,748
Other Comprehensive Income and Expenditure	0	0	0	0	29,010	29,010
Total Comprehensive Income and Expenditure	19,748	0	0	19,748	29,010	48,758
Adjustments between accounting basis & funding basis under regulations	(17,364)	0	0	(17,364)	17,364	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	2,384	0	0	2,384	46,374	48,758
Transfers to / (from) Earmarked Reserves	(2,395)	2,395	0	0	0	0
(Increase) / Decrease in 2014/2015	(11)	2,395	0	2,384	46,374	48,758
Balance at 01 April 2015	**(3,882)**	**(27,073)**	**(3,285)**	**(34,240)**	**767,294**	**733,054**
Movement in reserves during 2015/2016						
(Surplus) or Deficit on provision of services	**9,996**	**0**	**0**	**9,996**	**0**	**9,996**
Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**(108,833)**	**(108,833)**
Total Comprehensive Income and Expenditure	**9,996**	**0**	**0**	**9,996**	**(108,833)**	**(98,837)**
Adjustments between accounting basis & funding basis under regulations	**(8,570)**	**0**	**0**	**(8,570)**	**8,570**	**0**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**1,426**	**0**	**0**	**1,426**	**(100,263)**	**(98,837)**
Transfers to / (from) Earmarked Reserves	**(1,487)**	**1,487**	**0**	**0**	**0**	**0**
(Increase) / Decrease in 2015/2016	**(61)**	**1,487**	**0**	**1,426**	**(100,263)**	**(98,837)**
Balance at 31 March 2016	**(3,943)**	**(25,586)**	**(3,285)**	**(32,814)**	**667,031**	**634,217**

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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/2015					2015/2016		
Gross Expenditure	Gross Income	Net Expenditure		Notes	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	£'000	£'000			**£'000**	**£'000**	**£'000**
6,549	945	5,604	Community Safety		**5,111**	**703**	**4,408**
32,604	4,776	27,828	Fire Fighting and Rescue Operations		**30,484**	**4,741**	**25,743**
242	0	242	Corporate and Democratic core		**183**	**0**	**183**
452	0	452	Non Distributed Costs		**785**	**0**	**785**
2,753	0	2,753	Exceptional Items – Revaluations	11	**0**	**0**	**0**
42,600	5,721	36,879	**Cost of Services**		**36,563**	**5,444**	**31,119**
0	34	(34)	Other Operating Expenditure	8	**564**	**0**	**564**
34,912	160	34,752	Financing and Investment Income and Expenditure	9	**28,481**	**153**	**28,328**
0	51,849	(51,849)	Taxation and Non-Specific Grant Income	10	**0**	**50,015**	**(50,015)**
77,512	57,764	19,748	**(Surplus) or Deficit on Provision of Services**		**65,608**	**55,612**	**9,996**
		(3,470)	(Surplus) or Deficit on the Revaluation of Fixed Assets	22			**45**
		32,480	Re-measurements of the Defined Benefit Liability	37			**(108,878)**
		29,010	**Other Comprehensive Income and Expenditure**				**(108,833)**
		48,758	**Total Comprehensive Income and Expenditure**				**(98,837)**

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 prepared in 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 is 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 2015 £'000		Notes	**31 March 2016 £'000**
65,654	Property, Plant and Equipment	11	**67,425**
11	Intangible Assets	14	**0**
0	Investment Properties	13	**0**
6	Long Term Debtors	15	**5**
65,671	**Long Term Assets**		**67,430**
292	Inventories	16	**352**
13,147	Short Term Debtors	15,17	**9,936**
38,179	Cash and Cash Equivalents	18	**33,055**
51,618	**Current Assets**		**43,343**
(574)	Short Term Borrowing	15	**(551)**
(9,448)	Short Term Creditors	15,19	**(5,529)**
(4,125)	Other Short Term Liabilities	15	**(712)**
(2,209)	Short Term Provisions	20	**(406)**
(5,651)	Grant Receipts in Advance	15,30	**(2,658)**
(22,007)	**Current Liabilities**		**(9,856)**
(207)	Long Term Provisions	20	**(2,059)**
(13,770)	Long Term Borrowing	15	**(13,219)**
(617)	Donated Assets Account	30	**(504)**
0	Long Term Creditors		**0**
(813,742)	Other Long Term Liabilities	15,37	**(719,352)**
(828,336)	**Long Term Liabilities**		**(735,134)**
(733,054)	**Net Assets / (Liabilities)**		**(634,217)**
34,240	Usable Reserves	7	**32,814**
(767,294)	Unusable Reserves	22	**(667,031)**
(733,054)	**Total Reserves (Negative Net Worth)**		**(634,217)**

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.

2014/2015 Restated £'000		Notes	**2015/2016 £'000**
19,748	Net (surplus) or deficit on the provision of services		**9,996**
(25,514)	Adjust net (surplus) or deficit on the provision of services for non cash movement		**(12,129)**
1,194	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		**3,744**
(4,572)	Net cash flows from operating activities		**1,611**
2,407	Investing activities	24	**1,994**
1,511	Financing Activities	25	**1,519**
(654)	**Net (increase) or decrease in cash and cash equivalents**		**5,124**
(37,525)	Cash and cash equivalents at the beginning of the reporting period	18	**(38,179)**
(38,179)	**Cash and cash equivalents at the end of the reporting period**		**(33,055)**

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Supplementary Statements

Notes to the Firefighters’ Pension Fund Account

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 2015/2016 financial year and its position at the year-end of 31st March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2015/2016 and the CIPFA Service Reporting Code of Practice 2015/2016 (SeRCOP), both based on International Financial Reporting Standards (IFRS). CIPFA guidance notes for practitioners have also been referred to and applied where appropriate, particularly in relation to the accounting treatment adopted for Government top up grant in the Firefighters' Pension Fund.

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 into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables
Loans and receivables 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 most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is

1.2 Financial Instruments (continued)

measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets
Available-for-sale assets 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. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Other Investments
Investments in companies and in marketable securities are shown in the balance sheet at cost. Provision for losses in value is made where appropriate in accordance with the Code of Practice on Local Authority Accounting. No such provisions have been considered necessary at this time.

1.3 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

1.3 Intangible Assets (continued)

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The charges are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.4 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:

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

1.4 Property, Plant and Equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1.4 Property, Plant and Equipment (continued)

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 certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets 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 - 57
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.

1.4 Property, Plant and Equipment (continued)

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 fixed assets 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.

1.5 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.

1.6 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. 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.

1.7 Inventories

Inventories are included in the Balance Sheet at the lower of the cost and net realisable value. The cost of inventories at the year-end are valued at weighted average cost price.

1.8 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 on an estimated time or actual time spent basis, with the exception of the Financial Resources and Personnel Departments, which are charged on the basis of a Service Level Agreement. External support service costs are allocated to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP).

Internal support services are also charged to those services that benefit from the supply or service in accordance with the costing principles of SeRCOP. The total absorption costing principle is used, and the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Account, as part of Net Cost of Services.

1.9 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.

Note 20 on page 60 provides information on the provisions set up by the Authority.

1.10 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. Detail on the movement on earmarked reserves during 2015/2016 is provided in note 7 on page 52.

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. Note 22 on page 60 provides further detail on these reserves.

1.11 Internal Interest

Interest is credited to the General Fund 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.

1.12 Delegated Budgets

The delegated budget scheme allows the carry forward of any under-spending to the following financial year. For 2015/2016, an appropriation has been made into the Budget Carry Forward Reserve for this purpose, as detailed in note 7 on page 52.

1.13 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 Non Distributed Costs 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, and subsequent amendments.

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

1.13 Employee Benefits (including Pensions) (continued)

Net Assets Statement are reported as supplementary financial statements within the Authority's Statement of Accounts.

Local Government Pension Scheme
All non-uniformed staff of the Authority have the right to join the Local Government Pension Scheme (LGPS), which South Tyneside Metropolitan 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 2013 with a new valuation to be carried out at 31 March 2016.

The assets allocated to the Employer are notional and are assumed to be invested in line with the investments of the Fund.

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 Non Distributed Costs;
  - 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.

1.13 Employee Benefits (including Pensions) (continued)

- 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.

1.14 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.

An analysis of Government Grants and Contributions is provided in Note 30 on page 68.

1.15 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 for 2015/2016.

1.16 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.

1.17 Other Investments

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

1.18 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The relevant note and information relating to the Authority's PFI scheme is detailed in Note 34 on page 71.

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

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

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

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

1.18 Private Finance Initiative (PFI) and Similar Contracts

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.

1.19 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

(a) The Authority as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

b) The Authority as Lessor

Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the

1.19 Leases (continued)

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. A gain, representing the Authority’s net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.20 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.

1.21 Interests in Companies and Other Entities

If the Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities this will require group accounts to be prepared. Where there is an interest which is not material any such interests in companies and other entities are then recorded as financial assets at cost, less any provision for losses.

1.22 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.

1.22 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors (continued)

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.

The followings estimations have been made:

Pensions Liabilities
Pensions liabilities included in the Balance Sheet have been assessed on an actuarial basis using the roll-forward method. The Pension Fund liabilities have been assessed by Aon Hewitt Limited (LGPS) and by the Government Actuary's Department (firefighters' pensions), both independent actuaries, who also estimate the Pension position as at 31st March 2016 based on the latest full valuation of the scheme as at 31st March 2013 and their assessments of future movements in the return on pension assets and future pension liabilities (see Note 37 on page 73).

Apportionment of costs for Community Safety
As required by CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP), the Authority must present its expenditure and income at the mandatory reporting levels, including Community Safety and Fire Fighting and Rescue Operations. The majority of transactions are classified directly as relating to either of these categories. However, the Authority also makes a transfer for the cost of Community Safety related activities undertaken by Fire Fighting staff. This transfer is based on actual activity figures recorded by the Authority through the year.

The approach to quantifying the transfer uses actual activity figures for home fire risk assessments and fire inspections to estimate the time taken to undertake these community safety activities. This is then applied to an average rate of pay to estimate the total cost to be transferred from Firefighting to Community Safety in the Authority's Comprehensive Income and Expenditure Account.

Utilities
Utilities costs contained within the Cost of Services Expenditure Analysis are calculated using estimation. The final period charge for the financial year is estimated based upon the previous year's consumption for the same period multiplied by the latest price information. An adjustment is made for any significant variances when the actual utilities bills are received.

Creditor Provisions
In a small number of cases, estimation is used to calculate payments outstanding to creditors where the Authority has yet to be billed for services delivered prior to the year-end. The impact of any such estimation is not material to the Authority's Accounts.

1.23 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.

1.24 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.

1.25 Cash and Cash Equivalents

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.

The Authority's cash and cash equivalents is held within the Lead Authority's bank accounts and investments.

1.26 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.

1.27 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.

1.28 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.

1.29 Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are converted at the spot exchange rate at 31 March. Resulting gains and losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.30 Heritage Assets

The Authority has no heritage assets it needs to report upon.

1.31 Officer Remuneration

Remuneration refers to all amounts paid to or receivable by an employee of the Authority and includes sums by way of expenses allowances, and the estimated money value of any other benefits received by an employee otherwise than in cash.

The Authority discloses the number of employees whose annual remuneration is over £50,000, broken down in to bandings of £5,000. In addition, remuneration is disclosed by category for senior employees defined as:

- All those whose salary is £150,000 or more;

- All those whose salary is £50,000 or more who meet at least one of the following criteria:
    - statutory chief officers (per section 2(6) of the Local Government and Housing Act 1989 as amended) of the Authority, or
    - non-statutory chief officers (per section 2(7) of the 1989 Act as amended).

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

The Code for 2016/2017 has introduced several changes in accounting policies which are required from 1st April 2016. None of these changes are expected to have a material impact on the Authority's Financial Statements. However, in the 2016/2017 Financial Statements, the comparator 2015/2016 amounts presented in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must be restated to reflect the new formats and reporting requirements.

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

These amendments clarify that entities are able to exercise their judgement when presenting their Financial Statements.

The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

The changes introduced make substantial changes to local authority financial reporting and will:

- require local authorities to report on the same basis that they are organised, by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement (CIES); and
- introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way that local authorities budget (and are funded) and the CIES, in a format that is accessible to users of the accounts. This Expenditure and Funding Analysis is supported by a streamlined Movement in Reserves Statement.

Annual Improvements to IFRSs 2012 – 2014 Cycle

The IASB's Annual Improvement Project provides a streamlined process for enhancing the quality of standards by clarifying guidance and wording and making minor corrections. The issues considered during the 2012-2014 cycle were:

- IFRS 5: Changes in methods of disposal;
- IFRS 7: Servicing Contracts;
- IFRS 7: Applicability of the amendments to IFRS 7 to condensed interim financial statements;
- IAS 19: regional market issue;
- IAS 34: Disclosure of information "elsewhere in the interim financial report".

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

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions where the contributions are not linked to length of service.

Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

The amendments provide additional guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, because revenue generated by an activity that includes the use of an asset, generally reflects factors other than the consumption of the economic benefits embodied in the asset.

Revenue is also generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset, although this presumption can be rebutted in certain limited circumstances.

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 37.

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

- Impairment of property, plant and equipment and computer software – property, plant and equipment and computer software are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates. See Note 11 on page 55 for further details.

- Depreciation of property, plant and equipment and amortisation of computer software – depreciation and amortisation is provided so as to write down the assets to their residual values over their

Note 3 – Critical Judgements in applying Accounting Policies (continued)

estimated useful lives as set out above. The selection of these residual values and estimated lives requires the exercise of management judgement. See Note 11 on page 55 for further details.

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 2016, for which there is a significant estimate uncertainty in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £139,000 for every year that useful lives had to be reduced.
Provisions	The Authority has made an insurance provision of £166,647 and a pension provision of £1,892,924.	An increase over the forthcoming year of 10% in either the total number of insurance claims or the estimated average settlement would each have the effect of adding £16,665 to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effect on the net pension liability from changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Local Government pension liability of £1.2m and a decrease in the Firefighters' pension liability of £68m. However, in practice the assumptions interact in complex ways and changes may be interrelated.

Note 5 – Events After the Balance Sheet Date

Adjusting Post Balance Sheet Events
No events have taken place since the accounts were closed on 31st March 2016 which are judged to be adjusting post balance sheet events.

Non Adjusting Post Balance Sheet Events
No events have taken place since the accounts were closed on 31st March 2016 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 by the Authority 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 the Authority to meet future capital and revenue expenditure.

	Notes	2015/2016 General Fund Balance £000	2015/2016 Movement In Unusable Reserves £000	2014/2015 Movement In Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Charges for Depreciation and Impairment of non current assets	11 & 14	**(3,933)**	**3,933**	3,949
Capital Grants and Contributions	32	**3,744**	**(3,744)**	(1,194)
Movement in the Donated Assets Account	30	**112**	**(112)**	(112)
Amounts of non current assets written off on disposal/sale as part of gain/loss on disposal	11	**0**	**0**	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	32	**1,481**	**(1,481)**	(1,489)
Capital expenditure charged against General Fund balances	32	**1,994**	**(1,994)**	(2,407)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	22 & 37	**(37,980)**	**37,980**	44,390
Employer's pensions contributions and direct payments to pensioners payable in the year	22 & 37	**25,960**	**(25,960)**	(25,660)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different to council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	22	**147**	**(147)**	(34)
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount of which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	22	**(95)**	**95**	(79)
		(8,570)	**8,570**	17,364

Note 7 – Movements in Earmarked Reserves

The following table reports the movement on the Authority's Earmarked Reserves during the year.

	Balance at 1st April 2014 £000	Transfers out 2014/2015 £000	Transfers in 2014/2015 £000	Balance at 31st March 2015 £000	Transfers out 2015/2016 £000	Transfers in 2015/2016 £000	Balance at 31st March 2016 £000
General Fund Balance	3,871	0	11	3,882	**0**	**61**	**3,943**
Capital Reserves							
Usable Capital Receipts	3,285	0	0	3,285	**0**	**0**	**3,285**
Total Capital Reserves	3,285	0	0	3,285	**0**	**0**	**3,285**
Revenue Reserves							
PFI Smoothing Reserve	6,325	0	455	6,780	**0**	**383**	**7,163**
Insurance Reserve	1,117	0	17	1,134	**(281)**	**244**	**1,097**
Early Retirement Reserve	31	(4)	0	27	**(4)**	**0**	**23**
Development Reserve	9,193	(1,886)	0	7,307	**(1,774)**	**337**	**5,870**
Contingency Planning Reserve	1,976	(464)	0	1,512	**0**	**0**	**1,512**
Budget Carry Forward Reserve	769	(222)	71	618	**(316)**	**0**	**302**
New Dimensions Reserve	680	0	84	764	**0**	**0**	**764**
Community Safety Reserve	250	(9)	300	541	**(297)**	**0**	**244**
Civil Emergency Reserve	200	0	0	200	**0**	**0**	**200**
Carbon Management Plan Reserve	475	(330)	0	145	**(23)**	**0**	**122**
Organisational Change Review Reserve	7,642	(476)	0	7,166	**(49)**	**355**	**7,472**
Medium Term Planning Reserve	700	0	0	700	**0**	**0**	**700**
Command and Control Reserve	110	(61)	130	179	**(62)**	**0**	**117**
Total Revenue Reserves	29,468	(3,452)	1,057	27,073	**(2,806)**	**1,319**	**25,586**
Total Reserves	36,624	(3,452)	1,068	34,240	**(2,806)**	**1,380**	**32,814**

Note 7 - Movements in Earmarked Reserves (continued)

The table, above, shows the movement on the Authority's earmarked reserves for the year ended 31st March 2016. Detail on the purpose of each reserve is provided below:

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

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

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

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

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

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

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

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

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

- **Civil Emergency Reserve -** this reserve was established to enable the Authority to respond to a major catastrophic event, either within Tyne and Wear, or another region, where there would likely be additional cost pressures placed upon the Authority (over and above the reimbursement level that might be expected from other Fire Authorities or through the Bellwin scheme). This reserve enables the Authority to deliver the necessary level of support without impacting on its revenue budget.

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

Note 7 - Movements in Earmarked Reserves (continued)

- **Organisational Change Reserve -** this reserve was created to cover the expected costs following a review of the organisational changes required for the Authority to operate more 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.

- **Command and Control Reserve –** this reserve was established for the Command and Control Grant received from DCLG, to be used during the year to finance replacement of the Command and Control System.

Note 8 – Other Operating Expenditure

2014/2015 £'000		**2015/2016 £'000**
0	(Gain)/Loss on Derecognition of Non Current Assets	**564**
(34)	Cleaning DSO Surplus for the year	**0**
(34)	**Total**	**564**

Note 9 – Financing and Investment Income and Expenditure

2014/2015 £'000		**2015/2016 £'000**
2,662	Interest Payable	**2,601**
32,250	Net Interest on the Net Defined Benefit Liability (Asset)	**25,880**
(160)	Interest and Investment Income	**(153)**
34,752	**Total**	**28,328**

Note 10 – Taxation and Non specific Grant Income

2014/2015 £'000		**2015/2016 £'000**
(20,032)	Council Tax Income	**(20,666)**
(14,001)	Non Domestic Rate Income	**(14,404)**
(17,816)	Non Ringfenced Government Grants	**(14,945)**
(51,849)	**Total**	**(50,015)**

Note 11 – Property, Plant and Equipment

Movement on Balances 2015/2016

	Land & Buildings	Vehicles, Plant Furniture & Equipment	Assets Under Construction	TOTAL	PFI Assets included in Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2015	**58,253**	**18,264**	**2,334**	**78,851**	**29,778**
Additions	**3,047**	**2,692**	**0**	**7,784**	**98**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	**(79)**	**0**	**0**	**(79)**	**0**
Revaluation increases/(decreases) recognised in the Provision of Services	**(728)**	**0**	**0**	**(728)**	**0**
Derecognition recognised in the Revaluation Reserve	**(96)**	**0**	**0**	**(96)**	**0**
Derecognition recognised in the Provision of Services	**(665)**	**0**	**0**	**(665)**	**0**
Other Movements in Cost or Valuation	**2,045**	**0**	**(2,045)**	**(2,045)**	**0**
At 31 March 2016	**61,777**	**20,956**	**289**	**83,022**	**29,876**
Accumulated Depreciation and Impairment					
At 1 April 2015	**2,085**	**11,112**	**0**	**13,197**	**706**
Depreciation Charge	**1,373**	**1,257**	**0**	**2,630**	**683**
Depreciation written out to Revaluation Reserve	**(130)**	**0**	**0**	**(130)**	**0**
Depreciation recognised in the Provision of Services	**0**	**0**	**0**	**0**	**0**
Derecognition recognised in the Provision of Services	**(101)**	**0**	**0**	**(101)**	**0**
At 31 March 2016	**3,227**	**12,369**	**0**	**15,596**	**1,389**
Net Book Value at 31st March 2015	**56,168**	**7,152**	**2,334**	**65,654**	**29,072**
Net Book Value at 31st March 2016	**58,550**	**8,587**	**289**	**67,425**	**28,487**

Note 11 – Property, Plant and Equipment (continued)

Movement on Balances 2014/2015

	Land & Buildings £'000	Vehicles, Plant Furniture & Equipment £'000	Assets Under Construction £'000	TOTAL £'000	PFI Assets included in Property Plant and Equipment (Restated) £'000
Cost or Valuation					
At 1 April 2014	56,962	18,044	156	75,162	29,462
Additions	1,203	220	2,178	3,601	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,396	0	0	1,396	1,396
Revaluation increases/(decreases) recognised in the Provision of Services	(1,308)	0	0	(1,308)	(1,080)
Derecognition - Disposals	0	0	0	0	0
At 31 March 2015	58,253	18,264	2,334	78,851	29,778
Accumulated Depreciation and Impairment					
At 1 April 2014	3,088	9,566	0	12,654	2,531
Depreciation Charge	1,519	1,546	0	3,065	697
Depreciation written out to Revaluation Reserve	(2,074)	0	0	(2,074)	(2,074)
Depreciation recognised in the Provision of Services	(448)	0	0	(448)	(448)
At 31 March 2015	2,085	11,112	0	13,197	706
Net Book Value at 31st March 2014	53,875	8,478	156	62,509	26,931
Net Book Value at 31st March 2015	56,168	7,152	2,334	65,654	29,072

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings - 12 – 57 years
- Vehicles, Plant and Equipment - 5 – 15 years
- Land – not depreciated

Note 11 – Property, Plant and Equipment (continued)

Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/2017, budgeted to cost £2.322m (as at 31 March 2015 £6.190m). A summary of the commitments are:

- Estates Development Strategy Works (£0.178m)
- ICT Software and Hardware (£0.127m)
- Estates (£0.342m)
- Operational Equipment (£0.367m)
- Carbon Management Plan (£0.065m)
- Control/Mobilising System (£0.190m)
- Community Safety (£0.151m)
- Police Integration Project (£0.153m)
- Transport (£0.083m)
- Vehicle Replacement Programme (£0.666m)

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. 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.

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Total £'000
Carried at historical cost	0	18,264	18,264
Valued at fair value as at:			
31 March 2016	3,524		3,524
31 March 2015	991	0	991
31 March 2014	27,545	0	27,545
31 March 2013	0	0	0
31 March 2012	29,717	0	29,717
31 March 2011	0	0	0
Total Cost or Valuation	**61,777**	**18,264**	**80,041**

Note 12 – Heritage Assets

The Authority has no Heritage Assets as at 31st March 2016 to report.

Note 13 – Investment Properties

The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Note 14 – Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The integral assets include both purchased licences and software.

Note 14 – Intangible Assets (continued)

All software is given a finite useful life, based on assumptions of the period that the software is expected to be of use to the Authority. The useful life for all software is deemed to be 5 years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £11,319 was charged to revenue in 2015/2016.

The movement on Intangible Asset balances during the year is as follows:

	2015/2016 Total £'000	2014/2015 Total £'000
Balance at start of year:	**11**	35
Additions during the year	**0**	0
Amortisation for the period	**(11)**	(24)
Net carrying amount at the year end	**0**	11
Comprising of		
Gross carrying amounts	**236**	235
Accumulated amortisation	**(236)**	(224)
Net carrying amount at the year end	**0**	11

Note 15 – Financial Instruments

Categories of Financial Instruments

	Long Term		Current	
	31 March 2016 £'000	31 March 2015 £'000	**31 March 2016 £'000**	31 March 2015 £'000
Debtors				
Financial assets carried at contract amount**	**5**	6	**7,478**	7,528
Total Debtors	**5**	6	**7,478**	7,528
Borrowings				
Financial liabilities at amortised costs *	**(13,219)**	(13,770)	**(551)**	(574)
Total Borrowings	**(13,219)**	(13,770)	**(551)**	(574)
Other Long Term Liabilities				
PFI and finance lease liabilities	**(20,812)**	(21,742)	**(712)**	(727)
Total Other Long Term Liabilities	**(20,812)**	(21,742)	**(712)**	(727)
Creditors				
Financial liabilities carried at contract amount**	**0**	0	**(6,372)**	(9,892)
Total Creditors	**0**	0	**(6,372)**	(9,892)

*The analysis of maturity of borrowing and disclosures on credit risk, market risk and liquidity risk are not required to be included in the accounts. All borrowing and investments for the Authority is carried out by the lead authority, Sunderland City Council who bears all risks. 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.

Note 16 – Inventories

	Consumable Stores		Maintenance Materials		Total	
	2015/2016	2014/2015	**2015/2016**	2014/2015	**2015/2016**	2014/2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Balance Outstanding at start of year	**238**	240	**54**	55	**292**	295
Purchases	**417**	603	**50**	86	**467**	689
Recognised as an expense in the year	**(358)**	(608)	**(57)**	(86)	**(415)**	(694)
Written off balances	**0**	3	**8**	(1)	**8**	2
Balance outstanding at the year-end	**297**	238	**55**	54	**352**	292

Note 17 – Short-Term Debtors

2014/2015 £'000		**2015/2016 £'000**
7,165	Central government bodies	**3,753**
275	Other local authorities	**240**
2	NHS bodies	**2**
7	Public corporations and trading funds	**5**
5,698	Other entities and individuals	**5,936**
13,147	**Total**	**9,936**

Note 18 – Cash and Cash Equivalents

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

2014/2015 £'000		**2015/2016 £'000**
1	Cash held by the Authority	**1**
10,664	Bank Current Accounts	**5,540**
27,514	Short Term Investments held with Lead Authority	**27,514**
38,179	**Total**	**33,055**

Note 19 – Short-Term Creditors

2014/2015 £'000		**2015/2016 £'000**
(811)	Central government bodies	**(883)**
(2,407)	Other local authorities	**(2,324)**
(6)	NHS bodies	**0**
(161)	Public corporations and trading funds	**6**
(6,063)	Other entities and individuals	**(2,328)**
(9,448)	**Total**	**(5,529)**

Note 20 – Provisions

	Insurance Provision £'000	Business Rates Appeal Provision £'000	Other Provision £'000	Total £'000
Balance at 1 April 2014	(247)	0	0	(247)
Additional provisions made in 2014/2015	(140)	(316)	(1,893)	(2,349)
Amounts used in 2014/2015	180	0	0	180
Balance at 31 March 2015	(207)	(316)	(1,893)	(2,416)
Additional provisions made in 2015/2016	**(120)**	**(164)**	**0**	**(284)**
Amounts used in 2015/2016	**162**	**74**	**0**	**236**
Balance at 31 March 2016	**(165)**	**(406)**	**(1,893)**	**(2,464)**

The nature of the individual provisions held at 31st March 2016 is detailed below:

	2014/2015 Total £'000	Short Term £'000	Long Term £'000	**2015/2016 Total £'000**
Insurance provision	(207)	0	(165)	**(165)**
Business rates appeal provision	(316)	(406)	0	**(406)**
Pension top-up grant provision	(1,893)	0	(1,893)	**(1,893)**
	(2,416)	(406)	(2,058)	**(2,464)**

Note 21 – Usable Reserves

Movements in the Authority's usable reserves are detailed in Note 7 – Movements in Earmarked Reserves on pages 52 to 54.

Note 22 – Unusable Reserves

2014/2015 £'000		**2015/2016 £'000**
6,453	Revaluation Reserve	**6,404**
21,673	Capital Adjustment Account	**25,075**
(795,398)	Pensions Reserve	**(698,540)**
90	Collection Fund Adjustment Account	**237**
(112)	Accumulated Absence Account	**(207)**
(767,294)	**Total Unusable Reserve**	**(667,031)**

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 the 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.

2014/2015 £'000		Movement during the year	2015/2016 £'000
3,032	Balance at 1 April		**6,453**
3,470	Upward Revaluations of Assets	**339**	
0	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	**(384)**	
6,502	Surplus/Deficit on Revaluation of Non Current Assets not posted to the Surplus/Deficit on the Provision of Services	**(45)**	**6,408**
(49)	Difference between Fair Value Depreciation and Historical Cost Depreciation		**(4)**
6,453	**Balance at 31 March**		**6,404**

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 on page 51 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/2015 £'000		2015/2016 £'000
20,372	**Balance at 1 April**	**21,673**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,877)	Charges for depreciation and impairment of non-current assets	**(3,918)**
(24)	Amortisation of intangible assets	**(11)**
16,471		**17,744**
	Capital financing applied in the year;	
1,194	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**3,744**
1,489	Statutory provision for the financing of capital investment charged against the General Fund balance	**1,481**
2,407	Capital expenditure charged against the General Fund balance	**1,994**
112	Movement in the Donated Asset Account credited to the Income and Expenditure Statement	**112**
21,673	**Balance at 31 March**	**25,075**

Note 22 – Unusable Reserves (continued)

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.

2014/2015 £'000		**2015/2016 £'000**
(744,188)	**Balance at 1 April**	**(795,398)**
(32,480)	Re-measurement of the net defined benefit liability/ (asset)	**108,878**
(44,390)	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	**(37,980)**
25,660	Employers pensions contributions and direct payments to pensioners payable in the year	**25,960**
(795,398)	**Balance at 31 March**	**(698,540)**

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.

2014/2015 £'000		**2015/2016 £'000**
56	**Balance at 1 April**	**90**
34	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	**147**
90	**Balance at 31 March**	**237**

Note 22 – Unusable Reserves (continued)

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.

2014/2015 £'000		**2015/2016 £'000**
(191)	**Balance at 1 April**	**(112)**
191	Settlement or cancellation of accrual made at the end of the preceding year	**112**
(112)	Amounts accrued at the end of the current year	**(207)**
(112)	**Balance at 31 March**	**(207)**

Note 23 – Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2014/2015 £'000		**2015/2016 £'000**
(160)	Interest received	**(153)**
2,662	Interest paid	**2,601**
2,502	**Net Cash Flows from Operating Activities**	**2,448**

Note 24 – Cash Flow Statement – Investing Activities

2014/2015 £'000 Restated		**2015/2016 £'000**
2,407	Purchase of property, plant and equipment, investment property and intangible assets	**1,994**
2,407	**Net Cash Flows from Investing Activities**	**1,994**

Note 25 – Cash Flow Statement – Financing Activities

2014/2015 £'000 Restated		**2015/2016 £'000**
598	Repayments of short and long term borrowing	**574**
913	Other payments and financing activities	**945**
1,511	**Net Cash Flows from Financing Activities**	**1,519**

Note 26 – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements, in particular;

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Authority's principal departments recorded in the budget reports for the year is as follows:

Departmental Income and Expenditure 2015/2016

	Community Safety £'000	Fire Fighting and Rescue Operations £'000	Corporate and Democratic core £'000	Non Distributed Costs £'000	Total £'000
Fees and Charges	116	196	0	0	312
Government Grants	403	4,015	0	0	4,418
Other Grants, reimbursements and contributions	184	530	0	0	714
Total Income	703	4,741	0	0	5,444
Employee expenses	2,514	16,226	5	785	19,530
Other Service expenses	632	4,595	146	0	5,373
Support services	1,965	9,663	32	0	11,660
Total Expenditure	5,111	30,484	183	785	36,563
Net Expenditure	4,408	25,743	183	785	31,119

Note 26 – Amounts Reported for Resource Allocation Decisions (continued)

Departmental Income and Expenditure 2014/2015

	Community Safety £'000	Fire Fighting and Rescue Operations £'000	Corporate and Democratic core £'000	Non Distributed Costs £'000	Exceptional Items £'000	Total £'000
Fees and Charges	165	121	0	0	0	286
Government Grants	537	3,983	0	0	0	4,520
Other Grants, reimbursements and contributions	243	672	0	0	0	915
Total Income	945	4,776	0	0	0	5,721
Employee expenses	3,327	16,965	5	452	0	20,749
Other Service expenses	725	4,162	196	0	2,753	7,836
Support services	2,497	11,477	41	0	0	14,015
Total Expenditure	6,549	32,604	242	452	2,753	42,600
Net Expenditure	5,604	27,828	242	452	2,753	36,879

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis or portfolio income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Note 26 – Amounts Reported for Resource Allocation Decisions (continued)

2015/2016

	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	**1,026**	**12,915**	**13,941**	**166**	**14,107**
Interest and investment income	**0**	**0**	**0**	**153**	**153**
Taxation and non specific grant income	**0**	**0**	**0**	**50,015**	**50,015**
Government grants and contributions	**4,418**	**0**	**4,418**	**0**	**4,418**
Total Income	**5,444**	**12,915**	**18,359**	**50,334**	**68,693**
Employee expenses	**19,530**	**8,069**	**27,599**	**26,028**	**53,627**
Other service expenses	**2,004**	**4,846**	**6,850**	**18**	**6,868**
Support service recharges	**11,660**	**0**	**11,660**	**0**	**11,660**
Depreciation, amortisation and impairment	**3,369**	**0**	**3,369**	**0**	**3,369**
Interest Payments	**0**	**0**	**0**	**2,601**	**2,601**
(Gain)/loss on Derecognition of Non Current Assets	**0**	**0**	**0**	**564**	**564**
Total Expenditure	**36,563**	**12,915**	**49,478**	**29,211**	**78,689**
Surplus or Deficit on the Provision of Services	**31,119**	**0**	**31,119**	**(21,123)**	**9,996**

2014/2015

	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	1,201	12,942	14,143	213	14,356
Interest and investment income	0	0	0	160	160
Taxation and non specific grant income	0	0	0	51,849	51,849
Government grants and contributions	4,520	0	4,520	0	4,520
Total Income	5,721	12,942	18,663	52,222	70,885
Employee expenses	20,749	7,915	28,664	32,412	61,076
Other service expenses	7,836	5,027	12,863	17	12,880
Support service recharges	14,015	0	14,015	0	14,015
Depreciation, amortisation and impairment	0	0	0	0	0
Interest Payments	0	0	0	2,662	2,662
(Gain)/loss on Disposal of Fixed Assets	0	0	0	0	0
Total Expenditure	42,600	12,942	55,542	35,091	90,633
Surplus or Deficit on the Provision of Services	36,879	0	36,879	(17,131)	19,748

Note 27 – Members' Allowances

The amount paid to Authority members during the year was:

	2015/2016 £'000	2014/2015 £'000
Total Members' Allowances Paid	**70**	66

Note 28 – 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	2015/2016 Number of Employees	2014/2015 Number of Employees
£50,000-£54,999	**10**	13
£55,000-£59,999	**10**	7
£60,000-£64,999	**4**	2
£65,000-£69,999	**0**	1
£70,000-£74,999	**3**	2
	27	25

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 and the Assistant Chief Fire Officers.

Post Holder Information	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of Office	Total Remuneration excluding Pension Contributions 2015/2016	Employer's Pension Contributions	Strain on Fund	Total Remuneration including Pension Contributions 2015/2016
2015/2016	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Chief Fire Officer and Chief Executive	143,957	0	0	**143,957**	31,261	0	**175,218**
Assistant Chief Fire Officer – Community Safety	116,118	0	0	**116,118**	15,341	0	**131,459**
Assistant Chief Fire Officer – Strategy and Performance (up to 29.02.16)	84,237	4,239	82,965	**171,441**	12,888	192,869	**377,198**
Assistant Chief Fire Officer – HR Learning and Development	116,118	0	0	**116,118**	23,797	0	**139,915**
Assistant Chief Fire Officer – Strategy and Performance (from 01.03.16)	6,894	0	0	**6,894**	682	0	**7,576**

Note 28 – Officers' Remuneration (continued)

Post Holder Information	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of Office	Total Remuneration excluding Pension Contributions 2014/2015	Employer's Pension Contributions	Strain on Fund	Total Remuneration including Pension Contributions 2014/2015
2014/2015	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Chief Fire Officer	136,611	0	0	**136,611**	29,098	0	**165,709**
Assistant Chief Fire Officer – Community Safety	109,935	0	0	**109,935**	23,416	0	**133,351**
Assistant Chief Fire Officer – Strategy and Performance	91,910	4,440	0	**96,350**	14,145	0	**110,495**
Assistant Chief Fire Officer – HR Learning and Development	109,289	0	0	**109,289**	23,279	0	**132,568**

Note 29 – External Audit Costs

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

	2015/2016 £'000	2014/2015 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	**31**	41
	31	41

Note 30 – Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/2016:

	2015/2016 £'000	2014/2015 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	**14,945**	17,816
National Non Domestic Rates	**4,417**	4,269
Top Up Grant	**9,980**	9,793
Transparency Grant	**7**	5
Council Tax Income	**20,666**	19,729
Council Tax Freeze Grant	**0**	242
	50,015	51,854
Credited to Services		
PFI Grant	**3,358**	3,358
New Dimensions	**893**	996
Firelink	**167**	166
	4,418	4,520

Note 30 – Grant Income (continued)

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

	2015/2016 £'000	2014/2015 £'000
Capital Grants Receipts in Advance		
Fire Capital Grant	**2,497**	5,651
Transformation Grant	**153**	0
Response Grant	**8**	0
	2,658	5,651
Donated Assets Account		
New Dimensions Equipment	**504**	617
	504	617

Note 31 – Related Parties

The 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016' 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 the Note 30 on page 68.

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 1.8 on page 39. The cost of Support services received by the Authority total £538,525 (£563,263 in 2014/2015).

Trading Arrangements:

TWFRS Ltd
The Authority has set up a trading company TWFRS Ltd which commenced operating on 1st April 2015. This is a 100% fully owned company of the authority operating on a local authority trading company basis.

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

The Fire Authority's Trading Company, TWFRS Ltd, is currently trading commercially and has an agreement with Impeller Assurance and Resilience Ltd to carry out certain trading activities, charged at market rates. The Fire Authority provided cash flow funding via a formal loan agreement of £170,000 during the year to ensure its business operations outlined in its detailed business plan could be established.

Note 32 – 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.

	2015/2016 £'000	2014/2015 £'000
Opening Capital Financing Requirement	**13,695**	15,184
Capital Investment:		
Property, Plant and Equipment	**5,738**	3,601
Intangible Assets	**0**	0
Sources of Finance		
Government grants and other contributions	**(3,744)**	(1,194)
Sums set aside from		
Direct Revenue Contributions	**(1,994)**	(2,407)
MRP	**(1,481)**	(1,489)
Closing Capital Financing Requirement	**12,214**	13,695
Explanation of movements in year:		
Assets acquired under PFI contracts	**0**	0
Minimum Revenue Provision	**(1,481)**	(1,489)
Increase / (Decrease) in Capital Financial Requirement	**(1,481)**	(1,489)

Note 33 – Leases

Authority as Lessee

Finance Leases

The Authority has acquired a number of buildings and vehicles under finance leases.

	2015/2016 £'000	2014/2015 £'000
Other Land and Buildings	**330**	316
Vehicle, Plant, Furniture and Equipment	**117**	216
	447	532

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Note 33 – Leases (continued)

	2015/2016 £'000	2014/2015 £'000
Finance Lease Liabilities (NPV of future lease payments):		
Current	**112**	112
Non - Current	**771**	883
Finance costs payable in future years	**8**	16
Minimum lease payments	**891**	1,011

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2015/2016 £'000	2014/2015 £'000	**2015/2016 £'000**	2014/2015 £'000
Not later than one year	**120**	120	**112**	112
Later than one year and not later than five years	**60**	169	**60**	161
Later than five years	**711**	722	**711**	722
	891	1,011	**883**	995

Operating Leases

The Authority has acquired a number of vehicles by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	2015/2016 £'000	2014/2015 £'000
Not later than one year	**4**	4
Later than one year and not later than five years	**4**	8
Later than five years	**0**	0
Minimum lease payments	**8**	12

Note 34 – Private Finance Initiatives and Similar Contracts

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

In June 2009, the Authority entered into a collaborative PFI contract with Northumberland FRA and Durham and Darlington FRA to provide a new Community Fire Station at Tynemouth. The North East Fire and Rescue Authority (NEFRA) contract expires in May 2035.

The Authority makes agreed fixed payments to the contractors each year. Indexation is applied annually and payments can be reduced should the contractor fail to meet availability and performance standards. The estimated contract payments remaining at 31st March 2016 for both the PFI and NEFRA contracts (excluding any estimation of inflation and availability/performance deductions), are shown in the table below.

Note 34 – Private Finance Initiatives and Similar Contracts (continued)

	2016/2017 £'000	2017/2018 – 2020/2021 £'000	2021/2022 - 2025/2026 £'000	2026/2027 - 2030/2031 £'000	2031/2032 - 2035/2036 £'000	Total £'000
Finance Lease Creditor Repayment	769	4,015	7,426	7,428	1,529	**21,167**
Finance Lease Creditor Interest	1,972	7,103	6,338	2,254	381	**18,048**
Lifecycle Maintenance Costs	59	251	351	397	402	**1,460**
Contingent Rentals	89	552	823	957	40	**2,461**
Operating Costs	2,180	9,004	12,811	8,773	1,494	**34,262**
PFI Grant	(3,358)	(13,432)	(16,790)	(13,986)	(2,770)	**(50,336)**
Total Net Expenditure	**1,711**	**7,493**	**10,959**	**5,823**	**1,076**	**27,062**

Note 35 – Impairment Losses

During 2015/2016, the Authority had no impairment loss (nil in 2014/2015).

Note 36 – Exit Packages

During the year there were fifteen exit packages agreed with a total liability of £556,584 to the Authority. Of these, there were six exit payments of £155,083 and eleven early retirement payments, incurring a total strain on the pension fund of £401,501 (£185,393 in 2014/2015).

The costs are recognised in the Cost of Services of the Comprehensive Income and Expenditure Statement as a non-distributed cost to reflect the increase in liability.

The exit packages in bandings are shown in the table below:

Exit Package Cost Band **£'000**	**Number of Agreed Departures**	**Cost of Exit Packages in each Band** **Employee Costs** **£'000**	**Pension Costs** **£'000**	**Total Cost** **£'000**
0-20	9	18	35	**53**
20-40	2	24	22	**46**
40-60	1	0	54	**54**
60-80	2	30	98	**128**
250-300	1	83	193	**276**

Note 37 – 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 uniformed 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 were 21.7% in respect of the 1992 Scheme, 11.9% in respect of the 2006 Scheme and 14.3% in respect of the 2016 Scheme.
- The Local Government Pension Scheme for non-uniformed 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.

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, and are removed from the General Fund Balance via the Movement in Reserves Statement during the year:

Note 37 – Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2015/2016 £'000	2014/2015 £'000	**2015/2016 £'000**	2014/2015 £'000	**2015/2016 £'000**	2014/2015 £'000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Service Cost comprising:						
Current Service Cost	**1,390**	1,300	**10,370**	10,650	**11,760**	11,950
Past Service Costs	**340**	190	**0**	0	**340**	190
Financing and Investment Income and Expenditure:						
Net Interest Expense	**650**	700	**25,230**	31,550	**25,880**	32,250
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**2,380**	2,190	**35,600**	42,200	**37,980**	44,390
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement						
Re-measurement of the Net Defined Benefit Liability comprising:						
Local Government Scheme						
Return on Plan Assets	**680**	(2,890)	**0**	0	**680**	(2,890)
Actuarial Gains and Losses arising on changes in Demographic Assumptions	**0**	0	**0**	0	**0**	0
Actuarial Gains and Losses arising on changes in Financial Assumptions	**(3,860)**	6,140	**0**	0	**(3,860)**	6,140
Other	**(450)**	(250)	**0**	0	**(450)**	(250)
Firefighters' Scheme						
Experience Gains and Losses arising on Pension Liabilities	**0**	0	**(35,480)**	(23,340)	**(35,480)**	(23,340)
Changes in Assumptions underlying the Present Value of the Pension Liabilities	**0**	0	**(66,370)**	52,820	**(66,370)**	52,820
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(1,250)**	5,190	**(66,250)**	71,680	**(67,500)**	76,870

	Local Government Pension Scheme 2015/2016	2014/2015	Firefighters' Pension Scheme 2015/2016	2014/2015	Total 2015/2016	2014/2015
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	**660**	570	**11,360**	18,160	**12,020**	18,730
Actual amount charged against General Fund Balance for pensions in the year:						
Employers Contributions Payable to the Scheme	**1,720**	1,620	**0**	0	**1,720**	1,620
Retirement Payments Payable to Pensioners			**24,240**	24,040	**24,240**	24,040

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	
	2015/2016	2014/2015	**2015/2016**	2014/2015	**2015/2016**	2014/2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Present value of the defined benefit obligation	**(59,710)**	(61,900)	**(680,940)**	(774,828)	**(740,650)**	(836,728)
Fair value of plan assets	**42,110**	41,330	**0**	0	**42,110**	41,330
Sub-total	**(17,600)**	(20,570)	**(680,940)**	(774,828)	**(698,540)**	(795,398)
Other movements in the liability (asset)	**0**	0	**0**	0	**0**	0
Net liability arising from defined benefit obligation	**(17,600)**	(20,570)	**(680,940)**	(774,828)	**(698,540)**	(795,398)

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

	Local Government Pension Scheme	
	2015/2016	2014/2015
	£'000	£'000
Opening fair value of scheme assets	**41,330**	36,070
Interest income	**1,370**	1,570
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	**(680)**	2,890
Contributions from employer	**1,720**	1,620
Contributions from employee in to the scheme	**370**	390
Benefits paid	**(2,000)**	(1,210)
Closing balance at 31 March	**42,110**	41,330

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

Note 37 – Defined Benefit Pension Schemes (continued)

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

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2015/2016	2014/2015	**2015/2016**	2014/2015	**2015/2016**	2014/2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Opening Balance at 1 April	**61,900**	53,070	**774,828**	727,188	**836,728**	780,258
Current Service Cost	**1,390**	1,300	**10,370**	10,650	**11,760**	11,950
Interest Cost	**2,020**	2,270	**25,230**	31,550	**27,250**	33,820
Contributions by scheme participants	**370**	390	**2,800**	3,040	**3,170**	3,430
Re-measurement (gains) and losses:						
Local Government Scheme						
Actuarial gains/losses arising from changes in demographic assumptions	**0**	0	**0**	0	**0**	0
Actuarial gains/losses arising from changes in financial assumptions	**(3,860)**	6,140	**0**	0	**(3,860)**	6,140
Other	**(450)**	(250)	**0**	0	**(450)**	(250)
Firefighters' Scheme						
Experience gains and losses arising on pension liabilities	**0**	0	**(35,480)**	(23,340)	**(35,480)**	(23,340)
Changes in assumptions underlying the present value of the pension liabilities	**0**	0	**(66,370)**	52,820	**(65,370)**	52,820
Past service cost	**340**	190	**0**	0	**340**	190
Benefits paid	**(2,000)**	(1,210)	**(27,040)**	(27,080)	**(29,040)**	(28,290)
Liabilities extinguished on settlements	**0**	0	**(3,398)**	0	**(3,398)**	0
Closing balance at 31 March	**59,710**	61,900	**680,940**	774,828	**740,650**	836,728

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The net liability of £698.470m has a substantial impact on the negative net worth of £634.147m recorded on the balance sheet of the Authority. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2017 is £1.38m.

Note 37 – Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme Assets

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

	Asset split at 31 March 2016			Asset split at 31 March 2015
	Quoted %	Unquoted %	Total %	%
Equities	57.5	8.6	**66.1**	66.4
Government Bonds	3.7	0.0	**3.7**	3.7
Corporate Bonds	11.6	0.0	**11.6**	11.7
Property	0.0	10.4	**10.4**	9.5
Cash	2.6	0.0	**2.6**	2.4
Other Assets	3.1	2.5	**5.6**	6.3
Total	78.5	21.5	**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. Both estimates for the Authority fund are based on the latest full valuation of the scheme as at 1 April 2013.

The principal assumptions used by the actuary are:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2015/2016	2014/2015	**2015/2016**	2014/2015
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	**23.2 years**	23.1 years	**22.3 years**	22.5 years
Women	**24.8 years**	24.7 years	**22.3 years**	22.5 years
Longevity at 65 for future pensioners (aged 45):				
Men	**25.3 years**	25.1 years	**24.6 years**	24.8 years
Women	**27.1 years**	27 years	**24.6 years**	24.8 years
RPI	**2.90%**	3.00%	**3.35%**	3.35%
CPI	**1.80%**	1.90%	**2.20%**	2.20%
Rate of increase in salaries	**3.30%**	3.40%	**4.20%**	4.20%
Rate of increase in pensions	**1.80%**	1.90%	**2.20%**	2.20%
Rate for discounting scheme liabilities	**3.50%**	3.30%	**3.55%**	3.30%
Commutation – Pre 2008	**75.00%**	75.00%	**N/A**	N/A
Commutation – Pre 1st April 2010	**N/A**	N/A	**N/A**	N/A
Commutation – Post 31st March 2010	**N/A**	N/A	**N/A**	N/A

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely

Note 37 – Defined Benefit Pension Schemes (continued)

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)	+1,540	-1,550		
Rate of increase in salaries (increase or decrease by 0.1%)	+410	-410		
Rate of increase in pensions (increase or decrease by 0.1%)	+810	-800		
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	-1,200	+1,230		
Longevity (increase or decrease in 1 year)			+17,000	-17,000
Rate of increase in salaries (increase or decrease by 0.50%)			+4,600	-4,600
Rate of increase in pensions (increase or decrease by 0.50%)			+56,700	-56,700
Rate for discounting scheme liabilities (increase or decrease by 0.50%)			-68,000	+68,000

The weighted average duration of the defined benefit obligation for scheme members in the local government scheme is 20.6 years and the firefighter scheme is 19 years.

Note 38 – Contingent Liabilities

The Authority has a Contingent Liability in respect of overclaimed Pensions Top up grant from 2006/2007 to 2010/2011 because of a change in the way in which the Government funded fire-fighter ill health / injury retirement costs. The amount involved for this period is estimated to be almost £8.7m. The Government is reviewing the position in order to consider what level of grant recovery, if any, is to be sought from those Authorities affected and also to determine on which legal basis grant recovery would be made, as a number of options have been discussed which will impact on the final amount payable. The Authority position is that it is resisting any repayment and will consider, with others affected, a possible legal challenge depending upon the Government's decisions.

In early March 2016 HM Treasury announced that public sector pension schemes are to be required to apply full indexation to Guaranteed Minimum Pensions (GMPs) in respect of those scheme members who reach State Pension Age (SPA) on or after 6 April 2016 and before 6 December 2018. The actuaries have not made any allowance for this change as part of their standard accounting process for accounting periods ending in 2016. As such, this has been treated as a contingent liability. The actuaries will allow for this as part of the actuarial valuation of the Fund as at 31 March 2016 which will then be allowed for in accounting figures as at 31 March 2017 onwards.

Note 39 – Prior Period Adjustment

There are no prior period adjustments.

Supplementary Statements

Firefighters' Pension Fund Account

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.

	2015/2016 £'000		2014/2015 £'000	
Contributions Receivable				
From employers				
- normal	**(3,752)**		(4,325)	
- early retirement	**0**		(44)	
From members	**(2,788)**	**(6,540)**	(3,042)	(7,411)
Transfers In				
Individual transfers in from other schemes		**0**		0
Benefits Payable				
Pensions	**19,599**		18,589	
Commutations and lump sum retirement benefits	**8,846**		5,992	
Lump sum death benefits	**0**	**28,445**	0	24,581
Payments to and on account of leavers				
Individual transfers out to other schemes		**0**		571
Net amount payable/(receivable) before top up grant (receivable)/amount payable to sponsoring department		**21,905**		17,741
Top-up grant (receivable)/amount payable to sponsoring department		**(21,905)**		(17,741)
Net amount payable/(receivable) for the year		**0**		0

Supplementary Statements (continued)

Firefighters' Pension Net Assets Statement

	2015/2016	2014/2015	2013/2014
	£'000	£'000	£'000
Net Current Assets and Current Liabilities			
Pension top-up grant receivable from / (due to) sponsoring department	**3,296**	6,817	6,145
Pre-paid pension benefits	**1,652**	1,652	1,691
Outstanding commutation payments	**(14)**	(3,398)	(3,398)
Cash Overdrawn due to the General Fund	**(4,934)**	(5,071)	(4,438)
	0	**0**	0

Notes to the Firefighters' Pensions Statements

1. Basis of Preparation

The accounts 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.

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 21.7% for the 1992 Firefighters' Pension Scheme, 11.9% for the 2006 Firefighters' Pension Scheme and 14.3% for the 2015 Firefighters' Pension Scheme. The employee's contributions are dependant on salaries and range from 11.0% to 17.0% for the 1992 Scheme, 8.5% to 12.5% for the 2006 Scheme and 10.0% to 14.5% for the 2015 Scheme.

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

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

Benefits and refunds

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

Transfer values

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

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

3. Fund's Operations

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

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

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

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

The fund has no investment assets.

Glossary of Terms

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

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

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

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

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

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

Agency Services
Services that are performed by or for other authorities or bodies, where the authority/body responsible for the service reimburses the Authority carrying out the work for the cost of the work carried out.

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). Fixed 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 fixed assets.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed 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 PPE included in the accounting statements are:

Operational assets:

- Land and Buildings
- Vehicles, Plant and Furniture
- Surplus Assets

Non-operational assets
Investment Property
Heritage Assets

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 possible 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 either:

(a) 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
(b) As a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsible.

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

Corporate and Democratic Core
The corporate and democratic core 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.

Deferred Charges
Items of capital expenditure, which do not result in or remain matched, by tangible fixed assets. Deferred charges are charged to revenue in the year in which the expenditure is incurred or are written down annually over an appropriate period where the expenditure provides a continuing benefit to the Authority.

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
A reduction in the value of PPE below its carrying amount on the balance sheet.

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 Fixed Assets
These are non financial PPE, such as software licences, that do not have physical substance but are identifiable and are controlled through custody or legal rights.

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 various 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. There are different types of leases available of which the following are most commonly used:

Operating Leases – this is a type of lease, usually computer equipment, office equipment or vehicle where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Finance Leases - are leases that transfer substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

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.

Net Book Value
The amount at which PPE 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 PPE 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 PPE 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
PPE 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 include; investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be

deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and rental income is negotiated at arms length.

Operational Assets
PPE 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 District 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, the ultimate cash realisation of which 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.

Trading Account
The term is used to cover activities previously known as Direct Labour Organisations (DLOs), established under the Local Government, Planning and Land Act 1980, and Direct Service Organisations (DSOs) established under the Local Government Act 1988.

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

Unsupported Borrowing
Under the Prudential Framework, the facility to undertake what is known as 'unsupported borrowing' is available. This is borrowing to fund capital expenditure where no support or provision is made by the government to fund this borrowing. In deciding upon whether to undertake unsupported borrowing regard is required to be had to:

- The prudential indicators which are designed to assess whether capital investment needs are affordable, sustainable and prudent; and
- The effect on the revenue budget of any additional costs incurred.

Useful Life
The period over which the Authority will derive benefits from the use of PPE.

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.