Tyne and Wear Fire and Rescue Service

STATEMENT OF ACCOUNTS 2024/25

Audited

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Authority Membership 2024/25

Chairman:
Councillor P. Tye (Sunderland City Council)

Vice-Chairman:
Councillor G. Haley (Gateshead Council)

Councillors:

Sunderland City Council
Councillor J. Warne to 20 July 2024
Councillor J. Usher to 16 June 2024
Councillor A. Mullen to 16 June 2024
Councillor J. Chapman from 17 June 2024
Councillor P. Edgeworth from 17 June 2024
Councillor J. Blackburn from 21 July 2024

Newcastle City Council
Councillor G. Bell
Councillor K. Kilgour
Councillor T. Woodwark
Councillor D. Wood to 8 December 2024
Councillor J. Robinson from 8 January 2025

Gateshead Council
Councillor K. Dodds
Councillor I. Patterson

North Tyneside Council
Councillor C. Johnson
Councillor J. Hunter
Councillor M. Thirlaway

South Tyneside Council
Councillor J. Welsh
Councillor J. Keegan

Police and Crime Commissioner:
Mrs Susan Dungworth

Independent Members:
Mr G.N. Cook
Mr M. Knowles
Miss G.M. Goodwill to 19 August 2024

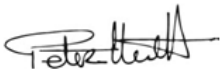
Introduction

We are pleased to present the Statement of Accounts for the year 2024/25 for the 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 alongside its Annual Governance Statement; a report on this annual review was delivered at the meeting of the Authority on 17 March 2025. This code takes account of the CIPFA SOLACE framework, 'Delivering Good Governance in Local Government'. The code considers the seven core principles of good governance as defined in the framework as, behaving with integrity, ensuring openness, defining outcomes, determining interventions, developing capacity and capability, managing risks and performance, and accountability.

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

Elsewhere within the Statement of Accounts is the Annual Governance Statement, which confirms that there are sound systems of internal control in place. It includes an action plan to address identified governance issues alongside three new improvement actions that are to be completed during 2025/26. While progress has been made on the five previous improvement actions, four require additional time for completion. As an organisation, we will continue to ensure action is taken, where necessary, to maintain and develop the system of internal control into the future.



Peter Heath Chief Fire Officer and Chief Executive	Michelle Ronan Director of Finance, Estates and Facilities	Councillor Phil Tye Chair of the Authority

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, Estates and Facilities;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

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

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

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

The Finance Officer has also:

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

Certification of the Statement of Accounts

Statement of Accounts 2024/25 (subject to audit) Certification by the Finance Officer
As the Tyne and Wear Fire and Rescue Authority's Responsible Finance Officer, I hereby certify that in accordance with the Accounts and Audit Regulations 2015 Regulation 9 (1) the Statement of Accounts for 2024/25 (subject to audit) presents a true and fair view of the financial position of Tyne and Wear Fire and Rescue Authority as at 31 March 2025 and its income and expenditure for the year then ended.

M Ronan
Director of Finance, Estates and Facilities

Date: 30 June 2025

Audited Statement of Accounts 2024/25 Certification on behalf of those charged with governance

As Chair of the Governance Committee, I hereby acknowledge receipt of the audited Statement of Accounts for 2024/25 by this Committee, in accordance with the Accounts and Audit Regulations 2015 Regulation 9 (3) (a) and confirm that the Statement of Accounts was approved in accordance with sub-paragraph 9 (3) (b) with regard to the aforementioned Regulations.

Mr G Cook
Chair of the Governance Committee

Dated: 13 February 2026

Audited Statement of Accounts 2024/25 Certification by the Finance Officer

As the Authority's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2024/25 in accordance with Regulation 9 (1) of the Accounts and Audit Regulations 2015.

Mrs M Ronan
Director of Finance, Estates and Facilities

Dated: 13 February 2026

Narrative Statement – 2024/25

Tyne and Wear Fire and Rescue Authority
Tyne and Wear Fire and Rescue Authority serves a resident population of 1.1 million spread across the five districts of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland in the North East of England. The population density of the Tyne and Wear area is comparable to that of other Metropolitan areas of the country (Greater Manchester, Merseyside, South Yorkshire, West Midlands and West Yorkshire), and accounts for 43% of the North East's population in just 6% of the total land mass. The area covered by the Service is 538 square kilometres and borders with the counties of Durham to the south and west, Northumberland to the north and with the North Sea coastline to its eastern boundary.

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

Traditional employment areas of shipbuilding, coal mining and heavy industries have declined significantly over the last 35 years, giving rise to a changing risk profile and changes in unemployment rates. Today, many of the traditional industries have been replaced by modern industrial developments and service-based organisations, although manufacturing remains a sizeable sector (producing almost a quarter of the area's GDP). Some of the largest employers in the area include Nissan Motor Manufacturing (UK) Ltd, Virgin Money, Greggs, Procter & Gamble, The Sage Group, Nestlé and Barbour and Sons.

Vision and purpose
The Vision Statement of Tyne and Wear Fire and Rescue Authority **'creating the safest community'** is reflected by its mission statement **'to save life, reduce risk, provide humanitarian services and protect the environment'**.

To achieve this vision, the fire and rescue services provided must:

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

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

Performance
The Authority is responsible for fire and rescue services in Tyne and Wear and is required by law to publish certain performance indicators annually. These show the statistical performance of the Authority but cannot provide any indication of the true quality or scope of the services delivered every day to the citizens of Tyne and Wear. More detail about the work the Authority carried out to help its communities during 2024/25 is also set out later in this summary.

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 Community Risk Management Plan, which is focused on improving overall community safety through more effective and efficient use of resources to drive down incidents and respond to them more effectively.

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is targeted home safety checks, or safe and well visits, which involve community firefighters and Prevention and Education department staff visiting homes to deliver fire safety advice and practical support, such as installing smoke detectors. During 2024/25, the Authority carried out 26,957 safe and well visits (22,012 in 2023/24) and attended a total of 17,401 incidents (16,827 in 2023/24).

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 on key performance indicators:

	2022/23	2023/24	2024/25
Average response time of all incidents (mins)	5.44	5.36	5.44
Number of fatalities from all fires	10	6	7
Number of fatalities in accidental dwelling fires	10	5	6
Number of injuries from accidental dwelling fires (excluding precautionary checks)	34	30	34
Number of accidental fires in dwellings	470	482	449
Number of false alarms due to automatic fire detection from non-domestic properties	1,539	1,604	1,530
Number of primary fires	1,825	1,681	1,716
Number of deliberate fires	6,380	4,438	4,965

The Authority has a long track record of reducing fires but, sadly, in 2024/25 there were seven deaths attributed to fire. On a pleasing note, the number of accidental fires has reduced to 449 and the number of alarms due to automatic fire detection from non-domestic properties has also reduced to 1,530.

The Authority will continue to strive to work towards the reduction of zero fire deaths. The Authority has experienced both increases and decreases in local indicators during 2024/25. More detail on performance can be found on the Authority's website.

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

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

Efficiency and the Community Risk Management Plan (CRMP)
The Authority continues to achieve value for money in all that it does, and any additional income that it can generate, or any efficiencies achieved will be used to allow the Authority to redirect its limited resources into its priorities.

The Authority was required to publish an *efficiency and productivity plan* in 2024/25 in which it had to meet a minimum target of 2% efficiency savings. This is an annual requirement under the *Fire and Rescue National Framework for England*.

Funding Context and Financial Planning

Financial Outlook for the Authority

In February 2025, the government confirmed the financial settlement for 2025/26. The Authority's core spending power (CSP) increased by 3.17% against an England average of 6.81%. This is an increase of £1.998m, from £63.082m to £65.081m. However, this increase also includes compensation for additional national insurance costs arising from government changes to the NI threshold and percentage contribution rate. For the Authority, these additional costs are estimated to be around £0.918m, against additional government funding (within SCP) of £0.468m.

The Settlement announced a £5 council tax limit for fire and rescue authorities and assumes that the Authority will increase its council tax requirement by this amount.

The Settlement announced that fire and rescue authorities will receive an increase to business rates funding baselines and revenue support grant in line with inflation, including compensation for under-indexing the business rates multiplier.

The Authority published a revised Medium-Term Financial Strategy (MTFS), covering the period 2025/26 to 2028/29 and this can be found on the Authority's website. This aims to:

- provide an analysis of the financial position likely to face the Authority over the medium term taking into account the national economic context, the potential local funding position, internal spending pressures and commitments and the revenue implications of the capital programme; and
- set out the medium-term financial position which the Authority is likely to face and to update the budget planning framework for the preparation of future revenue and capital budgets in the next four-year period to 2028/29.

The MTFS projects a funding gap of £3.476m by the end of the four-year period. The current financial climate over the medium term remains unclear with only another one-year 2025/26 financial settlement being provided by the government.

The financial aim of the Authority continues to be one of remaining sustainable so that it can continue to work effectively and efficiently and to collaborate with partners, other blue light and public sector organisations, residents and communities to deliver positive outcomes on its key service priorities to the communities it serves and will always manage service capacity within its available resources.

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

Financial performance of the Authority 2024/25

Revenue income and expenditure summary

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 Authority. These reports summarise budgets and spending forecasts for both capital and revenue expenditure and also include a review of other key financial items, including treasury management and prudential indicators. This process reflects the strong and robust financial management in place during 2024/25, continuing the Authority's sound track record in this regard.

The estimated net revenue expenditure for 2024/25 to be met from government grants and local taxpayers was approved by the Authority at £63.373m. This meant that the precept, at the band D level of council tax, after allowing for revenue support grant and business rates receipts, was set at £95.11 for 2024/25. This represented a 2.99% increase in band D.

The revenue budget outturn position for 2024/25 was reported to the Authority on 30 June 2025 and showed a net overall underspend of £2.968m, at £60.405m compared with an original budget of £63.373m. The table below shows the actual outturn for 2024/25 in comparison with the original and revised budget positions:

	Original estimate (for information) £000	Revised budget £000	Outturn £000	Variance to revised budget £000
Expenditure				
Employees	57,425	58,441	56,118	(2,323)
Premises	2,778	2,827	3,053	226
Transport	1,129	1,183	1,186	3
Supplies and services	9,364	9,771	9,763	(138)
Contingencies	1,528	1,346	0	(1,346)
Support services	14,952	14,878	14,804	(74)
Capital financing	1,175	1,176	2,077	1,031
Reserve appropriations	634	613	792	179
Total expenditure	**88,985**	**90,235**	**87,793**	**(2,442)**
Income				
Grants and contributions	(8,167)	(8,280)	(8,542)	(262)
Receipts	(353)	(353)	(408)	(55)
Fees and charges	(1,142)	(1,464)	(2,064)	(600)
Interest earned	(1,211)	(1,211)	(1,769)	(558)
Recharge income	(14,739)	(14,739)	(14,501)	238
Reserve appropriations	0	(815)	(104)	711
Total income	**(25,612)**	**(26,862)**	**(27,388)**	**(526)**
TOTAL BUDGET	**63,373**	**63,373**	**60,405**	**(2,968)**
Funded by:				
Revenue Support Grant	(13,472)	(13,472)	(13,472)	
Top Up Grant	(12,713)	(12,713)	(12,713)	
Service Delivery Grant	(109)	(109)	(109)	
Funding Guarantee Grant	(689)	(689)	(689)	
Business rates compensation	(3,216)	(3,216)	(3,216)	
Collection Fund – council tax net surplus / (deficit)	(528)	(528)	(528)	
Collection Fund – business rates net surplus / (deficit)	(216)	(216)	(216)	
Business rates share	(3,710)	(3,710)	(3,710)	
Precepts	(28,720)	(28,720)	(28,720)	
TOTAL FUNDING	**(63,373)**	**(63,373)**	**(63,373)**	

Employee budgets are set based on assumptions relating to staff turnover and vacancy levels, Firefighters' Pension Scheme membership and the number of operational staff who are at the development stage in their roles. As the year progresses, employee costs reflect the actual position on all of these factors which, in reality, can vary considerably against the budget assumptions made.

The pay award for corporate staff (Green Book) was agreed at a flat cash increase of £1,290 per employee (or 2.5% over scale point 43) and the pay award from July 2024 for operational staff (Grey Book) was agreed at 4%. The pay awards were managed within existing budgets.

The main budget variations are detailed below:

- Employee costs (£2.323m net underspend): operational overtime costs continue to be a budget pressure due to the level of operational vacancies, but the savings in firefighter salaries have absorbed these increased costs. The service is investing in firefighter recruitment by running trainee firefighter courses which will increase the number of firefighters;
- Premises (£0.226m net overspend): the overspend is due primarily to increased business rates and utility costs, although this is offset by service charge income from the blue light partners who share the running costs of some stations;
- Contingencies (£1.346m underspend): the contingency budget set aside for pay awards and inflation above the levels estimated has not been required during the year. During the year, the contingency budget is assumed to be fully utilised for prudence, as set out in the quarterly budget monitoring reports. It is a very positive position to not require this budget, and this has significantly contributed to the overall underspend;
- Capital financing (£1.031m over budget): revenue contributions to the Capital Programme were increased by £1.000m at quarter three to reduce the use of reserves;
- Income (£0.679m overachieved): the overachievement is largely due to additional grant income and salary sacrifice income which is offset by costs elsewhere;
- Interest received (£0.558m overachieved): at quarter three, it was estimated that the interest received would be in line with the budget, but higher than expected rates have resulted in total investment income increasing to £1.769m; and
- Reserves appropriations (£0.890m net reduction in use): the main reason for the reduction in use is the use of the *budget carry forward reserve* to fund the backdated holiday pay was not required as the additional cost was funded in year.

Members agreed to appropriate the underspend to the Development Reserve to finance the Capital Programme in future years and prolong the requirement to borrow to fund the programme.

Accounting for pensions

The Authority's accounts continue to be compliant with International Accounting Standard 19 (IAS19). This is a complex accounting standard based on a simple principle: namely that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. Inclusion of 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 relevant pension fund.

A triennial actuarial valuation of the Tyne and Wear Pension Fund's share of the Local Government Pension Scheme was carried out at 31 March 2022 and for the Firefighters' Pension Scheme (FPS) as at 31 March 2020 and published on 31 March 2023.

The Authority continues to comply fully with IAS19; Accounting Policy 1.7 and Note 29 to Core Financial Statements provide more details of the necessary disclosures required for this very complex area of the accounts.

The net overall impact of IAS19 accounting entries is resource neutral in the accounts and, in reality, as the Authority is making the necessary pension deficiency payments to address any assessed shortfall in the relevant 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 Authority's share of the Firefighters' Pension Scheme deficit, as

assessed by the actuary as at 31 March 2025, is being addressed by the Authority in line with government regulations. The Authority can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

Arrangements for funding and accounting for firefighters' pensions

From 1 April 2006, revised arrangements came into effect for funding firefighters' pensions, with fire and rescue authorities administering and paying firefighters' pensions through local pension funds (as set out in the Supplementary Statements). Together, employee and employer contributions meet the accruing pension liabilities of currently serving firefighters, meaning that fire and rescue authorities meet all of the costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them.

Ill-health retirement costs are paid through the pension fund funded by the Authority. 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 six firefighter ill health retirements since 2009/10.

Employee and employer contributions are paid into the pension fund each year, with the fund being topped up by an annual government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus is recouped by the government. The fund is ringfenced to ensure accounting clarity. As such, a Firefighters' Pension Fund Account Statement and Net Assets Statement are reported separately within the Authority's Statement of Accounts (see pages 86 to 88).

Balance Sheet position

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

	Balance at 31 March 2024 £000	Balance at 31 March 2025 £000
Non-current assets	101,220	97,791
Net current assets	32,594	28,869
Long-term liabilities and provisions	(730,755)	(666,518)
Net assets / (liabilities)	**(596,941)**	**(539,858)**
Represented by:		
Usable reserves	32,535	29,957
Unusable reserves	(629,476)	(569,815)
	(596,941)	**(539,858)**

Assets are items of worth measurable in terms of money (value). Non-current assets are fixed assets that yield benefit to the Authority and the services it provides for a period of more than one year. Current assets are those that may change in value on a day-to-day basis.

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

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

Reserves are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred. Not all reserves can be used to fund services and as such these are classed as either *usable* or *unusable* reserves. Usable reserves, such as the General Fund (which

includes earmarked reserves), are those where Members of the Authority decide on the levels maintained and how they are to be used (see Note 8 for further details of the Authority's usable reserves). Unusable reserves, such as the Revaluation Reserve and the Capital Adjustment Account, are technical accounting reserves and are not backed by cash, and as such must be classified as unusable (see Note 18 for further details of the Authority's unusable reserves).

Going concern
The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of £539.858m on its Balance Sheet, the deficit relates to the £640.740m pensions deficiency which must be reported under IAS19 pension disclosure requirements.

The fact that all pension costs would never be incurred in one year (as implied by IAS19), coupled with the fact that the Authority is addressing this potential deficiency in accordance with pension regulatory requirements by making additional annual pension deficiency payments. As such, the Authority's net worth is effectively being distorted by this reporting standard.

The Authority has assets worth £97.791m and cash-backed reserves of £29.957m, supporting the Authority's view that the Authority's Balance Sheet and finances are healthy.

Capital expenditure
In February 2024, the Authority approved a Capital Programme for 2024/25 of £10.890m which was subsequently revised to £10.229m during the year.

Actual capital expenditure at the end of the financial year was £6.704m, financed from a combination of revenue contributions of £1.500m, earmarked reserves of £4.031m, external contributions of £0.099m and Section 31 grants (specific grants from the government) of £1.074m. The main reasons for the variation in spending of £3.525m have arisen due to the following:

- Expenditure on a number of projects planned for 2024/25 of £3.497m slipped into 2025/26;
- Net underspend of £0.068m across a number of schemes completed during 2024/25;
- Initial electrical works of £0.007m required for the control room refresh; and
- Spend of £0.033m on the mobilising and asset management hardware replacement that was pushed back into 2025/26.

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 19 February 2024, which detailed the 2024/25 borrowing limits for the Authority. All borrowing is undertaken by Sunderland City Council on the Authority's behalf.

The specific borrowing limits set each year relate to two of the prudential indicators required under the Prudential Code:

- Authorised limit for external debt for 2024/25 of £33.550 million;
- Operational boundary for external debt for 2024/25 of £28.550 million.

Sunderland City Council administers all of the Authority's borrowing through its consolidated advances and borrowing pool. The above two statutorily required prudential indicators are monitored on a daily basis and neither limit has been exceeded during 2024/25. The highest level of external debt incurred by the Authority during 2024/25 was £28.605m on 1 April 2024. This includes borrowing debt of £9.932m, injury pension liability of £5.639m, and £13.033m 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 accounting requirements.

Private finance initiative (PFI)
The Authority entered into a contract on 28 March 2003 to provide facilities at six new community fire stations, a service headquarters and a new technical services centre. These PFI facilities are located

on more effective sites, designed and located to meet the Authority's strategic objectives. Improved community outcomes are being delivered through better engagement with communities through these facilities and the scheme has enabled a major redesign of service delivery. The contract expires on 2 May 2029 when all of the facilities will become the assets of the Authority.

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

The Authority's costs of both schemes are included within its financial statements and are regularly reviewed, challenged and monitored to achieve the lowest unitary charge cost possible to the Authority.

Estates and Facilities Asset Plan
The Authority is delivering the current estates and facilities asset plan in conjunction with Sunderland City Council and its external service providers. The key activities are:

- Continue to implement the findings and recommendations of an organisation-wide access audit using a prioritised phased approach to ensure all its buildings and facilities comply with the Equality Act 2010 and are accessible to all;
- Commissioned a comprehensive stock condition survey to inform and drive future capital investment;
- Completed a detailed organisation-wide asset review that is resulting in the disposal/remodelling of surplus assets and the generation of both capital receipts and revenue savings. The review has primarily focused on the identification of surplus assets, leases and license reviews and a re-evaluation of all third-party business arrangements within the premises portfolio; and
- Continue to explore collaborative and co-location opportunities with partner agencies. To date we have North East Ambulance Service (NEAS), Northumbria Police, Great North Air Ambulance Service, the Army, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, the King's Trust and Northumbria Blood Bikes, and a number of other third-party partners.

The Authority has limited earmarked reserves to assist in implementing the Estates and Facilities Asset Plan over the medium to long term.

His Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS)
The Authority underwent two full HMICRFS inspections in 2018/2019 and 2021/2022, and received a 'Good' grade across the three pillars of inspection: *Effectiveness*, *Efficiency* and *People*.

In addition, the Authority was one of ten fire and rescue authorities visited as part of a thematic inspection conducted in December 2023, focusing on the handling of misconduct cases in fire and rescue authorities in England. The summary findings of this thematic inspection were collated into the *Standards of behaviour: The handling of misconduct in fire and rescue services - His Majesty's Inspectorate of Constabulary and Fire & Rescue Services* national report published in August 2024.

In April 2024, the Authority underwent a third full inspection that lasted ten weeks. For these inspections conducted in 2023 to 2025, the Inspectorate has replaced the previous pillar level overall judgements with individual graded judgements for each of the eleven inspection areas.

The graded judgements the Service received for the 2023-2025 round of inspections were published in October 2024.

The Authority will continue to use improvements identified via HMICFRS inspections as an important tool to support the overall continuous improvement agenda.

Financial statements
The Statement of Accounts has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25* (the Code). The Code constitutes proper

accounting practice under the terms of the Accounts and Audit Regulations 2015 and the Local Government and Housing Act 1989.

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

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

4. **Balance Sheet**
   The Balance Sheet shows the value of the Authority's financial position and its net assets or liabilities at the start and end of the financial period. The net assets / (liabilities) of the Authority (assets less liabilities) are matched by reserves held by the Authority.

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

6. **Notes to the Core Financial Statements**
   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 Statement, Net Assets Statement and Notes
   These statements summarise the transactions and balances relating to the Firefighters' Pension Fund, which are required to be reported separately within the Statement of Accounts for the Authority.

Michelle Ronan
Director of Finance, Estates and Facilities

Dated: 13 February 2026

Independent auditor’s report to the members of Tyne and Wear Fire and Rescue Authority

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Annual Governance Statement

Approved 17 March 2025

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, properly accounted for and used economically, efficiently and effectively. Under the Local Government Act 1999, the Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard for economy, efficiency, and effectiveness.

In fulfil this overall responsibility, the Authority along with the Tyne and Wear Fire and Rescue Service (the Service) Executive Leadership Team are responsible for establishing proper arrangements, known as the governance framework for:

i. The governance of its affairs and
ii. Facilitating the effective exercise of its functions, including arrangements for managing risk.

In relation to the second point (ii), the Authority has implemented a system of internal control designed to manage risks to a reasonable level. While this system cannot eliminate all risk of failure to achieve its priorities, it can provide only reasonable and not absolute assurance of its effectiveness. The system of internal control is based on an ongoing process aims to:

- Identify and prioritise risks to the achievement of our policies, aims and objectives.
- Evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Purpose of the Governance Framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published the 'Delivering Good Governance in Local Government: Framework' (2016) which outlines the seven principles of good governance. The Authority assesses its governance arrangements against this framework to determine it compliance with these principles.

The governance framework has been in place at the Authority for the year ended 31 March 2025 and remains in effect up to the date of approval of the Statement of Accounts.

The Governance Framework

The Authority's Code of Corporate Governance aligns with the principles outlined in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). This Code is available on the Service's website.

The key elements of the Authority's governance arrangements are detailed in its Code of Corporate Governance. The Code outlines the policies and processes that direct and control the Authority's operations, ensuring compliance with the seven principles of the CIPFA/SOLACE Framework.

Applying the principles of good governance at Tyne and Wear Fire and Rescue Authority

The Authority publicly report on the extent of its compliance with its Code of Corporate Governance and describes how it monitors the effectiveness of these governance arrangements. This statement outlines the key elements of the Authority's governance framework, which combines legislative requirements, governance principles and management processes. In this document, the Authority:

- Acknowledges its responsibility to maintain a sound system of governance.
- Summarises the key elements of the governance framework and the roles of those responsible for its development and maintenance.
- Describes how it has monitored and evaluated the effectiveness of its governance arrangements over the past year.
- Provides details on how it has addressed any issues identified in last year's governance statement.
- Reports on key governance matters identified in the annual review and commits to addressing them.

Governance framework - review of effectiveness
The Authority must ensure it has sound systems of internal controls that:

- Assesses its compliance with its Code of Corporate Governance.
- Provide an opinion on the effectiveness of its governance arrangements.
- Detail how continuous improvement in the governance framework will be achieved

The review of the effectiveness of governance arrangements is informed by:

- Feedback from elected members (Councillors).
- Assurance from Statutory Officers.
- Input from senior managers in the Service, who are responsible for developing and maintaining the governance environment.
- Corporate risk management arrangements.
- Independent findings from Internal Audit regarding the internal control environment, along with the Head of Internal Auditor's annual report.
- Views from the External Auditor.
- Recommendations from His Majesty's Inspectorate of Constabulary and Fire and Rescue Services or other relevant external bodies or review agencies.
- Partnership governance arrangements.
- Counter-fraud and corruption arrangements.

The principles of good governance
The CIPFA/SOLACE principles of good governance, when effectively applied, enable the Authority to maintain strong internal controls that support the achievement of its strategic objectives. The following principles and supporting evidence demonstrate how the Authority has achieved compliance.

Principle A: Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.
The Authority's constitution provides a framework for decision-making and ensures compliance with all legal, financial and statutory requirements. This framework is further supported by standing orders, financial regulations and a scheme of delegation that outlines how different types of decisions are made, specifies who is responsible for making them, and details the procedures to be followed.

Under the supervision of the Monitoring Officer, the Authority adheres to legislative requirements and incorporates key principles of good administrative law – rationality, legality and natural justice – into its procedures and decision-making processes.

The Authority maintains transparency in its decision-making process and ensures that appropriate legal, financial and professional advice is considered. Value for money is assessed, and the results are evaluated before decisions are finalised.

The Authority operates two Codes of Conduct and Ethics: one for elected members, and another for employees. These codes uphold essential standards of conduct. New members and employees receive their respective Code during induction. The Monitoring Officer oversees the Code of Conduct and Ethics for elected members, while the Governance Committee monitors its implementation. The Services' People and Culture department manages the Code of Conduct and Ethics for employees. Any allegations of wrongdoing are investigated in accordance with disciplinary policies and procedures.

The Authority maintains a register of elected members' personal and business interests, as well as a register of gifts and hospitality. The Monitoring Officer keeps these records on behalf of the Authority, while the People and Culture department manages employees' records on behalf of the Chief Fire Officer/Chief Executive.

Mandatory training is required for employees on topics such as health and safety, anti-fraud and corruption, information governance and equality, diversity and inclusion. Compliance rates are tracked by the Learning and Development department and reported to management.

In response to national news coverage highlighting concerns about the fire and rescue service's culture during 2023/2024, the Authority commissioned a culture review to identify ways to foster an optimal work environment for its employees. This review was facilitated by two independent organisations, which engaged employees through surveys, workshops, and focus groups. The findings were compiled into a cultural audit report, which was shared with the Authority and employees. Discussions about the findings from the review were held with 22 departments, 64 watches, and middle managers, which equated to over 180 hours of cultural discussions focussed on identifying solutions and improvements. A Service-wide action plan was developed, and the actions are currently being implemented.

When working in partnership, elected members and employees understand their individual and collective roles and responsibilities concerning the partnership and the Authority/Service. There is clarity about the legal status of a partnership, and representatives clearly communicate to partners the extent of their authority to bind their organisation to partnership decisions ethically.

Procurement and financial regulations are established to safeguard processes that may be vulnerable to unethical behaviour. A comprehensive procurement process is adhered to in order to ensure that ethical standards are upheld. The Procurement team undergoes an ethics test as part of their Chartered Institute of Procurement and Supply (CIPS) PDP. This enables the Service to be registered as holding CIPS Corporate Ethics status, reflecting the Authority's commitment to ethical sourcing and supplier management.

A Counter-Fraud Framework is in place to manage the risk of fraud and corruption throughout the Authority. It outlines preventative measures and detection arrangements and provides a clear process for the investigation and prosecution, of instances of identified fraudulent or corrupt behaviour.

A Whistleblowing (confidential reporting) Policy and Procedure which allows for confidential reporting is in place. All reports are thoroughly investigated. Confidential and anonymous can be made via Safecall. Records of whistleblowing incidents and the outcomes of investigations are maintained, with statistics are reported to the Internal Governance Board quarterly. These measures contribute to a robust internal control framework.

Principle B: Ensuring openness and comprehensive stakeholder engagement.
The Strategic Framework for Communications, Engagement, and Consultation outlines guiding principles and details how the Service will engage with its communities. Stakeholder consultations involve both employees and external stakeholders, during which proposed plans are presented, and feedback is collected. The results of these consultations are published on the Service's website and reported to the Authority.

Employee engagement occurs through various methods, including listening events with the Executive Leadership Team and all staff engagement sessions. Additionally, employees are encouraged to provide feedback during team and department meetings, as well as through their line management structure.

The Community Risk Management Plan (CRMP) outlines how the Authority intends to deliver its services from 2024-2027. This plan undergoes extensive consultation before it is finalised and approved by the Authority. The CRMP includes the rationale behind planned activities, current performance, forecasts, a review of the effectiveness of past activities and highlights key areas for future focus.

The Authority is committed to transparency and acting in the public's interest. Meetings of the Authority and committee sessions are open to the public. All major decisions are documented, recorded and published in committee papers and minutes, which are available on Sunderland City Council's website. This process is managed by the Authority's democratic services team and secretariat. Confidential reports are used only when absolutely necessary and legally permitted. Significant decisions are also reported on the Service's website.

The Authority believes in open public reporting and limits confidentiality to only the most essential information. This includes publishing committee minutes, key decisions, a register of interests, gifts and hospitality, as well as expenses over £500, and the salaries of elected member and officers, in additional to the other requirements set out in the Transparency Code.

The Authority operates a Freedom of Information Publication Scheme aimed at making information accessible to the public as part of its routine business activities.

The Reserves Policy is published to ensure transparency for stakeholders concerning the purpose and level of the reserves held by the Authority. Regular performance information and strategic documents - including the Strategy 2025, the audited Statement of Accounts, this Statement, and the external auditor's reports are available on the Service's website.

The Authority proactively engages with representative bodies such as the Fire Brigades Union, GMB, and Unison. These relationships are managed through the Joint Consultative Forum, which addresses issues related to employee relations and policy development. This forum complements daily arrangements that support effective industrial relations management.

The Compliments and Complaints Policy and Procedure allows the Authority to respond promptly to public feedback. Submissions are monitored and reported quarterly to the Internal Governance Board and an annual report is presented to the Executive Leadership Team and Governance Committee.

The Authority maintains a partnership register to provide a framework for employees who are involved with or considering a new partnership, as well as to assist in reviewing existing arrangements. Formal partnership agreements with Sunderland City Council, offer specialist support services while other partnerships demonstrate clear and appropriate governance accountabilities.

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

The Authority clearly communicates its purpose and intended outcomes to both internal and external stakeholders. The TWFRS Strategy 2025 outlines how the Service plans to deliver high-quality services that meet the needs of its communities now and in the future. The strategy presents a clear vision, strategic goals, and priorities for a five-year period.

The Community Risk Profile offers a comprehensive and forward-looking assessment of risks impacting our communities, which will shape the services delivered in the coming years. The Authority understands both current and future risks and their potential impact on the individuals who visit, live and work in Tyne and Wear. The profile is used to effectively and efficiently plan

resources to address existing risks. The CRMP includes actions to ensure that risks identified in the Community Risk Profile are addressed and that resources are targeted appropriately. The CRMP explains the approach the Authority will take to support its vision, within the operational context of the Service and outlines the planned activities to deliver and achieve the intended outcomes.

The Medium Term Financial Strategy (MTFS) and the annual budget process ensure that financial resources align with the Authority's objectives and priorities. The MTFS serves as a framework for making financial decisions, planning and managing budgets, and utilising financial resources to support the delivery of strategic priorities. The MTFS and the Efficiency Plan are essential for delivering value for money. Additionally, the MTFS is supplemented by a Capital Strategy and Reserves Strategy.

Budget monitoring occurs at both strategic and departmental levels through the production of regular financial monitoring reports for capital and revenue budgets. These reports are scrutinised by budget managers and reported to the Executive Leadership Team, as well as reported quarterly to the Authority.

Equality impact assessments, data privacy impact assessments and risk assessments are conducted to ensure that changes in procedures do not adversely affect stakeholders and service delivery outcomes remain unaffected.

The Authority's governance arrangements also extend to cover the wholly owned trading subsidiary "TWFRS Ltd" which is a local authority-controlled company.

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

The Constitution establishes a decision-making framework that ensures all decisions are supported by relevant information, including financial, legal, and other professional advice. It requires that available options are considered and where appropriate, that both internal and external stakeholders are consulted. All decisions are formally recorded and published, subject to confidentiality requirements.

The Monitoring Officer ensures that the necessary arrangements are in place to facilitate effective communication between officers and elected members. The Authority's constitution outlines the roles and responsibilities of both groups, which helps facilitate informed and effective decision-making.

Progress on planned activities and projects is regularly monitored, with risks reviewed and reported to the Authority and its committee structure. Quarterly reports include performance against targets for key performance indicators (KPIs), as well as financial and project delivery performance. The Authority's performance management framework allows elected members to scrutinise performance data, ensuring that any identified issues are addressed and appropriate interventions agreed upon.

The MTFS includes actions to ensure the financial sustainability of the Authority. The budget planning process ensures budgets are prepared in accordance with the established objectives, strategies and the MTFS. This involves input from both the Service and elected members, detailing how resources will be deployed over the next few years to achieve agreed outcomes and priorities.

Budgets are prepared in accordance with the priorities set out in the CRMP and the MTFS, balancing priorities, affordability, and resources. This ensures all-inclusive budget process that takes into account all costs of operations over the medium and long term. The Service's Financial Management Board monitors performance against budgets, evaluating progress against planned activity and spend against set budgets.

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

The Authority has implemented effective strategic workforce planning processes to ensure it employs the right number of employees with the necessary skills to achieve the objectives outlined in its corporate plans and strategies. These processes are integrated within the Service, allowing for the proactive assessment of workforce data to identify future staffing needs. Regular reviews and planning updates are presented to the People and Culture Board, with actions taken when any issues are identified.

A robust recruitment and selection process is in place for potential employees, including detailed job descriptions for all roles. Induction processes for new employees, cover an introduction to the Service, its values, Codes of Conduct and Ethics, as well as specific role requirements.

A modular training programme is established for elected members. New members undergo induction aimed at enhancing their knowledge, skills and abilities in their individual or collective roles to fulfil the Authority's strategic objectives. This programme is supplemented by specific topic briefings, some for all members, while others are tailored to specific committee members.

A fitness assessment programme for operational employees is established, with fitness equipment provided at all sites. Training plans ensure that employees receive the appropriate training and development necessary to perform their roles competently and safely.

All employees participate in the Performance and Development Review (PDR) process, during which they have career conversations with their manager to set expectations about personal objectives and their alignment with corporate goals. PDRs help employees understand their performance and identify opportunities for training and career progression.

The Service's Learning and Development department promotes and supports learning and development opportunities for all employees to maximise their contribution to delivering high-quality services and facilitate succession planning. The department assists employees in acquiring and maintaining the necessary technical and professional skills, as well as knowledge specific to their roles. It identifies, addresses and evaluates learning and development needs, ensuring the quality of training and assessment through evaluation. Additionally, it designs and implements management and leadership development programmes.

The health and wellbeing of the workforce is supported through various measures aimed at promoting both physical and mental wellness. These include HR policies and guidance documents, flexible working arrangements, and access to the Fitness Advisor, along with services provided or procured by the Occupational Health Unit. These services include counselling, physiotherapy, trauma support and initiatives focussed on health and wellbeing.

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

The Monitoring Officer is responsible for ensuring compliance with established policies, procedures, laws and regulations.

Effective financial management is essential for delivering services, facilitating transformational change and ensuring sound financial stewardship. The Authority has comprehensive budgeting systems and a robust system of budgetary control. This includes quarterly and annual financial reports that measure financial performance against forecasts. Additionally, the Authority's Statement of Accounts is subject to scrutiny, and the external auditor provides an annual opinion on whether the Authority is delivering value for money.

The MTFS links the budget-planning framework for revenue and capital budgets with the goals and priorities of the Authority and Service over a rolling four year period. The MTFS is presented to the Authority as part of the revenue budget report and published reports are accessible to the public on Sunderland City Council's website every February.

The budget planning framework and draft budget undergo thorough scrutiny and approval by the Authority as part of a well-established budget cycle each year. This process concludes with the final approval of a legally required balanced revenue budget in February, ensuring that a realistic and affordable budget is approved based on advice from the Director of Finance, Estates and Facilities. The Director assures elected members that the budget is prudent, affordable and sustainable.

Quarterly reports are submitted to the Authority, allowing elected members to scrutinise the revenue budget and capital programme along with any actions necessary. The Head of Internal Audit provides an annual assurance statement, alongside the external auditor's Annual Audit Letter. Both documents are published with the Statement of Accounts on the Service's website.

The Authority is committed to maintaining effective financial management and achieving value for money. The financial planning process, along with providing best value services, is understood and embedded across the Authority by both elected members and employees. A financial services team, managed by the Head of Financial Services, reports directly to the Director of Finance, Estates and Facilities. This team possesses the necessary expertise to ensures that the Authority and the Executive Leadership Team receive appropriate financial information to support the key decisions and objectives.

Treasury Management arrangements adhere to professional standards and are reviewed annually by elected members. The Treasury Management Policy and Strategy, along with Prudential Indicators, are monitored and reported to the Governance Committee quarterly. This ensures that the Authority's proposed capital programme is sustainable, affordable and achievable within available resources, while also informing the MTFS.

The Service's Performance and Improvement Board oversees progress and performance against Annual Department Plans, the Annual Operating Plan, the TWFRS Strategy, the CRMP and KPIs, The Board is responsible for monitoring and reviewing progress against performance targets and taking action when targets are not being met.

Members and officers recognise that risk management is part of their daily responsibilities. The Risk Management Policy and Procedure outlines the process for identifying and managing uncertainties that may impact the achievement of the Authority's objectives or activities. A corporate risk register is maintained by the Risk and Resilience department and is monitored and reported on throughout the year. An owner is assigned to each risk in the register, and they are responsible for regularly reviewing and managing their allocated risk. In the strategic risk register, identified risks are scored based on both the probability of occurrence and the level of impact. The combined outcome (risk score) is categorised using a Red, Amber and Green (RAG) system.

Business continuity arrangements have been established to ensure that critical services can continue to be delivered at all times. The Authority aligns its practices with ISO22301 for Business Continuity. These arrangements are designed to maintain critical services during disruptions and are regularly reviewed, developed and tested. When appropriate, business continuity plans are coordinated with partners through the Local Resilience Forum to support a collaborative multi-agency response.

The Senior Information Risk Owner (SIRO) holds overall responsibility for managing information risk. Established policies and arrangements are in place for handling data, supported by mandatory information governance training for employees. Information sharing protocols have been developed and agreed upon with partners and these are documented and monitored through the Partnership Register. Personal data is managed in accordance with the Act Data Protection Act 2018 and the UK General Data Protection Regulation (GDPR).

Health and Safety risks are robustly managed in accordance with the health and safety policies and procedures alongside the implementation of standard operating procedures, which are regularly reviewed and updated as needed.

Principle G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
The Authority, with assistance from the Monitoring Officer, oversees and reviews the adequacy and effectiveness of governance arrangements and the internal control environment.

The Strategic Framework for Communications, Engagement and Consultation sets out the approach for engaging with the public and other stakeholders. It acknowledges the need for tailored strategies to address various audiences and highlights the increased use of social media as a communication tool. The Service's website provides information on performance, strategies, plans, financial statements and the annual report.

Reports and minutes from Authority and committees' meetings are publicly available on the Sunderland City Council website (the Authority's secretariat). These reports follow a structured format to ensure that the information is presented clearly and consistently to facilitate decision-making.

The Procurement team strives to achieve value for money while providing support, guidance and advice. They critically assess the procurement process to ensure compliance with legal requirements. When necessary, tenders are used to test the market to secure the best value contracts. The Procurement Services Manager and the team offer clear guidance on procuring goods and services in line with the Authority's standing orders, procurement best practice and regulations.

The risk management and internal control environment is assessed through a programme of independent assurance audits conducted by the internal audit team. Arrangements are in place to ensure that recommendations for improvement are addressed and implemented.

This Statement affirms that an adequate governance framework is in place for effective performance. The Authority's Statement of Accounts, along with its performance in key areas, risks and priorities are subject to scrutiny by external audit.

Processes are in place to record, monitor and implement improvement recommendations whether they are self-identified or come from HMICFRS, internal or external audit or other regulatory bodies. Elected members and officers receive regular reports on improvement and performance against KPIs and milestones.

As a public service organisation, the Authority is committed to using public funds prudently and maintaining the highest standards of conduct throughout the organisation. The Authority's Counter-Fraud Framework and Whistleblowing (Confidential Reporting) Policy support this commitment.

Other Assurance

Internal Audit
The Governance Committee approved the 2024/2025 internal audit plan during their meeting on 26 February 2024. The audits conducted in the year, provided substantial assurance levels (low risk):

- Replacement of the Operational Communication System **(substantial assurance).**
- Community Risk Management Plan **(substantial assurance).**
- Risk Management **(substantial assurance).**
- Information Access Requests **(audit planned for Q4).**
- Financial Transaction Testing **(substantial assurance).**
- Human Resource Action Plan **(audit planned Q4).**

In addition, audit work was also undertaken on Sunderland City Council's key financial systems, which are used by the Authority. Systems audited included:

- Accounts Payable **(substantial assurance).**
- Accounts Receivable / Periodic Income (**substantial assurance).**
- Payroll **(substantial assurance).**

The Governance Committee received an update on the audit plan during their meeting on 21 February 2025.

External Audit
Forvis Mazars completed their audit of the 2022/2023 Statement of Accounts during 2023/2024, with the associated Audit Completion Report being received by the Governance Committee on 31 May 2024. The audit provided, as expected, full assurance of the control environment and gave an unqualified audit opinion on the audited accounts and the detailed arrangements the Authority had in place to achieve value for money.

The auditors have now signed off the 2023/24 Statement of Accounts, with the Auditor's Annual Report being issued on 27 February. The Statement of Accounts was published online on 28 February in compliance with the statutory deadline.

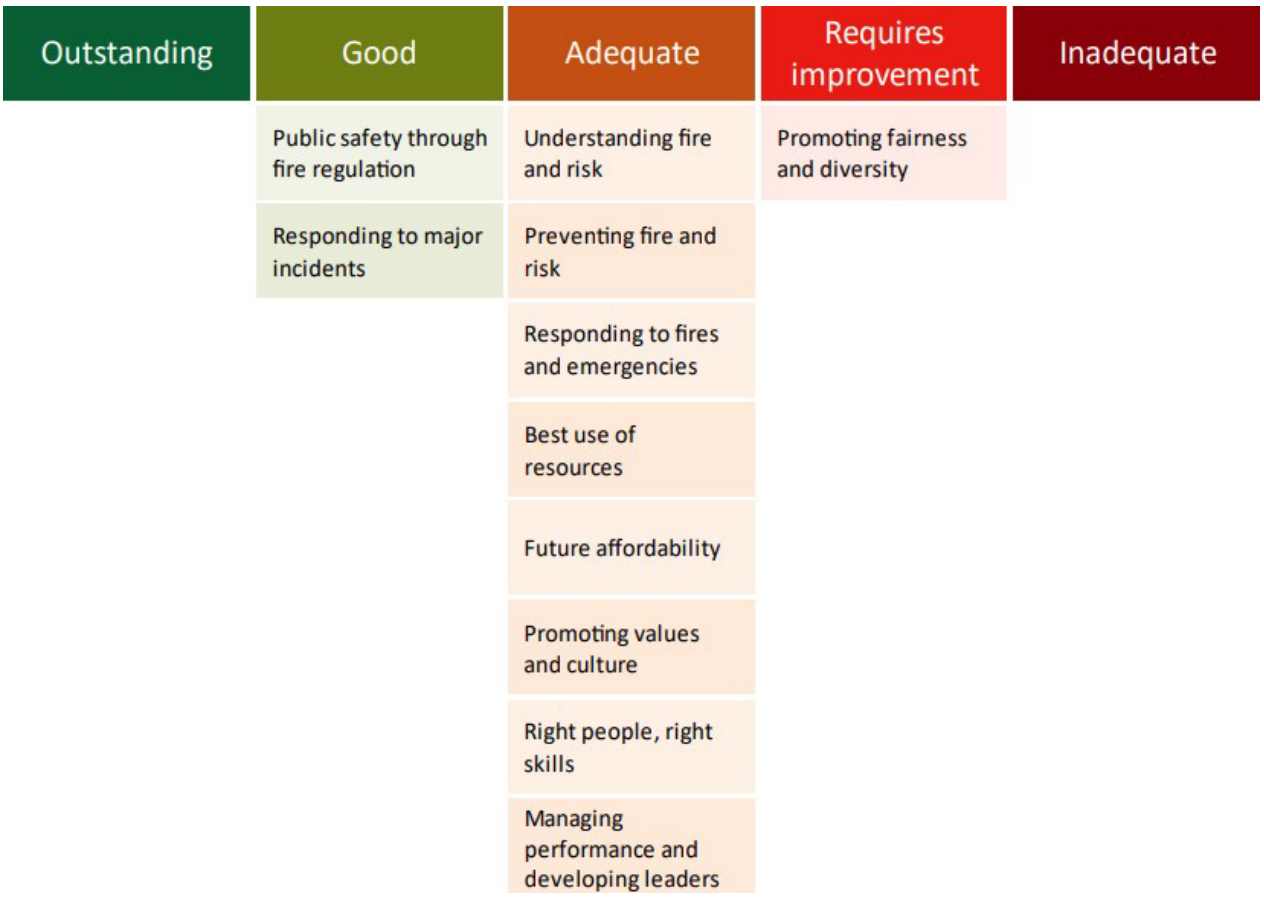
Risk Management
The Executive Leadership Team continues to monitor business continuity practices and risk management as a standing agenda item during their monthly meetings. This approach has fostered a culture that embraces risk for growth while effectively managing it.

The Internal Governance Board conducts a comprehensive review of the corporate risk register each quarter. This process provides a proactive understanding of individual risk events and overall risk management, optimising success by minimising threats and maximising opportunities. The outcomes of these reviews inform the bi- annual risk update reports submitted to the Governance Committee. These reports enable committee members to provide independent assurance regarding the adequacy of the risk management framework and the associated control environment. The Committee received its most recent report in February 2025.

In November 2024, an internal audit conducted by Sunderland City Council's Principal Auditor provided substantial assurance regarding the Service's arrangements for monitoring and reporting on the risks and mitigating actions outlined within the corporate risk register.

His Majesty's Inspectorate of Constabulary and Fire & Rescue Services Inspection
Additional assurance is provided through His Majesty's Inspectorate of Constabularies and Fire & Rescue Services (HMICFRS). The most recent inspection of the Service took place in April 2024, with the report issued on 8 October 2024. A copy of the report titled Effectiveness, Efficiency and People 2023–25: An inspection of Tyne and Wear Fire and Rescue Service is available on the HMICFRS website.

The Service received eight 'adequate' gradings, two 'good' gradings and one 'requires improvement' across the eleven inspection diagnostics. These evaluations have been reviewed and the Service has developed an action plan to address the findings. The following summary has been extracted from the report:



How the Authority addressed the 2024/2025 improvement actions
The Annual Governance Statement 2023/2024 included five improvement actions to be progressed during 2024/2025, and the Internal Governance Board monitored the progress of these actions.

One action has been completed, while four have been carried over for completion in 2025/2026. An update on these actions is provided below:

No	Actions to be taken	Lead officer	Timescale
1	**HR policies**	**Director of People Services**	**September 2025**
Update: This action is ongoing. The Internal Governance Board and the Senior Leadership Team regularly review the development of policies to monitor their progress. Several policies have been reviewed, refreshed and submitted for consultation, while the remaining reviews have been assigned to the HR team. These policy reviews are in line with the established timelines.			
2	**Stakeholder analysis and prioritisation**	**Director of Corporate Services**	**March 2026**
Update: This action has been carried forward to 2025/2026. In 2024, the Service conducted stakeholder analysis and prioritisation as part of developing the new Strategic Communications and Engagement Practice Statement. This action will continue to promote further progress in enhancing our engagement activities with key stakeholders and standardising our approach across departments. The Service will collaborate more closely with partners to inform our targeting of activities and contribute to the development of our strategies and corporate plans.			

3	**Standardisation of the Data Protection Officer role**	**Director of People Services**	**March 2024**
Update: This action has been completed. The Service conducted a review to enhance its information governance practices. As a result, a set of policies has been published, and automated processes have been established to improve efficiency. Additionally, support for this area has been reevaluated. The review of the support roles resulted in the transfer of the Information Governance Advisor and Data Protection Officer positions to the Data and Information department. This move aims to improve the management of all information governance practices and ensure greater resilience for both roles. An internal audit confirmed a substantial level of assurance regarding GDPR compliance.			
4	**Review the leaver checklist process to ensure it is working effectively**	**Director of People Services**	**June 2025**
Update: This action has been carried forward to 2025/2026. The leaver process has been enhanced through the introduction of a new 'Leaver Checklist'. However, not all equipment and uniform items are being returned to the Service. To address this issue, the People and Culture department has formed a working group that includes representatives from Estates and Facilities, Stores and ICT. This group will review the leaver process to ensure that internal controls are effectively implemented, thereby reducing risks to the Service.			
5	**Digitalisation of the Occupational Health Unit**	**Director of People Services**	**March 2026**
Update: This action has been carried forward to 2025/2026. Progress has been made during 2024/2025. As of January 2024, all new employees have electronic files. Approximately 480 current employees also have electronic files, which include two years of scanned surveillance history records for reference. Additionally, a budget has been secured to hire an external company to complete the scanning of the legacy paper files into the electronic system.			

Governance matters identified in 2024/2025 for improvement during 2025/2026

The system of governance, including internal controls can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected within a timely manner. This system ensures that value for money is being achieved and that significant risks affecting the Service's objectives are mitigated.

The annual governance review 2024/2025 identified three new improvement actions. These actions are outlined below and will be monitored by the Internal Governance Board throughout 2025/2026.

No	Actions to be taken	Lead officer	Timescale
1	**Review and update the Authority's standing orders and scheme of delegation**	**Director of Corporate Services**	**June 2025**
	To ensure that they are: • Fit for purpose • Reflective of current regulation, law and good practice guides. • Provide an easily accessible document that sets out the governance and effective operation of the Authority and all matters delegated from them to the Chief Fire Officer or others. • To ensure that the terms of reference of each Committee reflects the actual business of these. • To ensure there is no outdated terminology or terms of a gender-specific nature across the document. • To align fully with the core code of conduct and ethics of the Service and all any that apply to Authority members. • Clearly set out the statutory roles required within the standing orders and their remits and responsibilities.		
2	**Arrange additional information governance and data protection training for the relevant Service employees.**	**Director of Corporate Services**	**April 2025**
	Arrange for further information governance training to the Data and Information team and deliver Data Protection Officer (DPO) training to the DPO, Deputy DPO, Head of function and Information Governance Advisor.		
3	**Implement the plan of the Senior Leadership Team to review and update all outdated Service policies and procedures.**	**Assistant Chief Fire Officer**	**September 2025**
	The Senior Leadership Team oversees all Service policies and procedures and has developed a plan to review and update outdated policies.		

The Internal Governance Board will ensure the delivery of the actions needed to improve the Authority's governance framework and will report on the progress against these actions.

Opinion on the Governance Framework
Based on the review of the Authority's governance arrangements during 2024/2025, including the internal control and risk management environments, we conclude that the Authority's governance arrangements continue to be fit for purpose.

While no review can provide absolute assurance, this statement is intended to offer reasonable assurance that there is an ongoing process for examining the Authority's governance framework and its practical implementation.

Based on the evidence examined, the Authority's governance framework has remained in place for the year ended 31 March 2025 and continues to be effective up to the approval date of the 2024/2025 Statement of Accounts.

Agreement on the Annual Governance Statement
We consider that the governance arrangements and internal control environment, as outlined in this statement and the Authority's Code of Corporate Governance, have been effectively functioning during 2024/2025, with the exception of the improvement actions identified in sections 10.2 and 11.2.

The Internal Governance Board will conduct quarterly checks to ensure that improvements are implemented. We are satisfied that these steps will address the identified areas for improvement, and we will monitor their implementation and effectiveness throughout the year, as well as in our next annual governance review.

Councillor Phil Tye	**Peter Heath**	**Michelle Ronan**
Chair of the Fire Authority	Chief Fire Officer/ Chief Executive	Director of Finance, Estates and Facilities (S151 Officer)
Date: 17 March 2025	Date: 17 March 2025	Date: 17 March 2025

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 ‘unusable reserves’. The statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

The net increase/decrease line shows the statutory General Fund balance movements in the year following those adjustments.

Movement in reserves during 2024/25	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Grant Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2024	**(4,072)**	**(26,853)**	**(167)**	**(1,443)**	**(32,535)**	**629,476**	**596,941**
(Surplus) / deficit on provision of services	1,693	0	0	0	1,693	0	1,693
Other comprehensive income and expenditure	0	0	0	0	0	(58,776)	(58,776)
Total comprehensive income and expenditure	**1,693**	**0**	**0**	**0**	**1,693**	**(58,776)**	**(57,083)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	885	0	0	0	885	(885)	0
Net (increase) / decrease before transfers to earmarked reserves	**2,578**	**0**	**0**	**0**	**2,578**	**(59,661)**	**(57,083)**
Transfers (to) / from earmarked reserves	(2,578)	2,437	167	(26)	0	0	0
(Increase) / decrease in 2024/25	**0**	**2,437**	**167**	**(26)**	**2,578**	**(59,661)**	**(57,083)**
Balance at 31 March 2025	**(4,072)**	**(24,416)**	**0**	**(1,469)**	**(29,957)**	**569,815**	**539,858**

Movement in reserves during 2023/24

Balance at 31 March 2023	**(4,072)**	**(33,419)**	**(167)**	**(1,403)**	**(39,061)**	**642,579**	**603,518**
(Surplus) / deficit on provision of services	4,626	0	0	0	4,626	0	4,626
Other comprehensive income and expenditure	0	0	0	0	0	(11,202)	(11,202)
Total comprehensive income and expenditure	**4,626**	**0**	**0**	**0**	**4,626**	**(11,202)**	**(6,576)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	1,900	0	0	0	1,900	(1,900)	0
Net (increase) / decrease before transfers to earmarked reserves	**6,526**	**0**	**0**	**0**	**6,526**	**(13,102)**	**(6,576)**
Transfers (to) / from earmarked reserves	(6,526)	6,566	0	(40)	0	0	0
(Increase) / decrease in 2023/24	**0**	**6,566**	**0**	**(40)**	**6,526**	**(13,102)**	**(6,576)**
Balance at 31 March 2024	**(4,072)**	**(26,853)**	**(167)**	**(1,443)**	**(32,535)**	**629,476**	**596,941**

Comprehensive Income and Expenditure Statement

The statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 7) and the Movement in Reserves Statement.

2023/24					2024/25		
Gross expenditure £000	Gross income £000	Net expenditure £000		Notes	Gross expenditure £000	Gross income £000	Net expenditure £000
2,257	(1,474)	783	Community safety		2,797	(1,371)	1,426
19,094	(7,061)	12,033	Firefighting and rescue operations		21,300	(6,563)	14,737
16,267	(327)	15,940	Management and support services		16,784	(264)	16,520
291	0	291	Corporate support services		460	0	460
37,909	**(8,862)**	**29,047**	**Cost of services**		**41,341**	**(8,198)**	**33,143**
2,135	0	2,135	Other operating expenditure	9	29	0	29
33,590	(1,970)	31,620	Financing and investment income and expenditure	10	34,147	(1,769)	32,378
0	(58,176)	(58,176)	Taxation and non-specific grant income	11,25	0	(63,857)	(63,857)
73,634	**(69,008)**	**4,626**	**(Surplus) or deficit on provision of services**		**75,517**	**(73,824)**	**1,693**
		(2,812)	(Surplus) or deficit on revaluation of property, plant and equipment assets	12			2,164
		(8,390)	Remeasurement of the net defined benefit liability/(asset)	29			(60,940)
		(11,202)	**Other comprehensive income and expenditure**				**(58,776)**
		(6,576)	**Total comprehensive income and expenditure**				**(57,083)**

Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority. Reserves are allocated into two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudential level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold 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'.

31/03/24 £000		Notes	31/03/25 £000
94,909	Property, plant and equipment	12	97,570
20	Long-term investments		20
201	Long-term debtors		201
6,090	Pensions asset	29	0
101,220	**Long-term assets**		**97,791**
1,065	Inventories		852
15,023	Short-term debtors	14	12,379
29,311	Cash and cash equivalents	15	29,897
45,399	**Current assets**		**43,128**
(397)	Short-term borrowing	13	(382)
(9,515)	Short-term creditors	16	(10,519)
(2,235)	Other short-term liabilities	13	(2,787)
(658)	Short-term provisions	17	(571)
(12,805)	**Current liabilities**		**(14,259)**
(256)	Long-term provisions	17	(433)
(9,535)	Long-term borrowing	13	(9,153)
(37)	Donated assets account		(27)
(720,927)	Other long-term liabilities	13,29	(656,905)
(730,755)	**Long-term liabilities**		**(666,518)**
(596,941)	**Net assets / (liabilities)**		**(539,858)**
32,535	Usable reserves	8	29,957
(629,476)	Unusable reserves	18	(569,815)
(596,941)	**Total reserves**		**(539,858)**

Signed: **Date:** 13 February 2026

Michelle Ronan, Director of Finance, Estates and Facilities

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. loans) to the Authority.

2023/24 £000		Notes	**2024/25 £000**
4,626	Net (surplus)/deficit on the provision of services		1,693
(6,639)	Adjustments to net surplus or deficit on the provision of services for non-cash movement		(11,542)
(2,013)	Net cash flows from operating activities		**(9,849)**
9,669	Investing activities	20	6,574
2,339	Financing activities	21	2,689
9,995	**Net (increase) or decrease in cash and cash equivalents**		**(586)**
(39,306)	Cash and cash equivalents at the beginning of the reporting period	15	(29,311)
(29,311)	**Cash and cash equivalents at the end of the reporting period**		**(29,897)**

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 2024/25 financial year and its position at the 31 March 2024 and 31 March 2025. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25,* which are primarily based on international accounting principles but deviate in some cases due to overriding legislation or regulations.

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 Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- 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; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Authority has set a de-minimis level of £5,000 for the recording of accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure 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.

1.3 Cash and cash equivalents

The Authority's cash and cash equivalents is held within the Sunderland City Council's bank accounts and investments. Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or

less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.4 Prior period adjustments, changes in accounting policies / estimates / errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or 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.

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, or MRP), 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 Council tax and business rates

The five Tyne and Wear councils, as billing authorities, act as agents for the Authority (a major preceptor), collecting council tax and business rates. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for business) share proportionately the risks and rewards that the amount of council tax and business collected could be less or more than predicted.

<u>Accounting for council tax and business rates</u>

Council tax and business rates income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and business rates that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited

to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the *taxation and non-specific grant income and expenditure* line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Employee benefits (including pensions)

Benefits payable during employment
Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the *Corporate Support Services* line in the CIES 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
Employees of the Authority are entitled to be members of one of the following pension schemes (dependent on their role):

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, The Firefighters' Compensation Scheme (England) Order 2006, The Firefighters' Pension Scheme Regulations 2015 and subsequent amendments.

The last actuarial valuation of the Authority's share of the scheme was at 31 March 2020, published on 31 March 2023. Employer and employee contributions are paid into the firefighters' pension fund locally, 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 ringfenced to ensure accounting clarity. As such, a Pension Fund Account Statement and Net Assets Statement are reported as supplementary financial statements within this document.

Local Government Pension Scheme (LGPS)

All non-operational staff of the Authority have the right to join the national LGPS, which South Tyneside Council administers locally on behalf of the Tyne and Wear 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.

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 2022.

The liabilities of the Tyne and Wear Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees. Liabilities are discounted to their value at current prices.

The assets of LGPS 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; and
- 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 CIES 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 CIES as part of corporate support services;
    - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the authority: the change during the year in the net defined benefit liability (asset) that arises from the passage of time – debited to the financing and investment income and expenditure income line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking in to account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements, 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* in the CIES*;*
    - 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; and
    - Contributions paid to the LGPS: cash paid as employer's contributions to the scheme 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 LGPS 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 Fund and any amount payable to the LGPS but unpaid 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 LGPS.

1.8 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; and
- 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.

1.9 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 (CIES) 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 CIES is the amount payable for the year according to the loan agreement.

Financial assets

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

- Amortised cost; and
- Fair value through profit or loss (FVPL).

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

Financial assets measured at amortised cost

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

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the *financing and investment income and expenditure* line in the CIES.

Expected credit loss model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, where material, either on a twelve-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade debtors held by the Authority.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit

risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of twelve -month expected losses. Expected credit losses are reviewed annually.

Financial assets measured at fair value through profit or loss (FVPL)
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the *surplus or deficit on the provision of services* in the CIES.

Fair value measurements of financial assets
Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques:

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

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

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the *financing and investment income and expenditure* line in the CIES.

1.10 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 (CIES) 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 CIES.

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

1.11 Overheads and support services

External support services are provided to the Authority by Sunderland City Council and charged on the basis set out in the Service Level Agreement.

Both internal and external support service costs are accounted for under *Management and Support Services* in the Comprehensive Income and Expenditure Statement (CIES), with the exception of *Corporate and Democratic Core* and *Non-Distributed Costs*. These costs are accounted for as a separate heading under *corporate support services* in the CIES.

1.12 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.

The Authority operates a de-minimis level under which expenditure on non-current assets is charged to the Comprehensive Income and Expenditure Statement (CIES) as it is incurred. The de-minimis level has been established at a value of £10,000. All vehicles are recorded as fixed assets irrespective of cost.

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 CIES, 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 CIES, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

Assets are valued in accordance with the principles of the Royal Institution of Chartered Surveyors (RICS) Appraisals and Valuation Standards. The valuations are supervised by M. Whitaker, Senior Manager – Property Services, a Sunderland City Council qualified (MRICS) chartered surveyor. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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 CIES.

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 as follows:

- 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 CIES.

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

Depreciation

Depreciation is provided for on all property, plant and equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets under construction.

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

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

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

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A de-minimis level for considering componentisation has been set at £1m. Identified components are *building structure* and *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 and 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 CIES. 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

1.13 Private Finance Initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year: debited to the relevant service in the Comprehensive Income and Expenditure Statement (CIES);
- Finance cost: an interest charge on the outstanding Balance Sheet liability, debited to the financing and investment income and expenditure line in the CIES;
- Contingent rent: increases in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the CIES;
- Payment towards liability: applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and

- Lifecycle replacement costs: proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

1.14 Provisions, contingent liabilities and contingent assets

Provisions
Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the authority a present obligation;
- that probably requires settlement by a transfer of economic benefits or service potential; and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to service expenditure in the Comprehensive Income and Expenditure Statement (CIES) when the Authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the CIES.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

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 with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Statement of Accounts (Note 30).

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 (Note 31) where it is probable that there will be an inflow of economic benefits or service potential.

1.15 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. When expenditure is to be financed from a reserve, it is charged to service expenditure in that year to score against the *Surplus / deficit on the provision of services* in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund balance in Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

In addition, certain accounts and reserves are maintained to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

1.16 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 council tax precept.

1.17 VAT

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable from HMRC.

1.18 Leases

The Authority classifies contracts as leases based on their substance. Contracts and parts of contracts are analysed to determine whether they convey the right to control the use of an individual asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. This includes arrangements with nil consideration, peppercorn or nominal payments.

The Authority as Lessee

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability from the later of the date from which the leased asset is available for use or the IFRS 16 transition date of 1 April 2024. The leases are typically for fixed periods in excess of one year but may have extension options. The Authority uses the best available information at the time of preparing the accounts to determine if any of these options will be taken.

The Authority recognises lease liabilities measured at the present value of lease payments. Lease payments included in the measurement of the lease liability include any fixed or variable payments, as well as lease payments in an optional renewal period. The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to

dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement
The right-of-use asset is subsequently measured using the fair value model. The Authority considers the cost model to be a reasonable proxy except for:

• assets held under non-commercial leases;
• leases where rent reviews do not necessarily reflect market conditions;
• leases with terms of more than five years that do not have any provision for rent reviews; and
• leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. The right-of-use asset is depreciated on a straight-line basis over the shorter of the remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

• there is a change in future lease payments arising from a change in index or rate;
• there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee;
• the Authority changes its assessment of whether it will exercise a purchase, extension or termination option; or
• there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Low value and short-term lease exemptions
As permitted by the Code, the Authority excludes leases:

• for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, or
• with a term shorter than 12 months.

Lease rental payments for these exemptions are posted against the relevant heading within the net cost of services in the CIES.

The Authority as Lessor

Leases are classified as finance leases where the terms of the lease substantially transfers all of 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 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 revenue in the CIES.

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

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

*The Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (*the Code) has made amendments to a number of standards from 1 April 2025:

- IAS 21 *The effects of changes in foreign exchange rate (lack of exchangeability)* issued in August 2023;
- IFRS 17 *Insurance contracts* issued in May 2017; and
- IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets*.

~~It is~~ likely that these will not impact on the Authority.

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 29.
- Provisions: these are measured at the Finance Officer's best estimate of the expenditure required to settle the obligation at the Balance Sheet date and are discounted to present value where the effect is material.
- McCloud/Sargeant Judgement:
    - The McCloud remedy window ran from 1 April 2015 to 31 March 2022. Eligible members will be able to elect which scheme they wish to receive benefits from for this period. Due to the differing benefits structures GAD expect the majority of eligible fire members to elect to take legacy scheme (1992 Scheme or 2006 Scheme) benefits for the remedy period.
    - An allowance for McCloud remedy was first included in the 2018/19 disclosures as a past service cost for four years remedy service from 2015-2019. This past service cost was attributed proportionally to the 1992 and 2006 schemes. For subsequent years to 2021/22 an allowance was made in the 2015 service costs for the annual accrual of additional remedy service.

- Now that the remedy window is closed GAD has moved all McCloud-related liabilities for eligible members for the period 2019 to 2022 to the associated legacy schemes. This means all McCloud liability are held within the legacy scheme that they expect benefits to be paid from.
- In the 2022/23 disclosures, this led to a past service cost in the 1992 Scheme and the 2006 Scheme and a past service gain in the 2015 Scheme.
- Now that all the McCloud-related liabilities have moved into the legacy schemes, contribution adjustments are being carried out to ensure affected members have paid the correct 'legacy rate' contributions for this portion of service.
- At the time when the 2023/24 accounting disclosures were being prepared, only a small amount of time had passed from the McCloud implementation date on 1 October 2023 which meant that the contributions adjustment made during that period were immaterial.
- However, since then, GAD has refined the accounting treatment of the contributions adjustments in the 2024/25 disclosures so they are shown as net cashflows.

- Guaranteed minimum pension (GMP) equalisation and indexation:
  - The Government has published a consultation on indexation and equalisation of Guaranteed Minimum Pensions (GMP), with the proposal being to extend the "interim solution" to those members who reach state pension age after 5 April 2021 (7 October 2020). A past service cost was included in the 2019/20 disclosures for extending the equalisation to all future retirees.
  - There was also a further court ruling on 20 November 2020 regarding GMP equalisation. The court ruled that scheme trustees are required to revisit past cash equivalent transfer values (CETVs) to ensure GMP equalisation. This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement. For public service pension schemes, GAD expect that this ruling will be taken forward on a cross-scheme basis and will need legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before the CETV were equalised. The scope of any costs are yet to be determined and GAD do not have data on historic CETVs on to estimate the potential impact but expect it will be a relatively small uplift for a relatively small subset of members (i.e. those who took a CETV and are in scope for a top up).
  - No additional costs were recognised for GMP equalisation and indexation in 2021/22 to 2023/24, nor are they for 2024/25. In the absence of any further developments, GAD also propose no additional costs are recognised for 2025/26.

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 2025, for which there is a significant estimation uncertainty in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant and equipment – valuations	Assets are valued in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards and involve the use of a number of estimation techniques including various property indices. See accounting policy 1.12 and note 12 for more details.	The gross book value (GBV) of the Authority's land and buildings portfolio is £88.170m as at 31 March 2025. A 1% change in asset valuations would equate to a £0.882m change in GBV.
Property, plant and equipment - depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. See accounting policy 1.12 and note 12 for more details.	If the useful life of assets is reduced, annual depreciation increases and the carrying amount of the assets falls. It is estimated that the depreciation charge for buildings would increase by £0.105m for every one year that useful lives had to be reduced.
Pension liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged annually to provide the Authority with expert advice about the assumptions to be applied. Further information regarding Pension Liabilities can be found in note 29.	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 £0.980m and a 0.50% increase in the discount rate assumption would result in a decrease in the Firefighters' pension liability of £40m. However, in practice the assumptions interact in complex ways and changes may be interrelated.

Note 5 – Events After the Balance Sheet date

Adjusting post Balance Sheet events:
No events have taken place since the accounts were closed on 31 March 2025 which are judged to be adjusting post Balance Sheet events.

Non-adjusting post Balance Sheet events:
No events have taken place since the accounts were closed on 31 March 2025 which are judged to be non-adjusting post Balance Sheet events.

Note 6 – Adjustments between accounting basis and funding basis under regulations

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

2023/24 General Fund (GF) balance £000	2023/24 Movement in unusable reserves £000		2024/25 General Fund (GF) balance £000	2024/25 Movement in unusable reserves £000
Adjustments primarily involving the capital adjustment account: Reversal of items debited or credited to the CIES:				
9,622	(9,622)	Capital expenditure charged to the GF balance	6,308	(6,308)
47	(47)	Capital grants and contributions credited to CIES	266	(266)
(4,048)	4,048	Depreciation, impairment and revaluation losses (charged to surplus or deficit on the provision of services) of non-current assets	(4,282)	4,282
(2,135)	2,135	Amounts of current and non-current assets written off as part of the loss on disposal	(29)	29
Insertion of items not debited or credited to the CIES:				
1,839	(1,839)	Provision for financing of capital investment	2,190	(2,190)
Adjustments primarily involving the pensions reserve:				
(3,804)	3,804	Reversal of items relating to retirement benefits debited or credited to the CIES (Notes 18, 29)	(3,280)	3,280
Other adjustments between reserves:				
251	(251)	Amount by which council tax and business rates are different from income in accordance with statutory requirements (Note 18)	(290)	290
129	(129)	Employee benefits accrued in-year (Note 18)	2	(2)
1,900	**(1,900)**	**Total adjustments between accounting basis & funding basis under regulations**	**885**	**(885)**

Note 7 – Expenditure and funding analysis

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

2024/25	**Net expenditure chargeable to the General Fund balance £000**	**Adjustments between funding and accounting basis £000**	**Net expenditure in the CIES £000**
Community safety	1,168	258	1,426
Firefighting and rescue operations	12,846	1,891	14,737
Management support services	22,806	(6,286)	16,520
Corporate support services	460	0	460
Net cost of services	**37,280**	**(4,137)**	**33,143**
Other income and expenditure	(34,759)	3,309	(31,450)
(Surplus) or deficit	**2,520**	**(828)**	**1,693**
Opening usable reserves (1 April 2024)	**32,535**		
Outturn underspend	2,968		
Other movements to/(from) reserves (note 8)	(5,546)		
Closing usable reserves (31 March 2025)	**29,957**		

2023/24	**Net expenditure chargeable to the General Fund balance £000**	**Adjustments between the funding and accounting basis £000**	**Net expenditure in the CIES £000**
Community safety	518	265	783
Firefighting and rescue operations	10,088	1,945	12,033
Management support services	25,990	(10,050)	15,940
Corporate support services	291	0	291
Net cost of services	**36,887**	**(7,840)**	**29,047**
Other income and expenditure	(30,361)	5,940	(24,421)
(Surplus) or deficit	**6,526**	**(1,900)**	**4,626**
Opening usable reserves (1 April 2023)	**39,061**		
Outturn underspend	1,842		
Other movements to/(from) reserves (note 8)	(8,368)		
Closing usable reserves (31 March 2024)	**32,535**		

The nature of the cost of services presented in the expenditure and funding analysis is shown below:

2024/25	Community safety	Firefighting and rescue operations	Corporate and democratic core	Non-distributed costs	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	(137)	(216)	0	0	**(353)**
Government grants	(898)	(3,950)	0	0	**(4,848)**
Other	(169)	0	0	0	**(169)**
Total income	**(1,204)**	**(4,166)**	**0**	**0**	**(5,370)**
Employee expenses	117	10,576	2	191	**10,886**
Other service expenses	417	2,345	86	0	**2,848**
Support services	4,938	19,610	231	0	**24,779**
Total expenditure	**5,472**	**32,531**	**319**	**191**	**38,513**
Deficit on cost of services	**4,268**	**28,365**	**319**	**191**	**33,143**

2023/24	Community safety	Firefighting and rescue operations	Corporate and democratic core	Non-distributed costs	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	(149)	(283)	0	0	**(432)**
Government grants	(994)	(4,002)	0	0	**(4,996)**
Other	(186)	(10)	0	0	**(196)**
Total income	**(1,329)**	**(4,295)**	**0**	**0**	**(5,624)**
Employee expenses	(121)	8,443	2	153	**8,477**
Other service expenses	354	2,450	136	0	**2,940**
Support services	4,560	18,647	47	0	**23,254**
Total expenditure	**4,793**	**29,540**	**185**	**153**	**34,671**
Deficit on cost of services	**3,464**	**25,245**	**185**	**153**	**29,047**

Note 8 – Movements in Usable Reserves

	Balance at 1 April 2023	Transfers out 2023/24	Transfers in 2023/24	Balance at 31 March 2024	Transfers out 2024/25	Transfers in 2024/25	Transfers in 2024/25	Balance at 31 March 2025
	£000	£000	£000	£000	£000	£000	£000	£000
						Outturn Underspend	Other Movements	
General Fund balance	**4,072**	0	0	**4,072**	0	0	0	**4,072**
Capital reserves								
Capital Receipts Reserve	**1,403**	0	40	**1,443**	0	0	26	**1,469**
Capital Grants Reserve	**167**	0	0	**167**	(167)	0	0	**0**
Total capital reserves	**1,570**	0	40	**1,610**	(167)	0	26	**1,469**
Earmarked General Fund reserves								
PFI smoothing reserve	**7,866**	(1,304)	0	**6,562**	(947)	0	0	**5,615**
Insurance reserve	**1,160**	(84)	0	**1,076**	0	0	0	**1,076**
Development reserve	**18,006**	(9,368)	2,398	**11,036**	(3,604)	2,968	2,241	**12,641**
Resilience reserve	**500**	0	0	**500**	0	0	0	**500**
Budget carry forward reserve	**900**	(433)	1,230	**1,697**	(1,174)	0	0	**523**
New dimensions reserve	**653**	(5)	0	**648**	0	0	201	**849**
Transformation and reform reserve	**500**	0	0	**500**	0	0	0	**500**
Medium-term planning reserve	**1,000**	0	0	**1,000**	0	0	0	**1,000**
Emergency services mobile communications reserve	**993**	0	0	**993**	(993)	0	0	**0**
Mobilisation smoothing reserve	**1,841**	0	1,000	**2,841**	(1,129)	0	0	**1,712**
Total revenue reserves	**33,419**	(11,194)	4,628	**26,853**	(7,847)	2,968	2,442	**24,416**
Total reserves	**39,061**	(11,194)	4,668	**32,535**	(8,014)	2,968	2,468	**29,957**

Detail on the purpose of each reserve is provided below:

- The **General Fund** is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

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

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

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

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

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

- **Budget carry forward reserve:** this reserve is used to fund the slippage of specific items of revenue expenditure.

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

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

- **Medium term planning reserve:** this reserve was established to plan for the impact of Government reductions in funding, due to localisation of the business rates retention system and the impact on precepting authorities of localisation of the

council tax benefit scheme, and to address temporary shortfalls in the medium-term financial plan until efficiencies are realised.

- **Emergency services mobile communications reserve:** this reserve was established for the ESMCP grant received from Home Office, to be used to implement the new wide area communications system. The funding has now been passed to the new lead authority for ESMCP.
- **Mobilisation smoothing reserve:** this reserve was established to support a new business-critical mobilisation system.

Note 9 – Other operating expenditure

2023/24 £000		2024/25 £000
2,135	(Gain)/loss on disposal of non-current assets	29
2,135	**Total**	**29**

Note 10 – Financing and investment income and expenditure

2023/24 £000		2024/25 £000
1,700	Interest payable	1,717
31,890	Net interest on the net defined benefit liability (asset)	32,430
(1,970)	Interest and investment income	(1,769)
31,620	**Total**	**32,378**

Note 11 – Taxation and non-specific grant income

2023/24 £000		2024/25 £000
(28,220)	Council tax income	(29,217)
(18,276)	Business rates income	(19,594)
(10,203)	Non-ringfenced government grants	(13,471)
(710)	Business rates section 31 grant	(639)
0	Funding guarantee grant	(689)
(629)	Service delivery grant	(109)
(130)	Levy account surplus grant	(130)
(8)	Transparency grant	(8)
(58,176)	**Total**	**(63,857)**

Note 12 – Property, plant and equipment

Movement on balances 2024/25

	Land and buildings	Vehicles, plant furniture & equipment	Assets under construction	Assets held for sale	TOTAL	PFI assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2024	**76,529**	**29,583**	**9,058**	**150**	**115,320**	41,335
Additions	2,743	2,775	1,056	0	6,574	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	408	0	0	0	408	0
Disposals	0	(261)	0	0	(261)	0
Other movements in cost or valuation	8,490	568	(9,058)	0	0	0
At 31 March 2025	**88,170**	**32,665**	**1,056**	**150**	**122,041**	41,337
Accumulated depreciation and impairment at 1 April 2024	**1,258**	**19,154**	**0**	**0**	**20,412**	0
Depreciation charges	2,277	2,014	0	0	4,291	1,213
Disposals	0	(232)	0	0	(232)	0
at 31 March 2025	**3,535**	**20,936**	**0**	**0**	**24,471**	1,213
Net Book Value at 31 March 2024	**75,271**	**10,429**	**9,058**	**150**	**94,908**	41,335
Net Book Value at 31 March 2025	**84,635**	**11,729**	**1,056**	**150**	**97,570**	40,124

Movement on balances 2023/24

	Land and buildings	Vehicles, plant furniture & equipment	Assets under construction	Assets held for sale	TOTAL	PFI assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2023	**77,636**	**32,079**	**3,473**	**150**	**113,338**	40,655
Additions	351	1,289	8,028	0	9,668	106
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,012	0	0	0	1,012	1,012
Revaluation increases/(decreases) recognised in the provision of services	(438)	0	0	0	(438)	(438)
Disposals	(2,032)	(327)	0	0	(2,359)	0
Other movements in cost or valuation	0	(3,458)	(2,443)	0	(5,901)	0
At 31 March 2024	**76,529**	**29,583**	**9,058**	**150**	**115,320**	41,335
Accumulated depreciation and impairment at 1 April 2023	**1,249**	**23,469**	**0**	**0**	**24,718**	1,097
Depreciation charges	2,248	1,809	0	0	4,057	1,142
Depreciation written out to Revaluation Reserve	(2,003)	0	0	0	(2,003)	(2,003)
Depreciation recognised in the provision of services	(236)	0	0	0	(236)	(236)
Disposals		(223)	0	0	(223)	0
Other Movements in cost or valuation	0	(5,901)	0	0	(5,901)	0
at 31 March 2024	**1,258**	**19,154**	**0**	**0**	**20,412**	0
Net Book Value at 31 March 2023	**76,387**	**8,610**	**3,473**	**150**	**88,620**	39,558
Net Book Value at 31 March 2024	**75,271**	**10,429**	**9,058**	**150**	**94,908**	41,335

Capital Commitments
At 31 March 2025, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2025/26, budgeted to cost £5.521m (as at 31 March 2024: £4.067m). A summary of the commitments is as follows:

- ICT software and hardware (£0.286m)
- Estates (£2.507m)
- Operations (£0.594m)
- Technical Services Centre (£0.284m)
- Operational communications (£1.850m)

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

	Land and buildings	Vehicles, plant, furniture, equipment	Assets under construction	Assets held for sale	Total
	£000	£000	£000	£000	£000
Carried at historic cost	0	32,786	1,056	0	**33,842**
Valued at fair value	87,578			150	**87,728**
Assets held under finance leases	592	0	0	0	**592**
Total	**88,170**	**32,786**	**1,056**	**150**	**122,162**

Note 13 – Financial instruments

Categories of financial instruments

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

	Long-term		Short-term	
	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Debtors				
Financial assets carried at amortised amount	201	201	0	0
Financial assets carried at contract amount**	0	0	2,995	5,678
Assets not defined as financial instruments	0	0	5,626	5,443
Total debtors	**201**	201	**8,621**	11,121
Borrowings				
Financial liabilities at amortised cost *	(9,153)	(9,535)	(382)	(397)
Total borrowings	**(9,153)**	(9,535)	**(382)**	(397)
Other liabilities				
PFI and finance lease liabilities	(11,526)	(11,298)	(2,287)	(1,735)
Injury pension liability	(4,639)	(5,139)	(500)	(500)
Non-financial liabilities				
Pension liability	(640,740)	(704,490)	0	0
Total other liabilities	**(656,905)**	**(720,927)**	**(2,787)**	**(2,235)**
Creditors				
Financial liabilities carried at contract amount**	0	0	(2,767)	(2,047)
Liabilities not defined as financial instruments	0	0	(1,671)	(1,621)
Total creditors	**0**	**0**	**(4,438)**	**(3,668)**
Cash and cash equivalents				
Bank deposits	0	0	2,383	1,797
Investments	0	0	27,514	27,514
Total cash and cash equivalents	**0**	**0**	**29,897**	**29,311**

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

** Figures exclude Collection Fund debtors and creditors, in accordance with Code requirements.

Income, expense, gains and losses

Financial instrument gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

2024/25	Financial liabilities measured at amortised cost £000	Financial assets measured at amortised cost £000
Interest expense	1,717	0
Interest income	0	(1,769)
Net (gain) / loss for the year	**(52)**	

Comparative figures as at 31 March 2024 are as follows:

2023/24	Financial liabilities measured at amortised cost £000	Financial assets measured at amortised cost £000
Interest expense	1,700	0
Interest income	0	(1,970)
Net (gain) / loss for the year	**(270)**	

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

- For loans from the Public Works Loan Board (PWLB) payable, PWLB prevailing market rates (new borrowing (certainty) rates) have been applied to provide the fair value under PWLB debt redemption procedures as per interest rate notice number 126/25;
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables and trade and other payables is taken to be the invoiced or billed amount; and
- The fair value of the injury pension liability is taken to be the same as the carrying amount due to the nature of this liability.

The financial assets classed as held at amortised cost and held with money market funds and notice accounts, and the financial liabilities held by Sunderland City Council (SCC) with PWLB and market lenders are investments and borrowings that are not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount for these assets, the lead authority has used a financial model valuation provided by Link Asset Services. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector.

The fair values calculated for the liabilities are as follows:

31 March 2024 Carrying Amount £000	31 March 2024 Fair Value £000		31 March 2025 Carrying Amount £000	31 March 2025 Fair Value £000
8,772	2,209	PWLB debt	9,135	372
767	653	Non-PWLB debt	404	275
397	396	Short-term borrowing	382	382
11,298	11,298	Long-term PFI and finance lease liability	11,526	11,526
1,735	1,735	Short-term PFI and finance lease liability	2,287	2,287
5,139	5,139	Long-term injury pension liability	4,639	4,639
500	500	Short-term injury pension liability	500	500
3,668	3,668	Short-term creditors	4,438	4,438
32,276	**25,598**	**Financial liabilities**	**33,311**	**24,419**

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

The fair value of the liabilities is greater than the carrying amount because the Authority's share of SCC's portfolio includes a number of fixed loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders above current market rates.

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

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

The fair values calculated for the assets are the same as the carrying amounts set out in the table above. Deposits with money market funds, banks and building societies, cash and short-term debtors are carried at cost as this is a fair approximation of their value.

Nature and extent of risks arising from financial instruments
The Authority's activities expose it to a variety of financial risks:

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

The Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA

Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (both revised in 2017). Overall, these procedures require the Authority to manage risk in the following ways:

- By formally adopting the requirements of these codes of practice;
- By approving annually in advance prudential indicators for the following three years limiting:
  - the Authority's overall borrowing;
  - its maximum and minimum exposure to fixed and variable rates;
  - its maximum and minimum exposure to the maturity structure of its debt; and
  - its maximum annual exposure to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance.
- The annual Treasury Management Strategy includes these procedures in order to manage the risks of the Authority's financial instrument exposure. It is approved at the Authority's annual budget meeting before the beginning of the financial year and actual performance is reported annually to Members.

All of the Authority's treasury management function is provided under a service level agreement by Sunderland City Council.

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

Credit risk management practices
The Authority has considered its financial assets to determine whether their credit risk has increased significantly since initial recognition. These have been grouped into two categories:

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

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

It is the policy of SCC to place deposits only with a limited number of high-quality banks, building societies and money market funds that are on the Council's approved lending list. Limits are also placed on the country in which the institution is resident, the sector of the institution and if companies are members of a group of companies, a limit is placed on the group. Full details of these limits can be found in the Council's treasury management policy and strategy.

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

The Authority's maximum exposure to credit risk at 31 March 2025 in relation to its investments in banks and building societies is determined to be nil and as all cash balances are held with SCC, it cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

Recent experience has shown that it is rare for such entities to be unable to meet their commitments. Recoverability risk applies to all of the Authority's deposits, but there was no evidence at 31 March 2025 that this was likely to crystallise.

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

The Authority does not generally allow credit for customers. As at 31 March 2025, £0.282m in unpaid invoices are beyond their due date for payment (£0.092m in 2023/24); of this, £0.275m was less than 3 months overdue (£0.064m in 2023/24). From the analysis, these creditors are not considered to be bad debts at this stage.

Amounts arising from expected credit loss
All the Authority's financial assets have been assessed as Stage 1 (meaning no significant increase in credit risk) at both 31 March 2024 and 31 March 2025, which means that there has been no significant increase in their credit risk. The 12-month expected credit loss for these assets has been assessed as nil. Impairment allowances for losses in relation to receivables due from customers are shown within the debtors note to the accounts. The Authority calculates allowances based on estimated default rates in combination with specific adjustments for individual debts when appropriate. There is a rebuttable presumption in IFRS 9 that aged debt older than 30 days should be impaired. The aged debt older than 30 days, disclosed above, has been reviewed and the Authority is satisfied that the existing impairment allowance adequately provides for this.

Liquidity risk
The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy).

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

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

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

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

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

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

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

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

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

According to this assessment strategy, if all interest rates had been 1% higher (with all other variables held constant), the financial effect would be a £0.178m surplus on the provision of services as at 31 March 2025 (£0.174m as at 31 March 2024) and a £0.667m decrease in the fair value of fixed rate borrowing liabilities (£0.812m as at 31 March 2025).

Note 14 – Short-term debtors

31 March 2024 £000		31 March 2025 £000
5,489	Central government bodies	3,051
709	Other local authorities	(65)
2	NHS bodies	2
28	Other public bodies	2
8,795	Other entities and individuals	9,389
15,023	**Total**	**12,379**

Note 15 – Cash and cash equivalents

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

31 March 2024 £000		31 March 2025 £000
1	Cash held by the Authority	1
1,796	Bank current accounts	2,382
27,514	Short-term deposits	27,514
29,311	**Total**	**29,897**

Note 16 – Short-term creditors

31 March 2024 £000		31 March 2025 £000
(1,130)	Central government bodies	(1,129)
(6,490)	Other local authorities	(6,322)
(431)	Other public bodies	(517)
(1,464)	Other entities and individuals	(2,551)
(9,515)	**Total**	**(10,519)**

Note 17 – Provisions

Insurance provision

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

Business rates appeal provision

A provision for business rates appeals has been established to meet the identified potential costs to the Authority of appeals in relation to the valuations used in the calculation of business rates. The provision is based on the billing authorities' best estimates of the amount that will be successfully appealed (i.e. that businesses have been overcharged) in relation to 2024/25 and previous years, regardless of when that appeal is raised or settled. Whilst the settlement of these appeals is outside of the Authority's control, it is considered likely that 2023 list appeals will be settled within the next financial year and hence are classified as a short-term provision.

	Insurance £000	Business Rates Appeals £000	Total £000
Balance at 31 March 2023	**(346)**	**(669)**	**(1,015)**
Additional provisions made in 2023/24	(63)	(132)	(195)
Amounts used in 2023/24	153	143	296
Balance at 31 March 2024	**(256)**	**(658)**	**(914)**
Additional provisions made in 2024/25	(288)	(187)	(475)
Amounts used in 2024/25	111	274	385
Balance at 31 March 2025	**(433)**	**(571)**	**(1,004)**

The nature of the individual provisions held at 31 March 2025 is detailed below:

	Short- term £000	Long-term £000	2024/25 total £000
Insurance provision	0	(433)	(433)
Business rates appeal provision	(571)	0	(571)
	(571)	(433)	**(1,004)**

Note 18 – Unusable reserves

31 March 2024 £000		In-year movement £000	31 March 2025 £000
38,837	Revaluation Reserve	(2,164)	36,673
32,821	Capital Adjustment Account	4,453	37,274
(698,400)	Pensions Reserve	57,660	(640,740)
(2,602)	Collection Fund Adjustment Account	(290)	(2,892)
(132)	Accumulated Absence Account	2	(130)
(629,476)	**Total Unusable Reserves**	**59,661**	**(569,815)**

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

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

2023/24 £000		2024/25 £000
36,079	**Balance at 1 April**	**38,837**
0	IFRS16 adjustment to opening balance	(2,572)
36,079	**Adjusted Balance at 1 April**	36,265
3,266	Upward revaluation of assets	408
(453)	Downward revaluations/impairment losses not charged to *surplus/deficit on provision of services*	0
38,892	Surplus/deficit on revaluations not posted to *surplus/deficit on provision of services*	36,673
(55)	Difference between fair value depreciation and historical cost depreciation	0
38,837	**Balance at 31 March**	**36,673**

The Reserve contains only revaluation gains accumulated since 1 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.

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.

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

2023/24 £000		2024/25 £000
27,443	**Balance at 1 April**	**32,821**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,005)	Charges for depreciation/impairment of non-current assets	(4,292)
(2,135)	Amount of non-current assets written out on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(29)
21,303		28,500
	Capital financing applied in the year:	
47	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	266
1,839	Statutory provision for the financing of capital investment charged against the General Fund balance	2,190
9,622	Capital expenditure charged against the General Fund balance	6,308
10	Movements in the Donated Asset Account credited to the Comprehensive Income and Expenditure Statement	10
32,821	**Balance at 31 March**	**37,274**

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.

2023/24 £000		2024/25 £000
(702,986)	**Balance at 1 April**	**(698,400)**
8,390	Re-measurement of the net defined benefit liability/(asset)	60,940
(38,854)	Reversal of items relating to retirement benefits debited or credited to the *surplus/deficit on provision of services in* Comprehensive Income and Expenditure Statement	(40,110)
35,050	Employer's pensions contributions and direct payments to pensioners payable in the year	36,830
(698,400)	**Balance at 31 March**	**(640,740)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates 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.

2023/24 £000		2024/25 £000
(2,853)	**Balance at 1 April**	**(2,602)**
251	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(290)
(2,602)	**Balance at 31 March**	**(2,892)**

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 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2023/24 £000		2024/25 £000
(262)	Balance at 1 April	**(132)**
262	Settlement or cancellation of accrual made at the end of the preceding year	132
(132)	Amounts accrued at the end of the current year	(130)
(132)	**Balance at 31 March**	**(130)**

Note 19 – Cash Flow Statement – Operating activities

2023/24 £000		2024/25 £000
(4,048)	Depreciation, impairment and downward revaluations	(4,281)
1.074	Increase/decrease in creditors	(1.004)
2,520	Increase/decrease in debtors	(2,645)
(2)	Increase/decrease in inventories	(213)
(4,150)	Movement in pension liability	(3,280)
105	Contributions to/from provisions	(90)
(2,135)	Carrying amount of non-current assets held for sale, sold or derecognised	(29)
(6,639)	**Net cash flows from investing activities**	**(11,542)**

Note 20 – Cash Flow Statement – Investing activities

2023/24 £000		2024/25 £000
9,669	Purchase of property, plant and equipment	6,574
9,669	**Net cash flows from investing activities**	**6,574**

Note 21 – Cash Flow Statement – Financing activities

2023/24 £000		2024/25 £000
414	Repayments of short- and long-term borrowing	397
1,925	Other payments and financing activities	2,292
2,339	**Net cash flows from financing activities**	**2,689**

Reconciliation of liabilities arising from financing activities

	1 April 2024 £000	Financing cash flows £000	31 March 2025 £000
Short- and long-term borrowing	9,932	(397)	9,535
On Balance Sheet PFI liabilities	13,033	(1,735)	11,298
Injury pension liability	5,639	(500)	5,139
Total liabilities from financing activities	**28,604**	**(2,632)**	**25,972**

Note 22 – Members' allowances and expenses

	2023/24 £000	2024/25 £000
Total Members' allowances and expenses	86	74

Note 23 – 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	2023/24	2024/25
£50,000-£54,999	40	75
£55,000-£59,999	17	36
£60,000-£64,999	15	7
£65,000-£69,999	7	17
£70,000-£74,999	10	7
£75,000-£79,999	0	11
£80,000-£84,999	1	0
£85,000-£89,999	2	1
£90,000-£94,999	2	0
£95,000-£99,999	0	2
£100,000-£104,999	0	2
	94	**158**

The table below discloses 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 the Authority, this is the Chief Fire Officer, the Deputy Chief Fire Officer, the Assistant Chief Fire Officer and the Director of Finance, Estates and Facilities.

Postholder information	Total Salary incl. fees and allowances* £	Total remuneration excl. pension contributions £	Total employers pension contributions £	Total remuneration incl. pension contributions £
2024/25				
Chief Fire Officer and Chief Executive: Peter Heath	182,544	182,544	69,327	**251,871**
Deputy Chief Fire Officer	155,163	155,163	58,928	**214,091**
Assistant Chief Fire Officer – Organisational Development *(to 17.03.25)*	139,723	139,723	53,356	**193,079**
Finance Director *(to 30.04.24)*	3,959	3,959	705	**4,664**
Director of Finance, Estates and Facilities *(from 01.05.24)*	88,052	88,052	15,673	**103,725**
2023/24				
Chief Fire Officer and Chief Executive: Chris Lowther *(to 23.09.23)*	112,511	112,511	32,403	**144,914**
Chief Fire Officer and Chief Executive: Peter Heath *(Deputy to 23.09.23 and Chief from 23.09.23)*	181,504	181,504	52,472	**233,976**
Deputy Chief Fire Officer *(from 16.10.23)*	77,064	77,064	22,194	**99,258**
Assistant Chief Fire Officer – Organisational Development	156,430	156,430	45,052	**201,482**
Finance Director	127,389	127,389	22,675	**150,064**

* The total salary shown is on a cash basis and not necessarily the contractual salary for that period.

Note 24 – External audit costs

Tyne Authority has incurred the following costs in relation to the audit of the Statement of Accounts provided by its external auditors, Forvis Mazars LLP:

	2023/24 £000	2024/25 £000
Fees paid to external auditors with regard to external audit services carried out by the appointed auditor	102	105
	102	**105**

Note 25 – Grant income

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

	2023/24 £000	2024/25 £000
Credited to *taxation and non-specific grant income*:		
Revenue Support Grant	(10,203)	(13,471)
Business Rates	(6,114)	(6,881)
Top Up Grant	(12,162)	(12,713)
Council Tax Income	(28,220)	(29,217)
Business Rates S31 Grant	(710)	(639)
Funding Guarantee Grant	0	(689)
Service Delivery Grant	(629)	(109)
Levy Account Surplus Grant	(130)	(130)
Transparency Grant	(8)	(8)
	(58,176)	**(63,857)**
Credited to service income:		
PFI Grant	(3,358)	(3,358)
New Dimensions	(882)	(892)
Firelink	(155)	(104)
Pensions	(2,593)	(2,135)
New Burdens	(301)	(204)
Safer Streets	(80)	(82)
Protection Uplift	(211)	(179)
Enhanced Logistics Support	0	(30)
Fire Green Plant and Machinery	0	(11)
	(7,580)	**(6,995)**

Note 26 – Related parties

The *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25* requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

Central government: Central government has effective control over the general operations of the Authority: it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in Note 25.

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.

Trading arrangements: TWFRS Ltd

The Authority has a trading company, TWFRS Ltd, which commenced operating on 1 April 2015. The Authority currently holds 20,001 £1 shares and wholly owns the company which

provides sector-specific training. In 2024/25, the company had an estimated turnover of £0.115m and a net profit of £0.032m.

In December 2025, the Authority made the decision to cease trading and dissolve the company. As such, once activities have fully ceased, any remaining cash balances will be used to offset the outstanding loan. The remaining loan balance will then be written off by the Authority.

Note 27 – 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.

	2023/24 £000	2024/25 £000
Opening capital financing requirement	25,240	**23,534**
Capital investment:		
Property, plant and equipment	9,669	6,574
Revenue expenditure funded from capital under statute	133	130
Sources of finance:		
Government grants and other contributions	(47)	(266)
Sums set aside from:		
Direct revenue contributions	(9,622)	(6,308)
Minimum revenue provision (MRP)	(1,839)	(2,190)
Closing capital financing requirement	23,534	**21,474**
Explanation of movements in year:		
Minimum revenue provision (MRP)	(1,839)	(2,190)
Increase / (decrease) in capital financing requirement	(1,839)	**(2,190)**

Note 28 – 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's fire service and Durham and Darlington's fire service to provide a new community fire station at Tynemouth. The North East Fire and Rescue Authority (NEFRA) contract expires in May 2035.

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

2023/24 £000		2024/25 £000
13,917	**Balance outstanding at start of year**	**12,502**
(1,415)	Repayment of capital	(1,726)
12,502	**Balance outstanding at the year end**	**10,776**

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

	2025/26 £000	2026/27 - 2029/30 £000	2030/31 - 2034/35 £000	2035/36 £000	Total £000
Finance lease creditor repayment	2,278	9,247	1,800	23	13,348
Finance lease creditor interest	982	2,073	561	1	3,617
Lifecycle maintenance	74	314	439	47	874
Contingent rentals	225	939	87	(30)	1,221
Operating costs	2,600	8,448	1,740	79	10,294
PFI grant	(3,358)	(13,431)	(3,120)	(69)	(19,978)
Total net expenditure	**2,343**	**5,475**	**1,507**	**51**	**9,376**

Note 29 – 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 (FPS) for operational employees is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities. The cost of pension payments is met from employer and employee contributions, with the balance being funded by the Government through a top-up grant. The employers' contributions to the firefighters' pension fund account are 37.6%.
- The Local Government Pension Scheme (LGPS) for non-operational employees, administered by South Tyneside Council is a funded defined benefit salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employer's contributions are currently 17.8%.

Transactions relating to post-employment benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as

pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement, including past service costs which are treated as non-distributed costs in corporate support services, and are removed from the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement (CIES)						
Cost of services:						
Service cost comprising:						
Current service cost	1,990	1,790	2,710	2,670	**4,700**	**4,460**
Past service costs	0	0	0	(110)	**0**	**(110)**
Financing and investment income and expenditure:						
Net interest expense	(350)	(150)	32,780	32,150	**32,430**	**32,000**
Total post-employment benefit charged to the *surplus or deficit on provision of services*	**1,640**	**1,640**	**35,490**	**34,710**	**37,130**	**36,350**
Other post-employment benefits charged to the CIES						
Re-measurement of the net defined benefit liability comprising:						
Local Government Pension Scheme (LGPS):						
Return on plan assets	610	(840)	0	0	**610**	**(840)**
Actuarial (gains) and losses due to changes in demographic assumptions	(530)	(1,100)	0	0	**(530)**	**(1,100)**
Actuarial (gains) and losses due to changes in financial assumptions	(12,680)	(2,570)	0	0	**(12,680)**	**(2,570)**
Actuarial (gains) and losses due to liability experience	80	820	0	0	**80**	**820**
Adjustment loss due to restriction of surplus	19,320	0	0	0	**19,320**	**0**
Firefighters' Pension Scheme (FPS):						
Experience (gains) and losses arising on the defined benefit obligation	0	0	(960)	8,770	**(960)**	**8,770**
Changes in financial assumptions underlying the present value of the defined benefit obligation	0	0	(65,510)	(13,470)	**(65,510)**	**(13,470)**
Changes in demographic assumptions underlying the present value of the defined benefit obligation	0	0	(1,270)	0	**(1,270)**	**0**
Total post-employment benefits charged to the CIES	**8,440**	**(2,050)**	**(32,250)**	**30,010**	**(23,810)**	**27,960**

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Movement in Reserves Statement						
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(260)	50	3,540	4,100	**3,280**	**4,150**
Actual amount charged against General Fund balance for pensions in the year:						
Employer's contributions payable to the schemes	1,900	1,590	0	0	**1,900**	**1,590**
Retirement payments payable to pensioners	0	0	35,050	33,550	**35,050**	**33,550**

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:

	LGPS		FPS		Total	
	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Present value of the defined benefit obligation	(61,990)	(71,780)	(640,290)	(704,490)	(702,280)	(776,270)
Fair value of plan assets	80,860	77,870	0	0	80,860	77,870
Unrecognised asset	(19,320)	0	0	0	(19,320)	0
Net liability arising from defined benefit obligation	**(450)**	**0**	**(640,290)**	**(704,490)**	**(640,740)**	**(704,490)**
Net asset arising from defined benefit obligation	**0**	**6,090**	**0**	**0**	**0**	**6,090**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	LGPS		FPS		Total	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Opening balance at 1 April	**71,780**	**71,340**	**704,490**	**705,090**	**776,270**	**776,430**
Current service cost	1,990	1,790	2,710	2,670	**4,700**	**4,460**
Interest cost	3,390	3,310	32,780	32,150	**36,170**	**35,460**
Contributions by scheme participants	680	550	2,980	2,850	**3,660**	**3,400**
Re-measurement (gains) and losses:						
Local government scheme:						
Actuarial (gains)/losses arising from changes in demographic assumptions	(530)	(1,100)	0	0	**(530)**	**(1,100)**
Actuarial (gains)/losses arising from changes in financial assumptions	(12,680)	(2,570)	0	0	**(12,680)**	**(2,570)**
Other	80	820	0	0	**80**	**820**
Firefighters' scheme:						
Experience (gains) and losses arising on pension liabilities	0	0	(960)	8,770	**(960)**	**8,770**
Changes in assumptions underlying the present value of the pension liabilities	0	0	(65,510)	(13,470)	**(65,510)**	**(13,470)**
Changes in demographic assumptions underlying the present value of the pension liabilities	0	0	(1,270)	0	**(1,270)**	**0**
Past service cost	0	0	0	(110)	**0**	**(110)**
Benefits paid	(2,720)	(2,360)	(35,050)	(33,550)	**(37,770)**	**(35,910)**
Pension transfers in	0	0	120	90	**120**	**90**
Closing balance at 31 March	**61,990**	**71,780**	**640,290**	**704,490**	**702,280**	**776,270**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The net liability of £640.740m has a substantial impact on the negative net worth of £539.858m 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 Authority's share of the Local Government Pension 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; and
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2025 is £1.91m.

Reconciliation of the movements in the fair value of LGPS (plan) assets

	2024/25 £000	2023/24 £000
Opening fair value of scheme assets	**77,870**	**73,790**
Interest income	3,740	3,460
Re-measurement gain/(loss):		
The return on plan assets, excluding amount included in the net interest expense	(610)	840
Contributions from employer	1,900	1,590
Contributions from employee in to the scheme	680	550
Benefits paid	(2,720)	(2,360)
Closing balance at 31 March	**80,860**	**77,870**

The Firefighters' Pension Scheme has no assets to cover its liabilities.

LGPS assets

The approximate split of the Authority's assets in the LGPS is shown below. The Firefighters' Pension Scheme has no assets to cover its liabilities.

	Asset split 31 March 2025			Asset split 31 March 2024		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	36.3	11.8	48.1	39.5	11.1	50.6
Government bonds	1.1	0.0	1.1	1.3	0.0	1.3
Corporate bonds	18.1	0.0	18.1	19.5	0.0	19.5
Property	0.0	11.1	11.1	0.0	10.4	10.4
Cash	1.8	0.0	1.8	0.7	0.0	0.7
Multi asset credit	4.5	0.0	4.5	4.6	0.0	4.6
Other assets	0.0	15.3	15.3	0.0	12.9	12.9
Total	**61.8**	**38.2**	**100.0**	**65.6**	**34.4**	**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. LGPS liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, and FPS liabilities have been assessed by the Government Actuary's Department. The principal assumptions used by the actuaries are:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2024/25	2023/24	2024/25	2023/24
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.9 years	21.0 years	21.3 years	21.3 years
Women	24.1 years	24.2 years	21.3 years	21.3 years
Longevity at 65 for future pensioners (aged 45):				
Men	21.8 years	22.3 years	22.7 years	22.9 years
Women	25.2 years	25.6 years	22.7 years	22.9 years
Consumer Price Index	2.50%	2.60%	2.70%	2.60%
Rate of increase in salaries	4.00%	4.10%	3.45%	3.85%
Rate of increase in pensions	2.50%	2.60%	2.70%	2.60%
Rate for discounting scheme liabilities	5.80%	4.80%	5.65%	4.75%
Pension accounts revaluation rate	2.50%	2.60%	3.45%	3.85%
Commutation: Pre-2008	75.00%	75.00%	N/A	N/A

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

The estimations in the sensitivity analysis have followed the accounting policies for the schemes 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			
	LGPS		FPS	
	Increase £000	Decrease £000	Increase £000	Decrease £000
Longevity (increase or decrease in 1 year)	+1,350	-1,350		
Rate of increase in salaries (0.1% change)	+120	-120		
Rate of increase in pensions (0.1% change)	+860	-860		
Rate for discounting scheme liabilities (0.1% change)	-980	+980		
Longevity (increase or decrease in 1 year)			+16,000	-16,000
Rate of increase in salaries (0.50% change)			+5,000	-5,000
Rate of increase in pensions (0.50% change)			+39,000	-39,000
Rate for discounting scheme liabilities (0.50% change)			-40,000	+40,000

Impact on the Authority's cash flows
The weighted average duration of the defined benefit obligation for scheme members in the Local Government Pension Fund is 16 years (2023/24: 17.9 years) and in the Firefighters' Pension Scheme is 14 years (2023/24: 15 years).

Note 30 - Contingent liabilities

As a consequence of Remedy for Age Discrimination in Pension Schemes, claimant firefighters are claiming injury to feelings awards against fire authorities, as part of the compensation that is being sought. Injury to feelings can be awarded even where there is no financial loss.

There are three bands of potential awards, known as the Vento Bands that were established by the case of Vento v Chief Constable of West Yorkshire Police (No 2) [2003]. For claims presented during 2022/23, the bands are as follows:

- Lower band £900 to £9,100;
- Middle band £9,100 to £27,400; and
- Upper band £27,400 to £45,600

In principle, when tribunals determine compensation for injury to feelings, they should not be so high as to amount to a windfall, but neither should they be so low as to diminish respect for the law.

Although not all of those affected by Pensions Remedy have lodged a claim at this time, advice is that it would be prudent to recognise the situation where all of those affected may be eligible for compensation, as they could issue a claim to achieve an award. Due to the number of employees who will be affected by the Remedy (442), at the lower band this cost could range from just under £0.4m to just over £4.0m. On the basis that it is so unclear at this stage where a potential award could lie within the scale, it is not possible to estimate with any certainty what this liability will be. Indications at this stage are that any liabilities will be funded via the increase in pension contributions that occurred from 1 April 2024 and as such it is anticipated that the impact on the Authority will be low, but the risk still remains that some costs may be borne internally. It is therefore considered appropriate to report this as a contingent liability at this stage.

In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees. The ruling was that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. While it is known there is the potential for additional pension liabilities to be recognised, it is not possible to reliably quantify the potential financial effect as the assessment and any associated actuarial analysis remain ongoing. Accordingly, the Authority considers that a contingent liability exists in respect of potential increases to the Scheme's defined benefit obligation. No provision has been recognised as the existence and amount of any obligation cannot be determined with sufficient reliability at this stage.

Note 31 – Contingent assets

The Authority has a contingent asset in respect of its pursuance of a collective claim led by the LGA for damages arising from a trucks cartel action. This involved European truck manufacturers who have admitted to a serious violation of competition rules at senior manager level and have collectively been fined £3.4 billion by the European Commission. Over a 14-year period, manufacturers fixed prices and delayed the introduction of more fuel-efficient emissions technologies.

The Authority was impacted by this and has identified all affected vehicles. It is very difficult for the Authority to be able to assess the value of its claim at this stage based on current information.

Note 32 – Leases

Change in Accounting Policy and Transition to IFRS 16 Lease Accounting

Mandatory implementation of IFRS16 Leases is required by all Local Authorities for the financial year 2024/25. The main impact of the standard is to remove (for lessees) the traditional distinction between finance and operating leases.

Under the previous standard for Leases, IAS17, finance leases were effectively accounted for as acquisitions (with the asset on the Balance Sheet, together with a liability to pay for the asset acquired). In contrast, operating lease rentals are expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach; recognising the rights acquired to use the asset.

Accounting arrangements for lessors have not changed substantially under IFRS16, so adjustments will not generally be needed.

A summary of the transitional accounting arrangements under IFRS16 are follows:

• The standard is applied prospectively, meaning an authority does not need to reassess whether a contract is (or contains) a lease where that consideration has already taken place under IAS 17 and IFRIC 4 principles, unless the arrangement is for nil consideration. This protection only applies whilst the contract remains unchanged from the position as at 1st April 2024.

• There are exemptions under the standard for leases of short term (12 months or less) or low value.

• As IFRS16 is applied prospectively, no prior period adjustments are needed. Only the Balance Sheet on transition at 1st April 2024) requires adjustment for the cumulative impact.

• Lease liabilities are measured at the present value of the remaining lease payments at 1st April 2024, discounted by the Authority's incremental borrowing rate at that date.

• The weighted average of the incremental borrowing rates used to discount liabilities was 4.9%.

• Right-of-use assets are measured at the amount for the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31st March 2024.

Exemptions:

• Short Term - the definition of short term under IFRS16 is a lease term of 12 months (unless due to be extended) - due to finish during 2024/25

• Low Value - an authority can elect not to apply IFRS16 to leases of low value. IFRS16 does not define low value; a local policy decision needs to be taken to consider materiality and de-minimis thresholds.

The transition to IFRS16 has resulted in the following additions to the Balance Sheet at 31 March April 2025:

• £0.078m Property, plant and equipment – land and buildings (right-of-use assets)
• £2.057m non-current creditors (PFI lease liabilities)
• £0.458m current creditors (PFI lease liabilities)

Supplementary Statements

Firefighters' Pension Fund Statement

These 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.

	2024/25 £000		2023/24 £000	
Contributions receivable				
From employers				
- normal	(8,670)		(6,302)	
- early retirement	(69)		(111)	
From members	(2,979)	(11,718)	(2,858)	(9,271)
Transfers in				
Individual transfers in from other schemes		(149)		(93)
Benefits payable				
Pensions	30,131		28,078	
Commutations and lump sum retirement benefits	2,947	33,078	3,594	31,672
Deficit/surplus for the year before top-up grant receivable from/amount payable to the government		**21,211**		**22,308**
Top-up grant (receivable)/amount payable to sponsoring department		(21,211)		(22,308)
Net amount payable/(receivable) for the year		**0**		0

Firefighters' Pension Net Assets Statement

	31 March 2025 £000	31 March 2024 £000
Net current assets and current liabilities		
Pension top-up grant receivable from / (due to) sponsoring department	2,367	4,754
Pre-paid pension benefits	2,731	2,644
Cash overdrawn due to the General Fund	(5,098)	(7,398)
	0	0

Notes to the Firefighters' Pension Statements

1. Basis of preparation

The statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25,* CIPFA guidance notes for practitioners have also been referred to and applied where appropriate.

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

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

2. Accounting policies

The principal accounting policies are as follows:

2.1 Contributions

Contributions represent the total amounts receivable from the Authority and the pensionable employees. The employer's contributions are made at rates determined by the Government Actuaries Department, at a nationally applied rate of 37.6% for the 2015 Firefighters' Pension Scheme. The employee's contributions are dependent on salaries and range from 11.0% to 14.5% for the 2015 Scheme.

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

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

2.2 Benefits and refunds

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

2.3 Transfer values

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

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

3. Fund's operations

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

The firefighters' schemes are statutory, unfunded pension schemes, with the benefits being defined and guaranteed in law. Each scheme is contracted out of the state second pension (S2P) and must provide benefits at least as good as most members would have received

had they been members of S2P. Benefits provided include a tax-free lump sum and a guaranteed pension based on final salary upon retirement.

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

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

The fund has no investment assets.

Glossary of Terms

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

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

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

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

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

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

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

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

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

Business Rates
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 1 April 2013, only 50% of the proceeds are pooled and re-distributed by the government. The remainder are retained locally, placing risk on the billing authority to collect the business rates income due and a passed on risk of this to the Authority. Appeals and avoidance tactics can also have a significant impact on the level of income collected each year. The Authority has a business rates appeal provision based on information provided from the billing authorities.

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

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

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

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

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

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

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

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

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

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

Contingent Asset
A contingent asset is a probable asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Contingent Liability
A contingent liability is a possible obligation arising from past events whose existence will

be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or where a provision would otherwise be made but it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

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

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

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

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

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

Defined Benefit Scheme
A pension, or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

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.

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.

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 reserve accounts for the services of the Authority. The net cost is met by council tax, government grants and business rates.

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

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

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

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

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

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

International Financial Reporting Standards (IFRSs) / International Accounting Standards (IASs)
Standards issued 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)
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.

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the prudential framework local authorities are free to borrow without specific Government consent if they can afford to service the debt without extra Government support. The basic principle is that authorities will be free to invest as long as their capital

spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Authority before the start of the relevant financial year as part of their budget setting process.

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

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

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

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

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

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

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

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

- An employer's decision to terminate an employee's employment before the normal

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

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

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

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

Revenue Support Grant (RSG)
A grant paid by the government to authorities to support expenditure generally and not specific services. The grant helps to bridge the gap between council tax and business rates 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.

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 authorities in aid of particular services e.g. community fire safety.

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

Vested Rights
In relation to a defined benefit scheme, these are:
- For active members, benefits to which they would unconditionally be entitled on leaving the scheme;

- For deferred pensioners, their preserved benefits; and
- For pensioners, pensions to which they are entitled.

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