Tyne and Wear Fire and Rescue Authority

GOVERNANCE, RISK AND AUDIT SCRUTINY COMMITTEE

Meeting of the GOVERNANCE, RISK AND AUDIT SCRUTINY COMMITTEE to be held in the Fire Authority Rooms at the Fire and Rescue Service Headquarters, Nissan Way, Barmston Mere, Sunderland on **FRIDAY 13 FEBRUARY 2026** at **10.30am**

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6. **Treasury Management Policy and Strategy 2026/2027, including Prudential 'Treasury Management' Indicators for 2026/2027 to 2029/2030** 31

   Joint report of the Chief Fire Officer / Chief Executive (Clerk to the Authority) and the Director of Finance, Estates and Facilities (copy attached)

7. **Annual Governance Statement 2025/2026** 63

   Joint report of the Chief Fire Officer / Chief Executive (Clerk to the Authority) and the Director of Finance, Estates and Facilities (copy attached)

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PART II

Local Government (Access to Information) (Variation) Order 2006

The following is not for publication as the Committee is likely to exclude the public during consideration thereof as it contains information relating to the financial or business affairs of any particular person (including the Authority holding that information). (Local Government (Access to Information) (Variation) Order 2006, Schedule 12A, Part I, Paragraph 3).

9. **Corporate Risk Management Bi-Annual Review** 95

   Joint report of the Chief Fire Officer / Chief Executive (Clerk to the Authority), the Director of Finance, Estates and Facilities and the Director of People Services (copy attached)

Peter Heath KFSM MBA MSc
Chief Fire Officer and Chief Executive
Clerk to the Authority

5 February 2026

Item No 3

Tyne and Wear Fire and Rescue Authority

Minutes of the meeting of the GOVERNANCE COMMITTEE held in the Fire and Rescue Service Headquarters, Barmston Mere on Tuesday 16 December 2025 at 10.30am.

Present:

Mr G. Cook in the Chair.

Councillors Bell, Chapman, Dodds and Edgeworth.

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillors Chapman, Johnson, Keegan and Kilgour.

In Attendance

Deputy Chief Fire Officer Stewart Nicholson, Michelle Ronan, Director of Finance and Estates and Gavin Barker, Director, Forvis Mazars LLP.

Declarations of Interest

There were no declarations of interest.

Minutes

41. RESOLVED that the minutes of the inquorate Governance Committee held on 26 September 2025 be ratified and agreed as a correct record.

Treasury Management – Second Quarter Review 2025/2026

The Director of Finance, Estates and Facilities submitted a report to advise on the Treasury Management performance of the Authority to date for the second quarter of 2025/2026.

Members were reminded that Sunderland City Council performed the treasury management function on behalf of the Authority.

The key points were summarised, during which it was confirmed that that there had been no new borrowing or debt refinancing during the period as rates had not been considered sufficiently favourable, with the average borrowing rate at a low 2.69%. It was advised that the Authority already benefitted from low cost borrowing and from the ongoing savings from past debt rescheduling exercises.

It was confirmed that all Prudential Indicators remained within set limits for 2025/2026. Members were advised that the statutory limit under section 3 (1) of the Local Government Act 2003, which was required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt) was set at £31.277m for 2025/2026. Michelle confirmed that the Authority's maximum external debt during the financial year to 30 September 2025 was £25.972m and that it was within this limit. Members were referred to the Treasury Management Prudential Indicators set out in Section 2 of Appendix A for more detailed information.

Members were informed that the Authority's Authorised Lending List was updated to reflect financial institution mergers and changes in institutions' credit ratings since the previous report. The revised Approved Lending List was provided for information at Appendix C.

In line with Treasury Management best practice, a risk analysis of the Treasury Management functions was undertaken and included at Appendix D for information. This analysis outlined how Sunderland City Council managed the risks associated with the Treasury Management function on behalf of the Authority.

Martin Knowles asked whether the Authority was satisfied with the service provided by Sunderland City Council. Michelle confirmed that the Authority was very satisfied and reported that there were no issues.

DCFO Nicholson highlighted that the Authority had benefitted from its investment income being aligned with the benchmark rate, which stood at 4.19% for 2025/26. He noted that while achieving a balanced budget may become increasingly challenging over time, the Authority would continue to avoid borrowing and maintain reserves that could be repurposed if necessary. He confirmed that the Authority intended to adopt a tight fiscal approach and reassured Members that this strategy would remain in place going forward.

42. RESOLVED that: -

i) the Treasury Management performance of the Authority for the second quarter of 2025/2026 be noted; and

ii) the Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix also be noted.

Statement of Accounts 2025/2026 - Update

The Director of Finance, Estates and Facilities submitted a report updating Members on the audit of the 2025/2026 Statement of Accounts and a draft of the auditors' Annual Audit Report.

Gavin Baker, Director at Forvis Mazars LLP was introduced to formally present the report.

Members were referred to the draft Annual Audit Report and informed it could not be finalised until the end of the audit. The report did, however, include a completed section on value for money work (noting that Forvis Mazars had reserved the right to revise the information should any relevant issues arise before the end of the audit). It was confirmed that the external auditors did not anticipate any significant weaknesses in the arrangements that the Authority had in place to secure economy, efficiency and effectiveness in its use of resources.

In terms of financial sustainability, Gavin reported that it was clearly evidenced that the Authority was doing everything possible to manage its finances responsibly during a challenging financial climate. The Medium Term Financial Strategy (MTFS) remained sustainable over the four-year period, supported by prudent reserves and regular risk assessments. There was no reliance on short-term fixes beyond planned use of reserves, and monitoring arrangements ensured that operational performance was not compromised. No significant weaknesses in financial sustainability were identified.

In relation to Governance the audit had not identified any significant weakness in the Authority's arrangements, however attendance had been noted as an issue in previous meetings, particularly as the September meeting had not been quorate.

Gavin reported a minor typographical error on page 10 in the Overall Summary of the Reporting Criteria, noting that under the Governance section, 'other recommendations' should read 'yes'. This was described further on in the report, whereby it was outlined that management retained ultimate responsibility for producing the Authority's financial statements, including implementing new accounting standards and maintaining appropriate internal controls. It was recommended that management review its internal control systems, remain up to date with relevant accounting standards, allocate sufficient time for preparing supporting working papers (including consulting external experts if necessary) and ensure all documentation was available in good time to avoid delays and adverse impacts on the financial statements.

It was confirmed that a detailed paper had been prepared on this.

Moving on to Value for Money, it was confirmed that there were no significant weaknesses in the Authority's arrangements in relation to improving economy, efficiency and effectiveness.

Gavin reported that approximately 50–60% of the audit work had been completed and confirmed that an updated version of the report would be produced upon

conclusion of the audit. He noted that the Authority's position remained positive and advised that a full presentation of the audit findings would be provided to the Governance Committee in February 2026.

The Chair asked Gavin if he was satisfied with progress, and Gavin confirmed that he was very pleased with the cooperation received from Management. He highlighted that the positives included being able to provide an evaluated opinion on the Authority's finances. Gavin noted that the Authority was in a strong position and able to deliver within agreed timescales, which was reassuring.

Councillor Edgeworth asked about the Authority's position following the recent announcement on the Fair Funding Consultation. In response, Michelle advised that the Authority had submitted a response and noted that significant lobbying had taken place to seek greater financial support from Government. Since then, a finance policy statement had been issued and some financial modelling undertaken; however, further detail was still awaited.

DCFO Nicholson commented that it had been informative to follow the initial consultations in Northumberland, Cleveland, and Darlington and observe the levels of deprivation and associated challenges. He highlighted the efforts made by both Tyne and Wear Fire and Rescue Service and Cleveland Fire Brigade to raise their profiles, noting that the Chief Fire Officer had written to all MPs and the National Fire Chiefs Council, which had provided detailed input and a proposed funding formula.

Martin Knowles emphasised that the Authority must ensure it secures its fair share of funding.

DCFO Nicholson, referring back to the report, thanked Gavin Barker and commented that it was reassuring to hear there were no significant issues identified. He noted that the Authority felt matters were being managed competently. He further emphasised the importance of His Majesty's Inspectorate seeing the collaborative interface and the expectation that councillors be present to demonstrate that the authorities work together effectively.

Upon consideration of the report, it was: -

43. RESOLVED to note the contents of the report and the auditor's Annual Audit Report.

Local Government (Access to Information) (Variation Order) 2006

44. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during consideration of the remaining business as it contains information relating to the financial or business affairs of any particular person (including the Authority

holding that information). (Local Government Act 1972, Schedule 12A, Part I, Paragraph 3).

(Signed) G N Cook
Chair

Tyne and Wear Fire and Rescue Authority

TYNE AND WEAR FIRE AND RESCUE AUTHORITY **Item No 4**

MEETING: GOVERNANCE, RISK AND AUDIT SCRUTINY COMMITTEE: 13th FEBRUARY 2026

SUBJECT: INTERNAL AUDIT PLAN REPORT – 2026/2027

REPORT OF THE HEAD OF INTERNAL AUDIT

1 INTRODUCTION

1.1 To enable the Governance, Risk and Audit Scrutiny Committee to consider and comment on the proposed Internal Audit Plan for 2026/27.

2 BACKGROUND

2.1 The Terms of Reference of the Committee include *'consider the Internal Audit Plan and any proposed revisions'*.

2.2 The Internal Audit Strategy sets out how the service will be delivered and the role of Internal Audit in providing assurance to the Authority. The Internal Audit Strategy for the Authority was agreed on 26th February 2024 and remains fit for purpose; therefore, this report only covers the Internal Audit Plan for 2026/27.

2.3 The Internal Audit Plan sets out the proposed plan of audit work for the Authority for 2026/27 along with Internal Audit's performance targets for the year.

3 INTERNAL AUDIT PLAN FOR 2026/27

3.1 Introduction

3.1.1 This document sets out the proposed Internal Audit Plan and key performance measures for 2026/27.

3.2 Development of the Plan

3.2.1 In developing the coverage of internal audit work it is appropriate to cover the key risk areas of the Service over a period of years. The frequency and scope of the work is driven by an assessment of risk in consultation with the Chief Fire Officer and the Director of Finance, Estates and Facilities. The Internal Audit Plan sets out the work scheduled for the next financial year.

3.2.2 As specific areas of concern or irregularity may require investigation as and when they arise, a small contingency is made for this work.

3.2.3 Where individual audits cannot be undertaken as originally planned (e.g. service no longer provided), attempts will be made to replace the audit with a suitable replacement in consultation with the Director of Finance, Estates and Facilities. Where these changes are agreed, this shall be considered a variation to this plan for the purposes of performance reporting.

3.2.4 In addition, unforeseen work can arise due to new areas of service or increased risk which is appropriate to prompt internal audit work in the year. Therefore, in order to allow some flexibility, a small contingency is made to enable such work to be undertaken without adversely affecting the delivery of the planned audit work.

3.2.5 Advice and guidance on internal control is provided as required.

3.2.6 Within the plan, provision has been made to carry out follow up work to monitor the implementation of previously agreed actions.

3.3 Planned Audit Work for 2026/27

3.3.1 The following audits are planned.

Business Continuity (12 days, planned for quarter 1)
Audit work will review the arrangements in place within the Service specifically in relation to the event of a reduced workforce.

Learning and Development (12 days, planned for quarter 2)
The audit will review the arrangements in relation to the planning, delivery and monitoring of learning and development.

Partnerships Arrangements (12 days, planned for quarter 2)
The audit will review the Service's arrangements to manage the partnership register and review and evaluate the effectiveness of existing partnerships.

Financial transaction testing (10 days, planned for quarter 3)
Audit work will involve testing a sample of transactions relating to Payroll and Accounts Payable.

Effectiveness of Governance Arrangements (12 days, planned for quarter 3)
Audit work will review the effectiveness of the Committees in line with their revised Terms of Reference.

Implementation of the Operational Communications System (12 days, planned for quarter 4)
The audit will review the arrangements following the implementation of the new operational communications system.

3.3.2 Each audit is linked to the appropriate key risk area(s) to identify the audit work that will inform the opinion in relation to each key risk area. Appendix 1 to this report shows all of the key risk areas and those audits that contribute

towards the opinion on each area. It should be noted that some audits contribute towards the opinion of more than one key risk area, and some key risk areas rely on a number of audits.

3.3.3 In addition to the above, audit work is also undertaken on Sunderland City Council's key financial systems, which are used by the Fire and Rescue Authority. Systems planned to be audited include:

- Accounts Payable;
- Accounts Receivable / Periodic Income;
- Payroll.

3.4 Reporting Protocols

3.4.1 At the conclusion of each individual audit a draft report and, if necessary, a proposed action plan will be forwarded to the appropriate manager. Once agreement has been reached, a final report (including any agreed action plan) will be forwarded to the Chief Fire Officer. Where audits highlight issues which need to be brought to the attention of the Director of Finance, Estates and Facilities they will be raised as and when necessary.

3.4.2 The Chief Fire Officer and Governance, Risk and Audit Scrutiny Committee will be updated on progress against the audit plan approximately halfway through the year.

3.4.3 An Annual Report will be prepared for the Governance, Risk and Audit Scrutiny Committee, in order to give assurance, or otherwise, to Members regarding the Authority's system of internal control.

3.5 Performance Management

3.5.1 Internal Audits are undertaken in line with the Public Sector Internal Audit Standards through the standards being built into audit working practices. From April 2025 the Global Internal Audit Standards became the new Standards that internal audit are required to follow. A self-assessment has been undertaken to assess the current compliance against these standards. The assessment against the Public Sector Internal Audit Standards undertaken in 2024 will remain applicable until the next assessment is due in 2029.

3.5.2 The Key Performance Indicators which will be used to measure the performance of the service throughout the year are shown in Appendix 2.

3.6 Variations to Audit Plan

3.6.1 In order to allow some flexibility in the work Internal Audit undertake, as stated earlier, a contingency is made to enable unforeseen requests to be responded to without adversely affecting the delivery of the planned audit work. However, if the contingency has been exhausted an assessment will be carried out to determine whether requests for additional work should be undertaken, based

on the impact upon the delivery of the plan and the risks associated with the work requested.

4 RISK MANAGEMENT

4.1 There are no direct risks to the Authority in respect of this report.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications in respect of this report. The Internal Audit Service is provided to the Authority under a service level agreement with Sunderland city Council.

6 EQUALITY AND FAIRNESS IMPLICATIONS

6.1 There are no equality and fairness implications in respect of this report.

7 HEALTH AND SAFETY IMPLICATIONS

7.1.1 There are no health and safety implications in respect of this report.

8 RECOMMENDATIONS

8.1 The Authority is invited to consider and, if appropriate, make comment on the attached proposed Internal Audit Plan

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BACKGROUND PAPERS

None

Internal Audit Coverage

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2023/24 Audit Opinion / Assurance	2024/25 Audit Opinion / Assurance	2025/26 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2026/27
Corporate Governance	5%	Review of the effectiveness of committees in line with their revised Terms of Reference.		Risk management arrangements – Substantial		Substantial	Effectiveness of Governance Arrangements
Service / Business Planning, IRMP	9%	No audits suggested for the coming year.		Community Risk Management Plan – Substantial		Substantial	No audit work planned
Financial Management	5%	Accounts payable and payroll transaction testing undertaken annually.	Financial Transactions Testing on Payroll and Accounts Payable – Substantial	Financial transaction testing on Payroll and Accounts Payable – Substantial	Financial transaction testing on Payroll and Accounts Payable	Substantial	Financial transaction testing on payroll and accounts payable
Risk Management	5%	No audits suggested for the coming year.	Health and Safety Arrangements - Substantial	Risk management arrangements – Substantial Community Risk Management Plan – Substantial		Substantial	No audit work planned
Procurement and Contract Management	8%	No audits suggested for the coming year.	Contract Management Arrangements for the new Fire		PFI Arrangements - Moderate	Substantial	No audit work planned

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2023/24 Audit Opinion / Assurance	2024/25 Audit Opinion / Assurance	2025/26 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2026/27
			Station – Substantial				
Human Resource Management	10%	Review of the arrangements for the planning, delivery and monitoring of Learning and Development. Review of the Business Continuity Arrangements in place within the Service specifically in relation to the event of a reduced workforce.	Health and Safety Arrangements – Substantial	Human resource action plan – Substantial	Occupational Health	Substantial	Learning and Development Business Continuity Arrangements
Asset Management	15%	No audits suggested for the coming year.	Contract Management Arrangements for the new Fire Station – Substantial		PFI Arrangements – Moderate	Substantial	No audit work planned
ICT	12%	No audits suggested for the coming year.	Cyber Security Arrangements - Substantial		Business Continuity Arrangements	Substantial	No audit work planned
Fraud and Corruption	2%	Financial transactions tested annually	Financial Transactions Testing on	Financial transaction testing on	Financial transaction testing on	Substantial	Financial transaction testing on payroll and accounts payable

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2023/24 Audit Opinion / Assurance	2024/25 Audit Opinion / Assurance	2025/26 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2026/27
		through accounts payable and payroll.	Payroll and Accounts Payable – Substantial	Payroll and Accounts Payable – Substantial	Payroll and Accounts Payable		
Information Governance	15%	Review of the arrangements to manage the partnerships register and review and evaluate the effectiveness of partnerships.	Compliance with General Data Protection Regulation - Substantial	Information access requests – Substantial	Data Retention	Substantial	Partnership Arrangements
Business Continuity & Contingency Planning	15%	Review of the Business Continuity Arrangements in place within the Service specifically in relation to the event of a reduced workforce.			Business Continuity Arrangements	Substantial	Business Continuity Arrangements
Performance Management	5%	No audits suggested for the coming year.		Information access requests – Substantial		Substantial	No audit work planned
Payroll	5%	Payroll transaction testing.	Transaction Testing – Payroll - Substantial	Transaction Testing – Payroll – Substantial	Transaction Testing – Payroll	Substantial	Transaction testing - payroll

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2023/24 Audit Opinion / Assurance	2024/25 Audit Opinion / Assurance	2025/26 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2026/27
Partnership Working	11%	Review of the arrangements to manage the partnerships register and review and evaluate the effectiveness of partnerships.			Partnership Arrangements - Substantial	Substantial	Partnership Arrangements
Project Management	12%	Review of the arrangements following the implementation of the new operational communications system		Replacement of the operational communication system – Substantial		Substantial	Implementation of the Operational Communication System

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2026/27		
Efficiency and Effectiveness		
Objectives	KPI's	Targets
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified. 2) Percentage of draft reports issued within 15 days of the end of fieldwork. 3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	1) All key risk areas covered over a 3 year period 2) 90% 3) 85%

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2026/27		
Quality		
Objectives	KPI's	Targets
1) To maintain an effective system of Quality Assurance. 2) To ensure recommendations made by the service are agreed and implemented.	1) Opinion of External Auditor 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented.	1) Satisfactory opinion 2) 100% for high and significant. 90% for medium risk
Client Satisfaction		
Objectives	KPI's	Targets
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported

Tyne and Wear Fire and Rescue Authority

TYNE AND WEAR FIRE AND RESCUE AUTHORITY **Item No 5**

GOVERNANCE, RISK AND AUDIT SCRUTINY COMMITTEE: 13 FEBRUARY 2026

SUBJECT: TREASURY MANAGEMENT – THIRD QUARTER REVIEW 2025/2026

JOINT REPORT OF THE CHIEF FIRE OFFICER / CHIEF EXECUTIVE (CLERK TO THE AUTHORITY) AND THE DIRECTOR OF FINANCE, ESTATES AND FACILITIES

1. INTRODUCTION

1.1 To report on the Treasury Management performance to date for the third quarter of 2025/2026.

2. BACKGROUND

2.1 Sunderland City Council performs the treasury management function on behalf of the Authority.

2.2 This report sets out the Treasury Management performance to date for the third quarter of the financial year 2025/2026, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Authority. This information is based on the data for Sunderland City Council, which incorporates the investment and borrowing figures for the Authority.

3. SUMMARY OF TREASURY MANAGEMENT PERFORMANCE FOR 2025/2026

3.1 The Authority's Treasury Management function continues to look at ways to maximise financial savings and increase investment returns to the revenue budget, whilst maintaining a balanced risk position. Public Works Loan Board (PWLB) rates rose slightly during the first two quarters of the financial year before falling and continue to be volatile. No new borrowing has been required to date during 2025/2026 but the position continues to be monitored closely.

3.2 No refinancing of debt has been carried out in 2025/2026 during the period as rates have not been considered sufficiently favourable. The Authority's average interest rate on borrowing is low, currently 2.67%, and as such the Authority already benefits from this low cost of borrowing and from the ongoing savings from past debt rescheduling exercises. Based on advice from the Authority's treasury management advisor, performance continues to see the Authority's average borrowing rate compare favourably to other authorities.

3.3 Treasury Management Prudential Indicators are regularly reviewed, and the Authority is within the limits set for all its Treasury Management Prudential Indicators for 2025/2026. The statutory limit under section 3 (1) of the Local Government Act 2003, which is required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt) was set at £31.277m for 2025/2026. The Authority's maximum external debt during the financial year to 31

December 2025 was £25.972m and is within this limit. More details of all of the Treasury Management Prudential Indicators are set out in Section 2 of Appendix A for information.

3.4 The Authority's investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Authority.

3.5 The Authority has benefitted from the fact that its investment income has been matched to the benchmark rate, currently 4.10% for 2025/2026 to 31 December 2025, instead of the average Money Market Fund (MMF) return. Whilst historic returns have been higher than the benchmark rate, the MMF rate has been adversely impacted by the continuing conflict in Ukraine and Gaza/Israel. The investment policy continues to reflect the priority to 'protect' the funds of the Authority first and foremost. More details are set out in Section A3 of this report in respect of the Authority's Investment Strategy and Performance.

3.6 More detailed Treasury Management information is included in Appendix A for information.

3.7 The regular updating of the Authority's Authorised Lending List is required to take into account financial institution mergers and changes in institutions' credit ratings since the last report. The updated Approved Lending List is shown in Appendix C for information.

4. RISK MANAGEMENT

4.1 There are no risk management implications in respect of this report.

5. FINANCIAL IMPLICATIONS

5.1 There are no financial implications in respect of this report

6. EQUALITY AND FAIRNESS IMPLICATIONS

6.1 There are no equality and fairness implications in respect of this report.

7. HEALTH AND SAFETY IMPLICATIONS

7.1 There are no health and safety implications in respect of this report.

8. RECOMMENDATIONS

8.1 The Governance, Risk and Audit Scrutiny Committee is recommended to:

a) Note the Treasury Management performance for the third quarter of 2025/2026.

b) Note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

Appendix A

Detailed Treasury Management Performance – During Quarter 3 2025/2026

A1 Borrowing Strategy and Performance – 2025/2026

A1.1 The Borrowing Strategy for 2025/2026 was approved by the Authority on 17 March 2025.

A1.2 The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view at the time of drafting the Treasury Management Policy and Strategy was that the Bank of England (BoE) Base Rate would start 2025/2026 at 4.50% and continue downwards, reaching 4.00% by September 2025 and fall to 3.75% by March 2026. PWLB borrowing rates were also believed to have reached their peak and were expected to steadily fall over the three-year forecast timescale. However, these projections were subject to significant volatility as a consequence of emerging economic data and future BoE Monetary Policy Committee (MPC) announcements.

A1.3 The Bank of England's (BoE) Monetary Policy Committee (MPC) announced on 18 December 2025 that it voted 5-4 to reduce the Base Rate to 3.75% and was expected to continue a "gradual downward path" subject to data on labour market activity and wage growth pressures. This reflects their ongoing commitment to ensure headline CPI inflation returns to its 2% target in the medium term.

A1.4 The Office for National Statistics (ONS) report that annual Consumer Prices Index (CPI) inflation rose by 3.4% in the twelve months to December 2025. Having peaked at 3.8% during the period July to September 2025, it is projected to fall to close to 3.0% in the coming quarters, with further falls towards the BoE's target of 2.0%.

A1.5 On growth, the ONS reports that gross domestic product (GDP) grew by 0.1% in the three months to November 2025, compared with the three months to August 2025. Monthly GDP is estimated to have grown by 0.3% in November 2025, following an unrevised fall of 0.1% in October 2025 and a growth of 0.1% in September. The BoE's Quarterly Monetary Policy Report shows that UK GDP is expected to be in the region of 1.4% for Q4 2025, rising to 1.8% by Q4 2028.

A1.6 Investment returns have fallen steadily, reflecting corresponding falls in the BoE Base Rate. However long-term borrowing rates are currently high, and above our 2025/2026 benchmark borrowing rate of 5.50%. Therefore, investment balances will be temporarily used where necessary pending borrowing rates reducing.

A1.7 MUFG Corporate Markets, the Authority's treasury advisors, reviewed their interest rate forecasts in December 2025 to reflect the outcome of the Chancellor's November 2025 Budget and the 25bps Base Rate cut announced by the MPC. They believe the MPC won't look to cuts rates until economic data shows the BoE has been successful in removing excess inflation out of the economy, against a backdrop of wage growth remaining stubbornly high and a restricted labour market.

A1.8 The following table shows the average PWLB rates for Quarters 1, 2 and 3 compared to the SONIA Overnight Rate used to benchmark investment returns.

2025/2026	Qtr 1* (Apr-Jun 2025) %	Qtr 2* (Jul-Sep 2025)	Qtr 3* (Oct-Dec 2025) %
SONIA Overnight Rate	4.31	4.07	3.93
PWLB 1 year	4.61*	4.49*	4.47*
PWLB 5 years	4.81*	4.84*	4.78*
PWLB 10 years	5.36*	5.44*	5.35*
PWLB 25 years	6.03*	6.17*	6.02*
PWLB 50 years	5.72*	5.93*	5.79*

*rates take account of the 0.2% discount to PWLB rates available to eligible authorities.

A1.9 High levels of volatility in the financial markets continue in 2025/2026. The main sensitivities of the forecasts in the UK reflect ongoing concerns over the future path of inflation, increased level of Government borrowing over the term of the current Parliament and the potential impact on inflation globally resulting from President Trump's ongoing tariff policies.

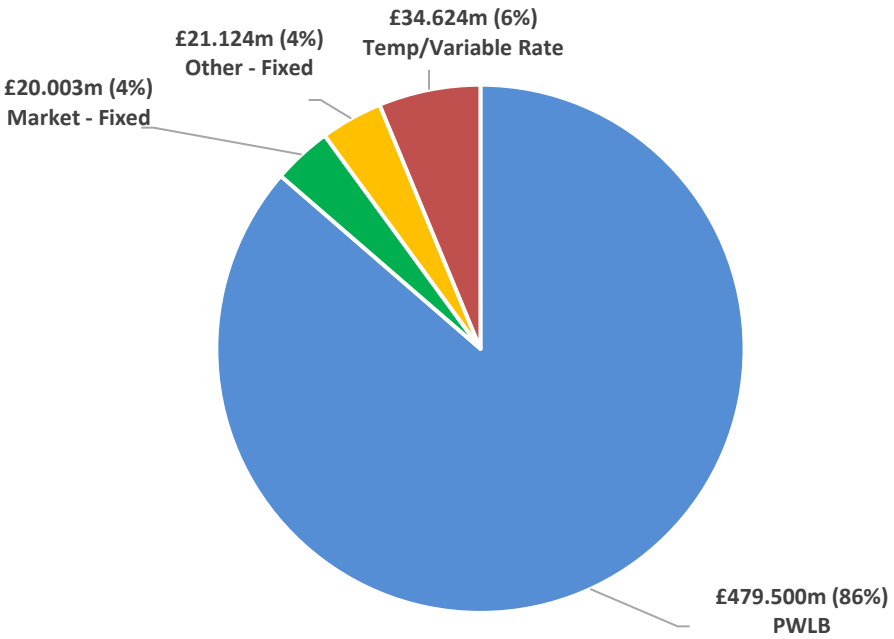
A1.10 The UK and the EU reached a new agreement setting out post-Brexit relations on areas including fishing rights, trade and defence. £250bn of investments between the UK and USA together with a new technology trade deal were also announced during President Trump's second state visit. However, the ongoing conflict between Russia and the Ukraine, Israel and Gaza/Iran and heightened tensions between China, Taiwan and the United States alongside other geopolitical factors are likely to continue to have a global economic impact.

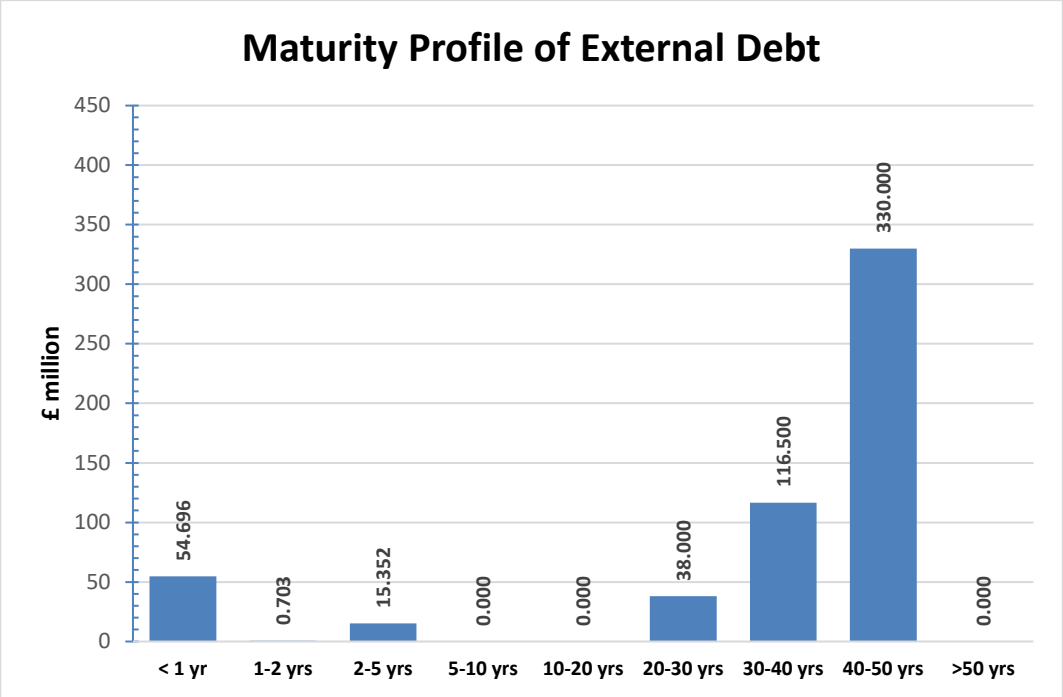
A1.11 At present, PWLB rates are expected to fall gradually from their current levels through to March 2027. MUFG Corporate Markets predict PWLB rates standing at 4.60%, 5.20%, 5.80% and 5.60% for 5, 10, 25 and 50-year durations respectively by 31st March 2026 before falling within the range 4.10%-5.50% for all durations by March 2027. With so many external influences weighing on the UK economy, interest rate forecasting remains very difficult. From time to time, gilt yields, and consequently PWLB rates, can be subject to exceptional levels of volatility which could occur at any time during the forecast period.

A1.12 The strategy for 2025/2026 is to adopt a pragmatic and flexible approach in identifying the low points in the interest rate cycle at which to borrow, and to respond to any changing circumstances to seek to secure benefit for the Authority. A benchmark financing rate of 5.50% for long-term borrowing was set for 2025/2026 in light of the views prevalent at the time the Treasury Management policy was set in March 2025.

A1.13 The Council's treasury portfolio position at 31 December 2025 is set out as follows:

Borrowing Summary at:	31 December 2025	
	Principal	**Ave rate %**
Fixed		
PWLB	479,500,000	2.60
Market – Fixed	20,003,079	4.38
Other – Fixed	21,123,923	0.30
	520,627,002	2.58
Variable		
Temporary/Other – Variable	34,623,878	4.06
	34,623,878	4.06
TOTAL:	**555,250,880**	**2.67**





A2 Treasury Management Prudential Indicators – 2025/2026

A2.1 All external borrowing and investments undertaken in 2025/2026 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Authority's performance for all of the other Treasury Management Prudential Indicators.

A2.2 The statutory limit under section 3(1) of the Local Government Act 2003 (which is also known as the Authorised Borrowing Limit for External Debt) was set by the Authority for 2025/2026 as follows:

	£m
Borrowing	21.809
Other Long-Term Liabilities	9.468
Total	**31.277**

The Operational Boundary for External Debt was set as shown below:

	£m
Borrowing	16.809
Other Long-Term Liabilities	9.468
Total	**26.227**

A2.3 Both the Authorised Limit and the Operational Limit include an element for long-term liabilities relating to PFI schemes and finance leases. These have been brought onto the Authority's Balance Sheet in compliance with International Financial Reporting Standards (IFRS).

A2.4 The Authority's maximum external debt in respect of 2025/2026 (to 31 December 2025) was £25.972m and is within the Authorised Borrowing Limit for External Debt.

A2.5 The table below shows that all other Treasury Management Prudential Indicators set by Sunderland City Council (which includes the Authority's data) have been complied with:

Prudential Indicators		**2025/2026 (Max to 31/12/25)**	
		Limit	**Actual**
P9	**Maturity Pattern**	Upper Limit	
	Under 12 months	50%	9.91%
	12 months and within 24 months	60%	0.13%
	24 months and within 5 years	80%	2.84%
	5 years plus	100%	89.68%
	A lower limit of 0% for all periods		
P10	**Upper limit for total principal sums invested for over 365 days**	£75m	0

A3 Investment Strategy – 2025/2026

A3.1 The Investment Strategy for 2025/2026 was approved by the Authority on 17 March 2025. The general policy objective for the Authority is the prudent investment of its treasury balances. The Authority's investment priorities in order of importance are:

a) The **security** of capital;
b) The **liquidity** of its investments and then;
c) The Authority aims to achieve the **optimum yield** on its investments, but this is commensurate with the proper levels of security and liquidity.

A3.2 At 31 December 2025, funds managed by Sunderland City Council's in-house team on behalf of the Authority amounted to £27.514m and all investments complied with the approved Annual Investment Strategy.

A3.3 The table below shows the return received on these investments compared with the benchmark SONIA (Sterling Overnight Index Average) rate, which the Authority uses to assess its performance.

	2025/2026 Actual to 31/12/25 %	**2025/2026 Benchmark to 31/12/25 %**
Return on investments	4.10	4.10

A3.4 Investments placed in 2025/2026 have been made in accordance with the approved Investment Strategy and comply with the Counterparty Criteria in place, shown in Appendix B, which is used to identify organisations on the Approved Lending List.

A3.5 Investment rates available in the market have continued to fall following changes to the Base Rate announced by the Bank of England's Monetary Policy Committee

(MPC). Following the cut to 5.00% in August 2024, the first fall in the rate since March 2020, there have been further reductions to its current level of 3.75% announced on 18 December 2025.

Effective Date	BoE Base Rate %	
19 Mar 2020	0.10	Historic Low
3 Aug 2023	5.25	Current peak
1 Aug 2024	5.00	
7 Nov 2024	4.75	
6 Feb 2025	4.50	
8 May 2025	4.25	
7 Aug 2025	4.00	
18 Dec 2025	3.75	

A3.6 Whilst investment returns have fallen in comparison to previous years, the Authority continues to follow a risk averse strategy when placing funds, prioritising security of capital whilst seeking to achieve the optimum return commensurate with risk. The Authority continues to follow advice from our Treasury Management advisors by placing funds in shorter dated liquid investments than previously.

A3.7 Advice also continues that the above guidance is not applicable to institutions considered to be very low risk, mainly where the government holds shares in these organisations and therefore have the UK Government rating applied to them, or separately in respect of Money Market Funds which are AAA rated.

A3.8 The regular updating of the Authorised Lending List is required to take into account financial institution mergers and changes in institutions' credit ratings. Any changes since the last Treasury Management report are indicated in bold on the Approved Lending List is shown in Appendix C.

A3.9 On 31 May 2025, 17 years after buying an 84% stake in the NatWest Group amid the 2008 financial crisis, the Treasury announced the sale of its final shares returning the bank to full private ownership. Deposit and duration limits will now be based on credit ratings for the counterparty rather than the UK Government's credit rating of AA-.

Lending List Criteria **Appendix B**

Counterparty Criteria

The Council takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisers.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch Long-Term Rating	Fitch Short-Term Rating	Moody's Long-Term Rating	Moody's Short-Term Rating	S&P's Long-Term Rating	S&P's Short-Term Rating	Maximum Deposit £m	Maximum Duration
AAA	F1+	Aaa	P-1	AAA	A-1+	120	2 Years
AA+	F1+	Aa1	P-1	AA+	A-1+	100	2 Years
AA	F1+	Aa2	P-1	AA	A-1+	80	2 Years
AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 Years
A+	F1+	A1	P-1	A+	A-1	70	365 days
A+	F1	A1	P-1	A+	A-1	70	365 days
A	F1	A2	P-1	A	A-1	65	365 days
A-	F1	A3	P-1	A-	A-1	50	365 days
A-	F2	A3	P-2	A-	A-2	50	365 days
Local Authorities (limit for each local authority)						30	2 years
UK Government (including debt management office, gilts and treasury bills)						300	2 years
Money Market Funds (CNAV, LVNAV and VNAV) Maximum amount to be invested in Money Market Funds is £250m with a maximum of £50m in any one fund.						250	Liquid Deposits
Local Authority controlled companies						40	20 years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA- will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above; these new limits are as follows:

Country Limit
It is proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £50m which can be invested in other countries provided they meet the above criteria. A separate limit of £300m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	**Limit £m**
UK	300
Non-UK	50

Sector Limit
The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	**Limit £m**
Central Government	300
Local Government	300
UK Banks	300
Money Market Funds	250
UK Building Societies	100
Foreign Banks	50

Group Limit
Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, the total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the UK continues to have a sovereign credit rating of AA-; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Appendix C.

Approved Lending List

Appendix C

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA-		Aa3		AA		300	
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
Lloyds Bank Corporate Markets plc (NRFB)	AA-	F1+	A1	P-1	A	A-1	70	365 days
Bank of Scotland Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
NatWest Group							Group Limit 70	
The Royal Bank of Scotland Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
National Westminster Bank Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
NatWest Markets plc (NRFB)	AA-	F1+	A1	P-1	A	A-1	70	365 days
Santander UK plc	A+	F1	A1	P-1	A	A-1	65	365 days
Barclays Bank plc (NRFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Barclays Bank plc (RFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Clydesdale Bank	A	F1	A1	P-1	**A+**	A-1	65	365 days
Co-Operative Bank Plc *	WD	WD	A3	P-2	-	-	50	365 days
Goldman Sachs International Bank	A+	F1	A1	P-1	A+	A-1	70	365 days
HSBC Bank plc (NRFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
HSBC UK Bank plc (RFB)	AA-	F1+	**Aa3**	P-1	A+	A-1	70	365 days
Nationwide BS	A	F1	A1	P-1	A+	A-1	65	365 days
Standard Chartered Bank	A+	F1	A1	P-1	A+	A-1	70	365 days
SMBC Bank International Ltd	A-	F1	A1	P-1	A	A-1	50	365 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A-	F1	A3	P-2	-	-	50	365 days
Leeds BS	A-	F1	A3	P-2	-	-	50	365 days
Principality BS*	BBB+	F2	Baa1	P-2	-	-	0	
Skipton BS	A-	F1	A2	P-1	-	-	50	365 days
Yorkshire BS	A-	F1	A2	P-1	-	-	50	365 days
Money Market Funds							250	Liquid
Prime Rate Stirling Liquidity	AAA		AAA		AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA				AAA		50	Liquid
Deutsche Managed Sterling Fund			Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £50m								
Australia	AAA		Aaa		AAA		50	
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
National Australia Bank	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Westpac Banking Corporation	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Canada	AA+		Aaa		AAA		50	
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Royal Bank of Canada	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Toronto Dominion Bank	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Denmark	AAA		Aaa		AAA		50	
Danske A/S	A+	F1	A1	P-1	A+	A-1	50	365 days
Finland	AA		Aa1		AA+		50	
OP Corporate Bank plc	WD	WD	Aa3	P-1	AA-	A-1+	50	2 years
Germany	AAA		Aaa		AAA		50	

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA	A-1+	50	2 years
Netherlands	AAA		Aaa		AAA		50	
Bank Nederlandse Gemeenten	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
Cooperatieve Rabobank U.A.	A+	F1	Aa2	P-1	A+	A-1	50	365 days
Nederlandse Waterschapsbank NV	-	-	Aaa	P-1	AAA	A-1+	50	2 years
Singapore	AAA		Aaa		AAA		50	
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Sweden	AAA		Aaa		AAA		50	
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Switzerland	AAA		Aaa		AAA		50	
UBS AG	A+	F1	Aa2	P-1	A+	A-1	50	365 days
USA	AA+		Aa1		AA+		50	
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	50	2 years
JP Morgan Chase Bank NA	AA	F1+	**Aa1**	P-1	AA-	A-1+	50	2 years
Wells Fargo Bank NA	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days

Notes

* These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

Tyne and Wear Fire and Rescue Authority

TYNE AND WEAR FIRE AND RESCUE AUTHORITY **Item No 6**

GOVERNANCE, RISK AND AUDIT SCRUTINY COMMITTEE: 13 FEBRUARY 2026

SUBJECT: TREASURY MANAGEMENT POLICY AND STRATEGY 2026/2027, INCLUDING PRUDENTIAL 'TREASURY MANAGEMENT' INDICATORS FOR 2026/2027 TO 2029/2030

JOINT REPORT OF THE CHIEF FIRE OFFICER / CHIEF EXECUTIVE (CLERK TO THE AUTHORITY) AND THE DIRECTOR OF FINANCE, ESTATES AND FACILITIES

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1. Purpose of the Report

1.1 To inform the Committee on the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2026/2027 and to note the Prudential 'Treasury Management' Indicators for 2026/2027 to 2029/2030 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

2. Treasury Management

2.1 Treasury Management is defined as "the management of the Authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 The Treasury Management function is a specialist service that is carried out by Sunderland City Council on behalf of the Authority

3. Statutory requirements

3.1 The Local Government Act 2003 (the Act) requires the Authority to:

- 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators including specific Treasury Management Indicators) for a minimum period of three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable. These are detailed at Appendix 1.
- adopt a Treasury Management Policy Statement (detailed in Appendix 2), and
- to set out its Treasury Management Strategy Statement comprising the Authority's strategy for borrowing and the Authority's policies for managing its investments and giving priority to the security and liquidity of those investments (set out in Appendix 3).

3.2 The Ministry of Housing, Communities and Local Government (MHCLG) 'Statutory Guidance on Local Government Investments' was updated in February 2018 and CIPFA updated its Treasury Management in the Public Services Code of Practice and Prudential Code in December 2021.

3.3 Changes to the investment guidance focused particularly on non-treasury investments which are reported within the Commercial Activity – Investment Strategy section of the Capital Strategy rather than in the Treasury Management Strategy. This ensures the separation of the core treasury function where investments are made under security, liquidity and yield principles, and non-treasury commercial and strategic investments. Code updates continue to reinforce that local authorities must not borrow to invest primarily for financial return.

4. CIPFA requirements

4.1 The Authority continues to fully adopt and to re-affirm annually its adherence to the updated CIPFA Code of Practice on Treasury Management.

The primary requirements of the Code include that:

1. The Authority will create and maintain, as the cornerstones for effective treasury management:
   - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
   - suitable treasury management practices (TMP's), setting out the way the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
   - investment management practices (IMPs) for investments that are not for treasury management purpose.

   The content of the treasury management policy statement is detailed in Appendix 2 and the TMP's follow the recommendations contained in Sections 6 and 7 of the Code, subject only to minor variations where necessary to reflect the particular circumstances of the Authority, and these do not result in the Authority materially deviating from the Code's key principles.
2. The Authority will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan, in advance of the year ahead, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.
3. The Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to this Committee, and for the execution and administration of treasury management decisions to the Director of Finance, Estates and Facilities, who acts in accordance with the Authorities Treasury

Management Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. The Authority has previously nominated the Governance, Risk and Audit Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5 Treasury Management Strategy Statement for 2026/2027

5.1 The Treasury Management Strategy Statement comprises a Borrowing and an Investment Strategy. These set out the Authority's policies for managing its borrowing and investments in 2026/2027.

5.2 There are no major changes proposed to the overall Treasury Management Strategy in 2026/2027, which maintains the careful and prudent approach adopted by the Authority in previous years. Areas that inform the strategy include the extent of potential borrowing included in the Capital Programme, the availability of borrowing and the current and forecast global and UK economic positions, in particular forecasts relating to interest rates and security of investments.

5.3 The proposed Treasury Management Strategy Statement for 2026/2027 is set out in Appendix 3 and has been informed market data, market information and leading market forecasts and views provided by the Authority's treasury adviser, MUFG Corporate Markets.

5.4 The Authority's treasury management practices are subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate so that the Lead Authority, on behalf of this Authority, can take a view on the optimum time to carry out further borrowing or debt rescheduling.

6. Recommendation

6.1 Committee is requested to note and comment as necessary on the:

- Proposed Annual Treasury Management Policy and Strategy for 2026/2027 (including specifically the Annual Borrowing and Investment Strategies) and,
- The draft Prudential 'Treasury Management' Indicators 2026/2027 to 2029/2030.

Appendix 1

Prudential 'Treasury Management' Indicators 2026/2027 to 2029/2030

The indicators below relate to Treasury Management (all indicators relating to capital financing have been removed for clarity and can be found in the Capital Programme 2026/2027 including Prudential Indicators for 2026/2027 to 2029/2030 report to be considered by the Authority on 19 February 2026.

P5 In respect of its external debt, it is recommended that the Authority approves the following authorised limits for its total external debt (gross of investments) for the next four financial years. These limits must separately identify borrowing from other long-term liabilities such as PFI schemes and finance leases. The Authority is asked to approve these limits and to delegate authority to the Director of Finance, Estates and Facilities, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for the Authority. Any such changes made will be reported to the Authority at the next meeting following the change.

Authorised Limit for External Debt

2025/2026	2026/2027	2027/2028	2028/2029	2029/2030
£'000	£'000	£'000	£'000	£'000
30,851	28,182	25,508	22,258	18,755

The above authorised limits are consistent with the Authority's current commitments, existing plans within the Capital Programme 2026/2027 to 2029/2030 which set out its capital expenditure and financing, and with its proposed treasury management policy statement and practices. They are based on the estimate of most likely, prudent, but not worst-case scenario, with, in addition, sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes.

In taking its decisions on the Revenue Budget and Capital Programme for 2026/2027, the Authority will agree the authorised limit determined for 2026/2027 (see P5 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

P6 The Authority will also agree to the following operational boundary for external debt for the same time period as part of the Capital programme 2026/2027 to 2029/2030 report. The operational boundary for external debt is based on the same estimates as the authorised limit, but reflects directly the estimate of the most likely, prudent but not worst-case scenario level, without the additional headroom included within the authorised limit to allow, for example, for unusual cash flow movements. It equates to the projected maximum external debt and represents a key management tool for in-

year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

The Authority is also requested to delegate authority to the Director of Finance, Estates and Facilities, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, similar to the authorised limit set out in P5.

The operational boundary limit will be closely monitored and a report will be made to the Authority if it is exceeded at any point in the financial year ahead. It is generally only expected that the actual debt outstanding will approach the operational boundary when all of the long-term borrowing has been undertaken for that particular year and will only be exceeded temporarily as a result of the timing of debt rescheduling.

Operational Boundary for External Debt				
2025/2026	**2026/2027**	**2027/2028**	**2028/2029**	**2029/2030**
£'000	**£'000**	**£'000**	**£'000**	**£'000**
25,851	**23,182**	**20,508**	**17,258**	**13,755**

P7 The Authority's actual external debt at 31 March 2025 was £23.348 million (calculated on the basis that all Authority debt is classed as external) and was made up of actual borrowing of £9.535 million and £13.813 million in respect of other long-term liabilities.

The Authority includes an element for long-term liabilities relating to PFI schemes and leases in its calculation of the operational and authorised boundaries to allow further flexibility over future financing. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at any one point in time and allowance needs to be made for borrowing and cash flow variations.

P8 Sunderland City Council, on the Authority's behalf, is no longer required to formally indicate if it has adopted the CIPFA Code of Practice on Treasury Management. However, the revised Code was adopted in 2017 by full Council and is re-affirmed annually.

The objective of the Prudential Code is to provide a clear framework for local authority capital finance that will ensure for individual local authorities that:

(a) capital expenditure plans are affordable;
(b) all external borrowing and other long-term liabilities are within prudent and sustainable levels;
(c) treasury management and investment decisions are taken in accordance with professional good practice and in full understanding of the risks involved;

and that in taking decisions in relation to (a) to (c) above the local authority is accountable, by providing a clear and transparent framework.

Further, the framework established by the Code should be consistent with and support:

(d) local strategic planning;
(e) local asset management planning;
(f) proper option appraisal.

In exceptional circumstances the objective of the Code is to provide a framework that will demonstrate that where there is a danger of not ensuring the above, the Authority can take timely remedial action.

CIPFA Treasury Management in the Public Services Code of Practice - Indicators 2026/2027 to 2029/2030

P9 It is recommended that the Authority sets upper and lower limits for the maturity structure of its borrowings, consistent with Sunderland City Council's policy, as follows:

Amount of projected borrowing maturing in each period expressed as a percentage of total projected borrowing at the start of the period:

	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	80%	0%
5 years and within 10 years	100%	0%
10 years and over	100%	0%

P10 A maximum maturity limit of £75 million is set for each financial year (2026/2027, 2027/2028, 2028/2029 and 2029/2030) for long-term investments (those over 365 days). This gives additional flexibility to the Authority in undertaking its Treasury Management function. It is proposed that Authority funds may be invested within the limits set by Sunderland City Council as set out in the Annual Investment Strategy (Appendix 3).

Appendix 2

1. Treasury Management Policy Statement

1.1 In line with CIPFA recommendations, the Authority adopted the following Treasury Management Policy Statement, which defines the policies and objectives of its treasury management activities:

- The Authority defines its treasury management activities as: "The management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.2 These principles are intended to provide a working document that forms a detailed framework for treasury management activities. The policy fully encompasses CIPFA's Code of Practice. In addition, the policy fully takes account of the requirements of the Prudential Code for Capital Finance in Local Authorities and the guidance issued by the MHCLG supporting Part 1 of the Local Government Act 2003 in respect of local authority investments.

1.3 The Authority re-affirms its commitment to the Treasury Management Policy and Strategy Statement in 2026/2027 as it does every year.

Appendix 3

1. Treasury Management Strategy Statement for 2025/2026

1.1 Introduction

1.2 The Local Government Act 2003 and subsequent guidance requires the Authority to set out its Treasury Management Strategy for Borrowing and to prepare an Annual Investment Strategy. This sets out the Authority's policies for managing both its borrowing and its investments, which gives priority to the security and liquidity of those investments over yield.

1.3 The suggested strategy for 2026/2027 is set out below and is based upon the Director of Finance, Estates and Facilities views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Authority's treasury adviser, MUFG Corporate Markets.

1.4 In December 2021 CIPFA issued a revised Treasury Management Code of Practice and Cross-Sectoral Guidance Notes, and a revised Prudential Code. In February 2018 MHCLG revised their Guidance on Local Government Investments and also their Statutory Guidance on Minimum Revenue Provision. A particular focus of these revised codes is how to deal with local authority investments which are non-treasury type investments e.g. by investing in a property portfolio in order to generate income for the authority at a higher level than can be attained by vanilla treasury investments. This report deals solely with financial investments managed by the Council's Treasury Management function. Non-treasury investments are covered in the Capital Strategy which was approved by Council in November 2025. This ensures the separation of the core treasury function where investments are made under security, liquidity and yield principles, and non-treasury commercial and strategic investments.

2. Treasury Management Strategy

Borrowing

2.1 Current Treasury Management Position

The treasury portfolio position at 31 December 2025 for Sunderland City Council, which the Fire and Rescue Authority forms part of, comprised

		Principal (£m)	Total (£m)	Average Rate (%)
Treasury external borrowing				
Fixed Rate Funding	PWLB	479.5		
	Market	20.0		
	Other	21.2	520.7	2.58
Variable Rate Funding	Temporary / Other		34.6	4.06
Total Borrowing			**555.3**	**2.67**
Total Investments				
	In house – short term		**37.2**	**3.95**
Net treasury borrowing			**518.1**	

Currently there is a net deficit of £518.1m which represents the difference between gross debt and total investments and is significantly lower than the lead authority's capital financing requirement (capital borrowing need).

2.2 Treasury Indicators and Limits

2.2.1 Prudential and Treasury Indicators (as set out in Appendix 1) are a requirement of the CIPFA Prudential Code and are relevant for the purposes of setting an integrated treasury management strategy and to ensure that treasury management decisions are taken in accordance with good professional practice. It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales, the Authorised Limit represents the legislative limit specified in the Act.

2.2.2 The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels (and council housing rent levels where relevant) is 'acceptable'.

2.2.3 The "Affordable Borrowing Limit" comprises of the capital plans to be considered for inclusion in corporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is set, on a rolling basis, for the forthcoming

financial year and three successive financial years and details can be found in Appendix 1 (P5) of this report. The Authority is requested to note these already agreed limits and to delegate authority to the Director of Finance, Estates and Facilities, within the total limit for any individual year, to action movement between the separately agreed limits for borrowing and other long-term liabilities where this would be appropriate. Any such changes made will be reported to the Authority at their next meeting following the change.

2.2.4 Also, the Authority is requested to note the already agreed Operational Boundary Limit (P6) which is included in the Prudential Indicators set out in Appendix 1. This operational boundary represents a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified and the Authority is also asked to delegate authority to the Director of Finance, Estates and Facilities, within the total operational boundary for any individual year, to action movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit.

2.2.5 The requirement for the Authority to indicate it has adopted the CIPFA Code of Practice on Treasury Management was removed in the revised 2017 edition of the code. However, this is still considered to be good practice. The original 2001 Code was adopted on 20 November 2002. The Authority re-affirms its full adherence to the latest 2017 edition of the Code and will continue to do so annually (as set out in Appendix 2).

2.3 **Prospects for Interest Rates**

2.3.1 The Bank of England's (BoE) Monetary Policy Committee (MPC) announced on 18 December 2025 that it had voted 5-4 to reduce the Base Rate to 3.75% and was expected to continue a "gradual downward path" subject to data on labour market activity and wage growth pressures. This reflects their ongoing commitment to ensure headline CPI inflation returns to its 2% target in the medium term.

2.3.2 MUFG Corporate Markets, the Council's treasury advisors, reviewed their interest rate forecasts in December 2025 to reflect the outcome of the Chancellor's November 2025 Budget and the 25bps Base Rate cut announced by the MPC. They believe the MPC won't look to cuts rates until economic data shows the BoE has been successful in removing excess inflation out of the economy, against a backdrop of wage growth remaining stubbornly high and a restricted labour market.

2.3.3 MUFG Corporate Markets forecast the current BoE Base Rate of 3.75% will fall to 3.50% by June 2026, with a further reduction to 3.25% by December 2026. These forecasts, and MPC decisions, will be liable to further amendment as updated economic data becomes available and emerging developments in the financial markets.

2.3.4 The following table shows the average PWLB rates for Quarters 1, 2 and 3 and the figures for Quarter 4 to 16 January 2026.

2025/2026	Qtr 1 (Apr - Jun) %	Qtr 2 (Jul - Sep) %	Qtr 3 (Oct – Dec) %	Qtr 4 (to 16 Jan 2026) %
SONIA Rate	4.31	4.07	3.93	3.72
1 year	4.61*	4.49*	4.47*	4.36*
5 year	4.81*	4.84*	4.78*	4.72*
10 year	5.36*	5.44*	5.35*	5.28*
25 year	6.03*	6.17*	6.02*	5.90*
50 year	5.72*	5.93*	5.79*	5.68*

*rates take account of the 0.2% discount to the PWLB rates available to eligible authorities that came into effect on 1 November 2012.

2.3.5 The MUFG Corporate Markets forecast in respect of interest rates for loans charged by the PWLB is as follows:-

Date	Bank Rate %	PWLB Borrowing Rates (including certainty rate adjustment) %		
		5 year	25 year	50 year
March 2026	3.75	4.60	5.80	5.60
June 2026	3.50	4.50	5.70	5.50
Sept 2026	3.50	4.30	5.60	5.40
Dec 2026	3.25	4.20	5.50	5.30
March 2027	3.25	4.10	5.50	5.30
June 2027	3.25	4.10	5.40	5.20
Sept 2027	3.25	4.10	5.30	5.10
Dec 2027	3.25	4.10	5.30	5.10
March 2028	3.25	4.10	5.30	5.10
June 2028	3.25	4.10	5.20	5.00
Sept 2028	3.25	4.10	5.20	5.10
Dec 2028	3.25	4.10	5.20	5.00
Mar 2029	3.25	4.10	5.20	5.00

2.3.6 The main sensitivities of the forecasts in the UK not only reflect increased concerns over the future path of inflation but also the impact of tax hikes and raised spending announced in the November 2025 Budget on GDP growth and inflation. The Office for Budget Responsibility (OBD) real GDP growth forecasts improved to 1.5% for 2025 but GDP forecasts from 2026 to 2029 were revised down to 1.5% due to lower underlying productivity growth.

2.3.7 President Trump's tariff policies, the ongoing conflict between Russia and the Ukraine, Gaza and Israel and heightened tensions between China, Taiwan and the United States alongside other geopolitical factors are likely to continue to have a global economic impact. Significant issues remain unresolved over future UK / EU trade arrangements following Brexit and the first review of the Trade and Cooperation Agreement (TCA) is scheduled for 2026.

2.4 Borrowing Strategy

2.4.1 The Authority's strategy for 2025/2026 was to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow and to respond to any changing circumstances to seek to secure benefit for the Authority. A benchmark financing rate of 5.5% for long-term borrowing was set considering the views prevalent at the time the Treasury Management policy was set in March 2025.

2.4.2 The basis of the proposed Borrowing Strategy for 2026/2027 is to:

- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Authority's future borrowing requirement when market conditions are considered favourable;
- current (16 January 2026) long-term PWLB rate (50 years) 5.65%. Forecast rates over the financial year 2026/2027 are 5.50% Q1, 5.40% Q2, 5.30% Q3 and 5.30% Q4. Should interest rates fall below these rates borrowing should be considered, with preference given to terms which ensure a balanced profile of debt maturity.

Base rate and PWLB rate forecasts are set out in Appendix 4.

2.4.3 As announced by the Chancellor in November 2020, a prohibition was introduced that denies access to any new borrowing from the PWLB for a local authority that has plans to purchase investment assets "primarily for yield". When applying for PWLB borrowing authorities must now submit a high-level description of their capital spending and financing plans for the following three years. In addition, the lead authority's Section 151 Officer (Director of Finance) must confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment will be based on the Section 151 Officer's professional interpretation of guidance issued along with PWLB lending terms.

2.4.4 PWLB interest rates remain the likely cheapest option available to the Council to fund the large borrowing requirement needed to support the capital programme. The Treasury Management team continues to closely monitor interest rates to assess the value of possible further new borrowing in line with Capital Programme requirements. Consideration will also be given to various other funding options, including taking out shorter term borrowing, utilising investment balances, and use of other financial institutions to provide borrowing facilities.

2.4.5 There are currently four market Lender's Option / Borrower's Option (LOBO) loans totalling £20.0 million. The lender has the option to alter the rate on these loans at set intervals and theses can either be accepted at the new rate or repaid without penalty. The following table shows the three LOBOs that were subject to a potential rollover in 2024/2025. There were no LOBOs that were subject to a potential rollover in 2025/2026.

2.4.6 The potential borrowing requirement for Sunderland City Council, which the Fire and Rescue Authority forms part of, is as follows:

		2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
1.	Capital Programme Borrowing	**119.5**	**49.6**	**15.8**	**11.9**
2.	Replacement borrowing (PWLB)	**0.0**	**0.0**	**5.0**	**10.0**
3.	Replacement LOBO	**5.0**	**15.0**	**0.0**	**5.0**
TOTAL:		**124.5**	**64.6**	**20.8**	**26.9**

2.4.7 Currently there is net treasury borrowing of £518.18m which represents the difference between gross debt and total investments. This means that the capital borrowing need (the capital financing requirement) has not been fully funded with loan debt, as cash supporting the lead authority's reserves, balances and cash flow has been used as a temporary measure. Consideration will be given by the lead authority to continue utilising some investment balances to fund the borrowing requirement in 2026/2027. This policy has served the Council well over the last few years as investment returns were low. As a result, the Council is currently maintaining an under-borrowed position. This position will be carefully reviewed to avoid incurring higher borrowing costs over the long-term whilst ensuring that financing is available to support capital expenditure plans.

2.4.8 There are a number of risks and benefits associated with having both a large amount of debt whilst at the same time having a considerable number of investments.

2.4.9 Benefits of having a high level of investments are;

- liquidity risk – having a large amount of investments means that the Authority is at less of a risk should money markets become restricted or borrowing less generally available, this mitigates against liquidity risk;
- interest is received on investments which helps support the Authority's overall budget position; and
- of more importance, the Authority has greater freedom in the timing of its borrowing as it can afford to wait until the timing is right rather than be subject to the need to borrow at a time when interest rates are not advantageous.

2.4.10 Risks associated with holding a high level of investments are;

- the counterparty risk – institutions cannot repay the Authority investments placed with them; and
- interest rate risk – the rate of interest earned on the investments will be less than that paid on debt, thus causing a loss to the Authority.

2.4.11 The Authority has mitigated these risks by having a risk averse Treasury Management Investment Strategy and by detailed monitoring of counterparties through its borrowing and investment strategies and treasury management working practices and procedures.

2.4.12 A Municipal Bonds Agency, set up by the Local Government Association, has begun to offer bonds to local authorities. The rates offered by the Agency will be assessed and use made of this, and any other new sources of funding that may become available, where it is considered advantageous.

2.4.13 The need to adapt to changing circumstances and revisions to profiling of capital expenditure is required when considering borrowing opportunities, and flexibility needs to be retained to adapt to any changes that may occur.

2.4.14 The Authority, taking advice from its treasury advisers, will continue to monitor rates closely, and whilst implementing the borrowing strategy, will adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, wherever possible.

2.4.15 Taking into account potential market volatility and the advice of the Authority's treasury adviser, alongside potential movement in the Bank of England base rate, a benchmark financing rate of 5.75% for any further long-term borrowing for 2025/2026 is considered to be appropriate.

2.5 Policy on Borrowing in Advance of Need

2.5.1 The Authority will not borrow more than or in advance of its needs purely to profit from treasury investments of the extra sums borrowed. Any decision to borrow in advance will be assessed within forward approved Capital Financing Requirement estimates, with regard to current policies, and will be considered carefully to ensure value for money can be demonstrated and that the Authority can ensure the security of such funds.

2.5.2 Risks associated with any borrowing in advance of activity will be subject to appraisal and any borrowing undertaken will be reported to the Authority as part of the agreed treasury management reporting arrangements.

2.6 Policy on Debt Rescheduling

2.6.1 The reasons for any rescheduling of debt will include:

- the generation of cash savings at minimum risk;
- in order to help fulfil the Treasury Management Strategy; and
- in order to enhance the balance of the long-term portfolio (by amending the maturity profile and/or the balance of volatility).

2.6.2 In previous years, debt rescheduling has achieved significant savings in interest charges and discounts and these interest savings have been secured for many years to come. However, the very low underlying rate of the Council’s long-term borrowing together with the current spread between the rates applied to new PWLB borrowing and repayment of PWLB debt means that PWLB debt restructuring is much less attractive. Consideration will also be given to other options where interest savings may be achievable by using LOBO (Lenders Option Borrowers Option) loans, and / or other market loans, in rescheduling exercises rather than solely using PWLB borrowing as

the source of replacement financing but this would only be the case where this would represent best value to the Authority

2.6.3 Following consultation and advice from the Authority's treasury advisors the Authority has taken the decision to borrow over longer-term periods and much of the existing borrowing is for periods over 40 years and on a fixed interest rate basis. This borrowing has been taken out where it offers good value and to allow for the potential to benefit from refinancing debt in the future. A further benefit is that it reduces risk by giving certainty of borrowing rates over the long-term.

2.6.4 The Authority keeps a watching brief on market conditions in order to secure further debt rescheduling when, and if, appropriate opportunities arise. The timing of all borrowing and investment decisions inevitably includes an element of risk, as those decisions are based upon expectations of future interest rates. The policy to date has been very firmly one of risk spread and this prudent approach will be continued.

2.6.5 Any rescheduling undertaken will be reported to the Authority, as part of the agreed treasury management reporting arrangements.

Annual Investment Policy and Strategy

2.7 **Investment Policy and Management of Risk**

2.7.1 When considering its investment policy and objectives, the Authority has regard to the MHCLG Guidance on Local Government Investments ("the Guidance"), CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). Consideration has also been given to the refreshed Code published in December 2021.

2.7.2 The MHCLG and CIPFA have extended the meaning of investments to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the lead authority's Treasury Management function.

2.7.3 The Authority's investment objectives are: -

(a) the security of capital, and
(b) the liquidity of its investments.

2.7.4 The Authority also aims to achieve the optimum return on its investments, but this is commensurate with proper levels of security and liquidity.

2.7.5 In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate the Authority will also consider the value available in placing investments for longer periods with high credit rated financial institutions, as well as wider range fund options.

2.7.6 The guidance from the MHCLG and CIPFA places a high priority on the management of risk. The Authority has adopted a prudent approach to managing risk and in order to minimise the risk to investments, the Authority will;

- apply minimum acceptable credit criteria (detailed in Appendix 5) in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of risk. The risk appetite of the Authority is regarded as low in order to give priority to security of its investments.
- monitor credit ratings daily. The Authority has access to all three credit ratings agencies and is alerted to changes through its use of MUFG Corporate Markets counterparty service. If a counterparty's rating is downgraded with the result that it no longer meets the Authority's minimum criteria, the Authority will cease to place funds with that counterparty. If a counterparty's rating is downgraded with the result that their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty's authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty's investment limit and vice versa;
- not use ratings as the sole determinant of the quality of an institution. The Authority will continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to monitor market pricing such as "credit default swaps" and overlay that information on top of the credit ratings provided.
- use other information sources including the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- define the type of investment instrument that the treasury management team are authorised to use. The Authority is allowed to invest in two types of investment, namely Specified Investments and Non-specified investments:
    - Specified Investments are sterling investments that are for a period of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. These are placed with high rated counterparties and are considered low risk assets where the possibility of loss of principal or investment income is small. Within these bodies and in accordance with the Code, the Authority has set additional criteria to limit the time and amount of monies that will be invested with these bodies
    - Non-Specified Investments are any investments which are not classified as Specified Investments. As the Authority only uses investment grade high credit rated counterparties for treasury management investments this means in effect that any investments placed with those counterparties for a period over one year will be classed as Non-specified Investments. A limit on the amount of investments which can be invested for longer than 365 days is set in the Authority's creditworthiness policy.

- the type of investments to be used by the in-house treasury management team will be limited to Certificates of Deposit, variable term deposits, fixed term deposits, interest bearing accounts, Money Market Funds, Government debt instruments, floating rate notes, corporate bonds, municipal / local authority bonds, bond funds, gilt funds, and gilt-edged securities and will follow the criteria as set out in Appendix 5.
- assess the risk of default and if any of the Authority's investments appear at risk of loss due to default, (i.e. a credit-related loss, and not one resulting from a fall in price due to movements in interest rates), then the lead authority will make revenue provision of an appropriate amount in accordance with proper accounting practice or any prevailing government regulations, if applicable. The lead authority mitigates this risk with its prudent investment policy;
- set an approved lending list which shows lending limits and the maximum duration of any investment for each counterparty (detailed in Appendix 6). These are set using the agreed lending list criteria (detailed in Appendix 5).
- only place investments with counterparties from countries with a specified minimum sovereign rating as set out in the agreed lending list criteria (detailed in Appendix 5). Should the UK Government AA- sovereign rating be withdrawn the Authority's Investment Strategy and Lending List criteria will be reviewed and any changes necessary will be reported to the Authority; and
- engage external consultants to provide expect advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

2.7.7 In accordance with accounting standard IFRS9**,** the authority considers the implications of investment instruments which could result in an adverse movement in the value of the amount invested and lead to resultant charges at the end of the year to the General Fund. In November 2018 MHCLG concluded a consultation for a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override for five years ending 31 March 2023. More recently, a further extension to the over-ride to 31 March 2029 has been agreed by Government, but only for pooled investments made before 1 April 2024.

2.7.8 The prudential code states that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

2.8 **Creditworthiness Policy**

2.8.1 The creditworthiness policy adopted by the Authority takes into account the credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's). Credit rating information is supplied by MUFG Corporate Markets, our treasury advisors, on all active counterparties that comply with the Authority's counterparty criteria.

2.8.2 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to future outlooks for counterparties. However, as economies have recovered, there have been some instances of previous lowering of future outlooks being reversed.

2.8.3 Although bank Credit Default Swap (CDS) prices, (these are market indicators of credit risk), spiked upwards at the end of March/early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

2.8.4 While the Authority understands changes that have taken place to reduce ratings, it will specify a minimum sovereign rating of AA-. This is due to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution. It is important to stress the ongoing regulatory changes made in the UK and the rest of Europe are designed to make the financial system sounder. Banks are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now

2.8.5 In keeping with the agencies' new methodologies, the rating element of the Authority's credit assessment process now focuses solely on the Short and Long Term ratings of an institution.

2.8.6 One of the recommendations of the Code is that local authorities should set limits for the amounts of investments that can be placed with institutions by country, sector and group. These limits are applied in the lead authority's Counterparty criteria set out in Appendix 5.

2.8.7 Set out in Appendix 6 is the detailed criteria that will be used, subject to approval, in determining the level of investments that can be invested with each counterparty or institution. Where a counterparty is rated differently by any of the 3 rating agencies, the lowest rating will be used to determine the level of investment. If the lead authority's own banker, National Westminster Bank plc, should fail to meet the minimum credit criteria to allow investments from the Authority then balances will be minimized as far as possible.

2.8.8 The Director of Finance, Estates and Facilities will monitor long-term investment rates and identify any investment opportunities if market conditions change. It is proposed that delegated authority continues for the Director of Finance, Estates and Facilities to vary the Lending List Criteria and Lending List itself should circumstances dictate, on the basis that changes be reported to the Authority retrospectively, in accordance with normal treasury management reporting procedures.

2.9 Outlook and Proposed Treasury Investment Strategy

2.9.1 Based on its cash flow forecasts, the Authority together with the City Council anticipates its fund balances in 2026/2027 are likely to range between £25 million and £250 million. This represents a cautious approach and provides for funding being received in excess of the level budgeted for, and also for unexpected and unplanned levels of capital underspending in the year or reprofiling of spend into future years. In 2025/2026 some investment balances have been used to fund borrowing requirements. It is likely that this will continue into 2026/2027 with investment balances being used to fund some borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to the Authority if and when the appropriate conditions arise.

2.9.2 Activities likely to have a significant effect on investment balances are:

- Capital expenditure during the financial year, (dependent upon timing) will affect cash flow and short-term investment balances;
- Any reprofiling of capital expenditure from, and to, other financial years will also affect cash flow (no reprofiling has been taken into account in current estimates);
- Any unexpected capital receipts or other income;
- Timing of new long-term borrowing to fund capital expenditure; and
- Possible funding of long-term borrowing from investment balances (dependent upon appropriate market conditions).

2.9.3 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

2.9.4 The minimum amount of overall investments that will be held in short-term investments (less than one year) is £25 million. As the lead authority has decided to restrict most of its investments to term deposits, it will maintain liquidity by having a minimum of 30% of the total value of short-term investments maturing within 6 months.

2.9.5 A maximum limit of £75 million is to be set for in-house Non-Specified Investments over 365 days up to a maximum period of 2 years (excluding non-treasury management investments and all other investments defined as capital expenditure). This amount has been calculated by reference to the lead authority's cash flows, including the potential use of earmarked reserves.

2.9.6 The Authority is not committed to any investments which are due to commence in 2026/2027 (i.e. it has not agreed any forward deals).

2.9.7 The Director of Finance, Estates and Facilities, in conjunction with the Authority's treasury adviser MUFG Corporate Markets, and taking into account the minimum amount to be

maintained in short-term investments, will continue to monitor investment rates closely and to identify any appropriate investment opportunities that may arise.

2.9.8 During 2025/2026 the Authority did not employ any external fund managers; all funds being managed by the lead authority's in-house team. The performance of the fund managed by Sunderland City Council's in-house team is shown below compared with the benchmark SONIA (Sterling Overnight Index Average) rate and with the relevant benchmarks and performance from the previous year:

Return	2024/25 Benchmark %	2024/25 Return %	To date 2025/26 Benchmark %	To date 2024/25 %
Performance	4.90	4.90	4.10	4.10

2.9.9 During 2026/2027 the Authority will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Authority uses the Sterling Overnight Index Average (SONIA) rate as a benchmark for its investments and has benefitted by its investment income being matched to the benchmark rate instead of the average Money Market Fund return that has been used in previous years, but which has been adversely impacted by the Covid pandemic, the continuing conflict in Ukraine and other geopolitical factors. The Authority's treasury management advisor reports the rate of return achieved compares favourably with their other local authority clients, whilst still adhering to the prudent policy agreed by the Authority.

2.10 Policy on the Use of External Service Providers

2.10.1 At present the Authority does not employ any external fund managers.

2.10.2 Should the Authority appoint any external fund managers in the future, they will have to agree to strict investment limits and investment criteria. These will be reported to the Authority prior to any fund manager being appointed.

2.10.3 The Authority uses MUFG Corporate Markets as its external treasury management advisors. The Authority recognises that responsibility for treasury management decisions remain with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

2.10.4 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

2.11 Non-Treasury Investments

2.11.1 The Authority may make other types of investments (usually defined by regulation as capital expenditure) that are not part of treasury management activity. Treasury management investment activity covers those investments which arise from the Authority's cash flows and debt management activity and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

2.11.2 Investments that may be made for policy reasons outside of normal treasury management activities may include service investments held clearly and explicitly in the course of the provision, and for the purposes, of operational services, including regeneration. This may include loans to local enterprises as part of a wider strategy for local economic growth.

2.11.3 The Director of Finance, Estates and Facilities will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Authority's risk exposure.

2.11.4 Investment objectives in relation to these types of investments will still be primarily security and liquidity but with the understanding that the liquidity for these types of investments may be less than those for treasury management activities and that these may be subject to higher levels of risk. When non-treasury management investments are considered, due diligence will take place with all proposed investments being subjected to a detailed financial appraisal that will include financial sustainability of the investment and the identification of risk to both capital and returns. An assessment against loss will be carried out periodically and if the value of non-financial investments is no longer sufficient to provide security against loss mitigating actions will be taken. Decisions relating to non-treasury management investments will follow appropriate governance arrangements.

2.11.5 Non-treasury investments are covered within the Capital Strategy.

3. Scheme of Delegation

3.1 The Treasury Management Strategy Statement has been prepared in accordance with the revised Code. Accordingly, the Authority's Treasury Management Strategy (TMS) is approved annually by the Authority. In addition, the Governance, Risk and Audit Scrutiny Committee receives, as a minimum, a mid-year TMS report and an annual Treasury Management outturn report for the previous year by no later than the 30 September of the following year. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

3.2 The Authority has the following reporting arrangements in place in accordance with the requirements of the Code:

Area of Responsibility	Council/ Committee/ Officer	Frequency
Treasury Management Policy Statement	Full Authority	Reaffirmed annually and updated as appropriate
Treasury Management Strategy / Annual Investment Strategy	Full Authority	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy –mid-year report	Full Authority	Mid-year
Treasury Management Strategy / Annual Investment Strategy – updates or revisions at other times	Full Authority	As appropriate
Treasury Management Practices	Director of Finance, Estates and Facilities	Annually
Scrutiny of Treasury Management Strategy	Governance, Risk and Audit Scrutiny Committee	Annually before Full Authority
Scrutiny of Treasury Management Performance	Governance, Risk and Audit Scrutiny Committee	Quarterly
Annual Treasury Management Outturn Report	Full Authority	Annually by 30/9 after the end of the financial year

4. The Treasury Management Role of the Section 151 Officer

4.1 The Director of Finance, Estates and Facilities is the Authority's Section 151 Officer and has specific delegated responsibility in the Authority's Constitution to manage the borrowing, financing, and investment requirements of the Authority in accordance with the Treasury Management Policy agreed by the Authority. This includes:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparing a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money;

- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Authority;
- ensuring that the Authority has the appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities;
- providing to members a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority; and
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above.

Appendix 4

1. Interest Rate Forecasts

1.1 The data set out overleaf shows a variety of forecasts published by MUFG Corporate Markets and Capital Economics (an independent forecasting consultancy). PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1 November 2012. There are no changes to these forecasts as at 16 January 2026.

1.2 The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

Economic Forecasts

MUFG Corporate Markets – December 2025

	End Q1 2026	End Q2 2026	End Q3 2026	End Q4 2026	End Q1 2027	End Q2 2027	End Q3 2027	End Q4 2027	End Q1 2028	End Q2 2028	End Q3 2028	End Q4 2028	End of Q1 2029
Bank Rate	3.75%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
5yr PWLB Rate	4.60%	4.50%	4.30%	4.20%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%
10yr PWLB Rate	5.20%	5.00%	4.90%	4.80%	4.80%	4.70%	4.70%	4.70%	4.70%	4.60%	4.60%	4.60%	4.70%
25yr PWLB Rate	5.80%	5.70%	5.60%	5.50%	5.50%	5.40%	5.30%	5.30%	5.30%	5.20%	5.20%	5.20%	5.20%
50yr PWLB Rate	5.60%	5.50%	5.40%	5.30%	5.30%	5.20%	5.10%	5.10%	5.10%	5.00%	5.10%	5.00%	5.00%

Capital Economics – December 2025

	End Q1 2026	End Q2 2026	End Q3 2026	End Q4 2026	End Q1 2027	End Q2 2027	End Q3 2027	End Q4 2027
Bank Rate	3.50%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%
5yr PWLB Rate	4.70%	4.60%	4.60%	4.50%	4.50%	4.40%	4.40%	4.40%
10yr PWLB Rate	5.30%	5.20%	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%
25yr PWLB Rate	5.90%	5.80%	5.70%	5.60%	5.60%	5.50%	5.50%	5.50%
50yr PWLB Rate	5.60%	5.50%	5.30%	5.20%	5.20%	5.20%	5.20%	5.20%

Source: MUFG Corporate Markets – Citywatch December 2025

2. Survey of Economic Forecasts

2.1 HM Treasury November 2025

The current 2025 base rate forecasts are based on samples of both City and non-City forecasters included in the HM Treasury November 2025 report.

BANK RATE FORECASTS	Annual Average Bank Rate				
	Ave. 2025	Ave. 2026	Ave. 2027	Ave. 2028	Ave. 2029
Average	4.22%	3.57%	3.35%	3.22%	3.12%
Highest	4.26%	3.75%	3.80%	3.70%	3.50%
Lowest	4.00%	3.30%	3.00%	2.83%	2.59%

Source: HM Treasury: Forecasts for the UK Economy Nov. 2025 (No.460, Table M4)

Appendix 5

Lending List Criteria

1. Counterparty Criteria

1.1 The lead authority takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisers.

1.2 Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch Long-Term Rating	**Fitch Short-Term Rating**	**Moody's Long-Term Rating**	**Moody's Short-Term Rating**	**S&P's Long-Term Rating**	**S&P's Short-Term Rating**	**Maximum Deposit £m**	**Maximum Duration**
AAA	F1+	Aaa	P-1	AAA	A-1+	120	2 Years
AA+	F1+	Aa1	P-1	AA+	A-1+	100	2 Years
AA	F1+	Aa2	P-1	AA	A-1+	80	2 Years
AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 Years
A+	F1+	A1	P-1	A+	A-1	70	365 days
A+	F1	A1	P-1	A+	A-1	70	365 days
A	F1	A2	P-1	A	A-1	65	365 days
A-	F1	A3	P-1	A-	A-1	50	365 days
A-	F2	A3	P-2	A-	A-2	50	365 days
Local Authorities (limit for each local authority)						30	2 years
UK Government (including debt management office, gilts and treasury bills)						300	2 years
Money Market Funds (CNAV, LVNAV and VNAV) Maximum amount to be invested in Money Market Funds is £250m with a maximum of £50m in any one fund.						250	Liquid Deposits
Local Authority controlled companies						40	20 years

1.3 Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA- will be applied to that institution to determine the amount the lead authority can place with that institution for a maximum period of 2 years.

1.4 The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above. These limits are as follows:

2. Country Limit

2.1 It is proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

2.2 It is also proposed to set a total limit of £50m which can be invested in other countries provided they meet the above criteria. A separate limit (excluding money market funds) of £300m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	**Limit £m**
UK	300
Non-UK	50

3. Sector Limit

3.1 The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	**Limit £m**
Central Government	300
Local Government	300
UK Banks	300
Money Market Funds	250
UK Building Societies	100
Foreign Banks	50

4. Group Limit

4.1 Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, the total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the UK continues to have a sovereign credit rating of AA-; and
- that market intelligence and professional advice is taken into account.

4.2 Proposed group limits are set out in Annex 6:

Approved Lending List

Appendix 6

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA-		Aa3		AA		300	
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
Lloyds Bank Corporate Markets plc (NRFB)	AA-	F1+	A1	P-1	A	A-1	70	365 days
Bank of Scotland Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
NatWest Group							Group Limit 70	
The Royal Bank of Scotland Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
National Westminster Bank Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
NatWest Markets plc (NRFB)	AA-	F1+	A1	P-1	A	A-1	70	365 days
Santander UK plc	A+	F1	A1	P-1	A	A-1	65	365 days
Barclays Bank plc	A+	F1	A1	P-1	A+	A-1	70	365 days
Barclays Bank plc (RFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Clydesdale Bank	A	F1	A1	P-1	A+	A-1	65	365 days
Co-Operative Bank Plc *	WD	WD	A3	P-2	-	-	50	365 days
Goldman Sachs International Bank	A+	F1	A1	P-1	A+	A-1	70	365 days
HSBC Bank plc (NRFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
HSBC UK Bank plc	AA-	F1+	Aa3	P-1	A+	A-1	70	365 days
Nationwide BS	A	F1	A1	P-1	A+	A-1	65	365 days
Standard Chartered Bank	A+	F1	A1	P-1	A+	A-1	70	365 days
SMBC Bank International Ltd	A-	F1	A1	P-1	A	A-1	50	365 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A-	F1	A3	P-2	-	-	50	365 days
Leeds BS	A-	F1	A3	P-2	-	-	50	365 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Principality BS*	BBB+	F2	Baa1	P-2	-	-	0	
Skipton BS	A-	F1	A2	P-1	-	-	50	365 days
Yorkshire BS	A-	F1	A2	P-1	-	-	50	365 days
Money Market Funds							250	Liquid
Prime Rate Stirling Liquidity	AAA		AAA		AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA				AAA		50	Liquid
Deutsche Managed Sterling Fund			Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £50m								
Australia	AAA		Aaa		AAA		50	
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
National Australia Bank	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Westpac Banking Corporation	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Canada	AA+		Aaa		AAA		50	
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Royal Bank of Canada	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Toronto Dominion Bank	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Denmark	AAA		Aaa		AAA		50	
Danske A/S	A+	F1	A1	P-1	A+	A-1	50	365 days
Finland	AA		Aa1		AA+		50	
OP Corporate Bank plc	WD	WD	Aa3	P-1	AA-	A-1+	50	2 years
Germany	AAA		Aaa		AAA		50	
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA	A-1+	50	2 years

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Netherlands	AAA		Aaa		AAA		50	
Bank Nederlandse Gemeenten	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
Cooperatieve Rabobank U.A.	A+	F1	Aa2	P-1	A+	A-1	50	365 days
Nederlandse Waterschapsbank NV	-	-	Aaa	P-1	AAA	A-1+	50	2 years
Singapore	AAA		Aaa		AAA		50	
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
United Overseas Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Sweden	AAA		Aaa		AAA		50	
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Switzerland	AAA		Aaa		AAA		50	
UBS AG	A+	F1	Aa2	P-1	A+	A-1	50	365 days
USA	AA+		Aa1		AA+		50	
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	50	2 years
JP Morgan Chase Bank NA	AA	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Wells Fargo Bank NA	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days

RFB – Ringfenced Bank, NRFB – Non-Ringfenced Bank

Notes

Note 1 **Nationalised / Part-Nationalised**
The counterparties in this section will have the UK Government's AA- rating applied to them thus giving them a credit limit of £75m.

* These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

Tyne and Wear Fire and Rescue Authority

TYNE AND WEAR FIRE AND RESCUE AUTHORITY **Item No 7**

GOVERNANCE, RISK AND AUDIT SCRUTINY COMMITTEE
13 FEBRUARY 2026

SUBJECT: ANNUAL GOVERNANCE STATEMENT 2025/2026

JOINT REPORT OF THE CHIEF FIRE OFFICER/CHIEF EXECUTIVE (THE CLERK TO THE AUTHORITY) AND THE DIRECTOR OF FINANCE, ESTATES AND FACILITIES.

1 INTRODUCTION

1.1 The purpose of this report is to present the Annual Governance Statement (AGS) 2025/2026 and Code of Corporate Governance 2026 to the Governance Committee for consideration prior to submission to the Fire Authority for approval.

1.2 The AGS is a statutory document that sets out the processes and procedures the Tyne and Wear Fire and Rescue Authority (the Authority) has in place to ensure it discharges its functions effectively. The draft statement has been prepared following a review of the Authority's governance arrangements and includes an action plan to address identified overarching governance issues.

1.3 The AGS is an important communication tool, explaining to residents, service users, taxpayers and other stakeholders how the Authority's governance arrangements operate and how risks that may affect the delivery of outcomes and priorities are managed.

1.4 The AGS must be approved before the Authority approves the Statement of Accounts and prepared in accordance with proper practices relating to the accounts. Although both documents must be published simultaneously, approval of the AGS does not need to be delayed pending completion of the Statement of Accounts.

2 BACKGROUND

2.1 The Authority is responsible for ensuring that its business is conducted lawfully and to proper standards and that public funds are safeguarded, properly accounted for and used economically, efficiently and effectively. To meet these responsibilities, the Authority must maintain an effective governance framework that supports transparent and informed decision-making.

2.2 The Accounts and Audit (England) Regulations 2015 require the Authority to undertake an annual review of the effectiveness of its system of internal control and to publish an AGS alongside its Statement of Accounts. In compliance with these requirements, the annual governance review has been

completed and the AGS 2025/2026 (Appendix A) prepared for publication following approval by the Fire Authority.

2.3 A key component of the governance framework is the Code of Corporate Governance, which aligns with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Delivering Good Governance in Local Government Framework (2016). The Code (Appendix B) has been updated for 2026 following the annual review. This framework supports the Authority in applying proportionate, high-quality governance standards and demonstrating compliance with the principles of good governance.

3 ANNUAL GOVERNANCE REVIEW AND STATEMENT

3.1 The AGS provides assurance that effective governance arrangements are in place and identifies areas requiring improvement. It has been developed following a review of governance arrangements by the Executive Leadership Team, including statutory officers, and has been considered by the Internal Governance Board. The Head of Internal Audit's annual opinion, findings from internal audit work, and external review outcomes - including those from the external auditor and His Majesty's Inspectorate of Constabulary and Fire & Rescue Services have informed the assessment.

3.2 The AGS includes an action plan to address the governance issues identified. One improvement action is scheduled for completion during 2026/2027.

4 CONCLUSION

4.1 The AGS acknowledges the Authority's responsibility for maintaining a sound system of governance, including internal control. It references the Code of Corporate Governance, evaluates the effectiveness of key elements of the governance framework, and outlines the respective roles of the Authority, statutory officers, the Governance Committee, internal audit and others in its development and maintenance.

4.2 Based on the evidence reviewed, the governance framework has been effective and maintained throughout the year ending 31 March 2026, and up to the approval of the 2025/2026 Statement of Accounts.

4.3 The annual review provides assurance that appropriate governance arrangements are in place. Implementation of the improvement action during 2026/2027 will support further enhancement of these arrangements.

5 RISK MANAGEMENT

5.1 The absence of a clear and effective governance framework presents inherent risks. The annual review of the system of internal control supports the identification and mitigation of control weaknesses and provides a transparent and structured method for reporting on the effectiveness of governance arrangements.

6 FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications arising from this report. Where financial resources are required to implement improvement actions, these will be sought separately or incorporated into the budget-setting process.

7 EQUALITY AND FAIRNESS IMPLICATIONS

7.1 The AGS reflects the CIPFA/SOLACE framework which incorporates principles including integrity, the rule of law, openness, stakeholder engagement, and defining outcomes in terms of social and public benefit.

8 HEALTH AND SAFETY IMPLICATIONS

8.1 There are no health and safety implications arising from this report.

9 RECOMMENDATIONS

9.1 The Committee is recommended to:

a) Note and comment on the AGS 2025/2026.
b) Note the revised Code of Corporate Governance 2026.

BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:

None

Tyne and Wear Fire and Rescue Authority

Annual Governance Statement

2025/2026

1. About this statement

1.1 This Annual Governance Statement explains how Tyne and Wear Fire and Rescue Authority ("the Authority") ensures strong governance, transparency, and accountability. It sets out how we comply with relevant legislation and national guidance, manage risk, and use public money responsibly to deliver safe, efficient, and effective services for our communities.

1.2 This statement covers the period 1 April 2025 to 31 March 2026 and accompanies the Authority's 2025/2026 Statement of Accounts.

2. Our responsibilities

2.1 The Authority is responsible for ensuring that:

- Its business is conducted in accordance with the law and relevant regulations.
- Public money is safeguarded and properly accounted for.
- Resources are used economically, efficiently, effectively and fairly to deliver agreed priorities for local people.

2.2 Fire Authority Members (elected councillors) and officers share responsibility for establishing effective governance arrangements, including risk management, and for overseeing the stewardship of the Authority's financial and non financial resources.

3. Our governance framework

3.1 Governance is how we make decisions and manage Tyne and Wear Fire and Rescue Service ("the Service") in an open, honest, and accountable way. It encompasses the systems, culture, and values that guide how we operate and engage with our communities.

3.2 The Authority follows nationally recognised best practice, including the *Delivering Good Governance in Local Government: Framework (2016)* and the *Accounts and Audit Regulations 2015*. Our Local Code of Corporate Governance sets out how the Authority apply these principles through clear policies and processes, ensuring transparency, accountability, and high standards.

3.3 How we are led:

- **Fire Authority:** Sixteen elected members from the five Tyne and Wear councils provide strategic leadership, democratic oversight, and challenge. Meetings of the Authority and its committees are open to the public.

- **Governance Committee:** Offers independent review and assurance on governance, risk management, internal controls, and financial reporting. It also promotes high standards of conduct among Members.

- **Chief Fire Officer/Chief Executive (CFO):** Responsible for day-to-day leadership and service delivery of the fire service, supported by the Executive Leadership Team.

- **Executive Leadership Team:** Sets strategic direction, ensures effective governance, oversees risk management, and monitors performance**.**

- **Senior Leadership Team:** Manages day to day operations and ensure Service priorities are delivered effectively.

- **Section 151 Officer (Director of Finance, Estates and Facilities):** Statutory officer responsible for lawful and prudent financial management and stewardship.

- **Monitoring Officer:** Ensures decision making is legally sound and oversees governance arrangements and Member conduct.

3.4 Sources of assurance

3.4.1 The Authority draws assurance from:

- Committee oversight and formal reporting.
- Member feedback and statutory officer statements.
- Internal governance board and risk management arrangements.
- Performance management, improvement activity, and audit reports.
- His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspections.
- Partnership and counter-fraud arrangements.
- External audit and the Statement of Accounts.

4. Applying the principles of good governance

4.1 Each year, the Authority reviews its governance arrangements against the seven core principles of the Delivering Good Governance Framework. A summary of how each principle is applied is set out below.

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

- The Authority's **Constitution,** including Standing Orders, Financial and Procurement Regulations, Terms of Reference, and Scheme of Delegation provides a clear framework for lawful and transparent decision-making. Updated Standing Orders were approved by the Authority on 11 December 2025.

- The **Monitoring Officer** is a qualified solicitor and advises on legality and governance, ensuring proposals, decisions or omission by the Authority or any committee comply with statutory requirements and good administrative practice.

- The Monitoring Officer and the **Clerk to the Authority** are jointly responsible for overseeing the Authority's governance arrangements and ensuring that all meetings are properly organised and convened in accordance with the Standing Orders.

- The **Section 151 Officer** is a qualified accountant and provides strategic leadership on financial governance, including the Medium Term Financial Strategy (MTFS), Reserve Strategy, and annual budget, supported by a professionally qualified finance team.

- **Codes of Conduct and Ethics** for Members and employees are actively monitored. Registers of interests, gifts and hospitality are maintained.

- **Mandatory training** covers health and safety, anti-fraud and corruption, information governance, and equality, diversity, and inclusion. Compliance is monitored and reported.

- Policies addressing **bullying and harassment**, **discipline, counter-fraud** and **whistleblowing** are operating. Employees can raise concern confidentially via Safecall, with themes and outcomes reported to the Internal Governance Board.

- **Disclosure and Barring Service (DBS)** checks, including enhanced checks are mandatory where roles require them.

- **Procurement and financial regulations** ensure ethical practice and value for money.

4.3 B: Ensuring openness and comprehensive stakeholder engagement.

- Strategies, policies, performance information, financial data and decisions are **published on the Service's website**.

- **Authority and committee meetings are open to the public,** with papers and minutes published on Sunderland City Council's website, as they undertake the democratic services function for the Authority. Confidential reports are utilised only when necessary and legally permitted.

- The **Strategic Framework for Communications, Engagement, and Consultation** sets out how the Authority engages with communities, employees and partners. Consultation on the Community Risk Management Plan (CRMP) is extensively and publicly reported on.

- **Employee engagement** is supported through briefings and team meetings, ELT listening events and all staff engagement sessions, the CFOs Vlog and the intranet.

- We operate a **Freedom of Information Publication Scheme** and proactively publish key transparency information to keep the public informed.

- Our **Staff Networks** promote inclusion, representation, and employee voice, helping to create a supportive and diverse workplace.

- The **Joint Consultative Forum** helps maintain positive industrial relations and provides a formal way for the Service to consult with representative bodies, including the Fire Brigades Union (FBU), Unison, and GMB. It works alongside our day-to-day arrangements to ensure open communication and effective collaboration.

- We manage all **compliments and complaints** in line with our published policy and procedure, ensuring fairness, transparency, and continuous improvement.

- Our **partnership register** clearly sets out roles and governance responsibilities, helping us maintain accountability and strong collaborative relationships.

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

- **Our Strategy, Our Future** sets the Service's long term vision and priorities to ensure we meet the needs of our communities now and in the years ahead. It provides a clear roadmap for how we will deliver our services, adapt to emerging risks, and make the best use of resources.

- Our **CRMP (2024-2027)** is the strategic plan that explains how we deliver fire and rescue services across Tyne and Wear. It identifies the risks faced by our communities and sets out how we will use our resources to reduce those risks and keep people safe. This plan is extensively consulted on and based on a **Community Risk Profile**, which uses data and evidence to understand local risks such as fires, road traffic collisions, and other emergencies. We also consider factors like population changes, housing types, and social vulnerabilities**.**

- **MTFS** aligns resources with priorities and is supported by the capital and reserves strategies. Regular budget monitoring and reporting ensure sound financial management.

- **Equality, data protection, and risk assessments** support fair and lawful decision-making. Employees complete these when embarking on projects, policy changes, collaborations, events, and writing business cases.

- Governance arrangements extend to our wholly-owned trading subsidiary **TWFRS Ltd.**

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

- We ensure **decisions are informed** by accurate information, supported by financial, legal, and professional advice. Options are carefully considered, and internal and external stakeholders are consulted to maintain transparency and accountability

- The **Internal Governance and Assurance Fire Standard** underpins effective oversight of governance activities. While broadly aligned, achieving full compliance remains an ongoing priority.

- Progress against departmental and district plans is monitored and reported to the Programme Board. Our **Programme Management Office** (PMO) provides governance and assurance throughout this programme of work.

- Progress against the **HMICFRS Inspection Action Plan** is tracked and reported to the Performance and Improvement Board, with regular updates to the Fire Authority.

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

- We have the right **structures and leadership** in place, supported by employees with the skills, qualifications and experience needed to deliver high-quality services. Clear expectations are set through the *Leading the Service Fire Standard* and *People and Organisational Development Strategy*.

- **Our Recruitment, induction, training and development processes** ensure employees are equipped to perform effectively in their roles. We provide ongoing support and opportunities for growth to help our people reach their full potential.

- We provide **development programmes for Members** to enhance their knowledge and skills. This ensures they can make informed decisions and provide effective governance, supporting transparency and accountability across the Service.

- We invest in **workforce planning**, leadership development and apprenticeship programmes to ensure employees have the support and opportunities they need throughout their careers.

- Every employee completes an annual **Performance and Development Review (PDR)** which includes discussions about their performance, aspirations and personal objectives. This process helps individuals grow and ensure their goals align with the Service's priorities.

- **Health, safety, and wellbeing** are supported through a range of measures to promote both physical and mental wellness. Fitness equipment is provided at all sites and there is a **fitness assessment programme** for operational employees. In addition, all employees have access to occupational health services, physiotherapy, counselling and trauma support.

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

- The **Governance Committee** provides independent assurance to the Authority on matters relating to audit, governance, risk management, and financial reporting.

- We maintain robust **budgetary control** through quarterly and annual financial reports that track performance against forecasts. Our Statement of Accounts is subject to scrutiny, and an external auditor provides an annual opinion on whether the Authority delivers value for money.

- The **MTFS** links our revenue and capital budgets to long term goals and priorities over a rolling four-year period. It is presented to the Authority as part of the annual revenue budget report.

- We follow professional standards for **treasury management**, reviewed annually. The Treasury Management Policy, Strategy and Prudential Indicators are monitored and reported quarterly to the Governance Committee. This ensures our capital programme is sustainable, affordable and achievable within available resources, while informing the MTFS.

- **Corporate risks** are actively managed through a structured risk management framework. The **corporate risk register** is reviewed monthly by the Executive Leadership Team, quarterly by the Internal Governance Board and twice a year by the Governance Committee.

- Our **business continuity planning** aligns with ISO22301 and works in partnership with tmulti-agency arrangements through the **Northumbria Local Resilience Forum** (LRF).

- We have robust **information governance** policies, mandatory training and clear information sharing protocols. The Senior Information Risk Owner (SIRO) oversees compliance with the *Data Protection Act 2018* and *UK GDPR,* ensuring all data is handled securely and responsibly.

- Our **Health and safety arrangements** meet statutory and professional standards, protecting employees and visitors across all our sites.

4.8 **G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.**

- Reports and Authority and committee minutes are **publicly available** and follow a structured format to ensure clarity and consistency.

- Our **Procurement Team** ensures all processes comply with legal requirements and best practice. Where appropriate, tenders are used to test the market and secure the best value contracts. Clear guidance is provided on purchasing goods and services in line with the Authority's Standing Orders and regulations.

- We **publish key annual documents** including this Statement, the Statement of Assurance and the Statement of Accounts, demonstrating compliance with legislation and regulations.

- Processes are in place to record and monitor **improvement actions** whether identified internally or recommended by HMICFRS, audits or other regulatory bodies.

- Internal and external audits provide **independent assurance** on governance, financial statements and value for money. Audited accounts and annual audit letters are published for transparency.

- In line with the **Information Commissioner's model**, we publish details such as expenditure over £500, procurement information, our organisational chart, senior salaries, pay ratios, trade union facility time, and premises.

- We provide **essential data to the Home Office,** including incident statistics, workforce information, prevention and protection activity, fire safety audits, and firefighter injury data.

5. Assurance: audit and inspection

5.1 Internal Audit

5.1.1 The Authority's risk management and internal control environment is assessed through a programme of independent assurance audits. Internal audit is delivered by Sunderland City Council's Audit Team in line with professional standards. Until March 2025, audits followed the *Public Sector Internal Audit Standards*. From April 2025, the new *Global Internal Audit Standards* became the benchmark for all internal audit activity.

5.1.2 The scope and frequency of audits are determined through a risk assessment process in consultation with the Chief Fire Officer and the Director of Finance, Estates and Facilities. The 2025/2026 internal audit plan was approved by the Governance Committee on 21 February 2025.

5.1.3 Enhanced monitoring arrangements ensure timely completion and verification of actions. Quarterly progress reports are submitted to the Internal Governance Board and outcomes are reported annually to the Governance Committee.

5.2 External Audit

5.3.1 Our internal control environment is also assessed through an annual external audit. This review covers the Authority's financial statements, including the Annual Governance Statement, and provides independent opinion on the accounts and on whether we have arrangements in place to secure economy, efficiency, and effectiveness (known as the *value for money conclusion*).

5.3.2 At the time of writing, the audit of the 2024/25 financial statements is ongoing. External auditors, Forvis Mazars, will issue their opinion and value for money conclusion in due course (anticipated to be issued in early 2026). A progress update, including a draft Annual Audit Report, was presented to the Governance Committee on 16 December 2025.

5.3 His Majesty's Inspectorate of Constabulary and Fire & Rescue Services Inspection

5.3.1 HMICFRS last inspected the Service in April 2024 with the report issued on 8 October 2024. The inspection assessed the Service against 11 areas, with each area receiving a graded judgement.

5.3.2 The full report Effectiveness, Efficiency and People 2023–25: An inspection of Tyne and Wear Fire and Rescue Service is publicly available. A summary of the graded judgements is provided below:

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Public safety through fire regulation	Understanding fire and risk	Promoting fairness and diversity	
	Responding to major incidents	Preventing fire and risk		
		Responding to fires and emergencies		
		Best use of resources		
		Future affordability		
		Promoting values and culture		
		Right people, right skills		
		Managing performance and developing leaders		

5.4 **Fire Standards Board**

5.4.1 The National Fire Chiefs Council (NFCC) Fire Standards Board oversees the development and maintenance of professional standards for fire and rescue services in England. It approves Fire Standards and sets the approach for their development.

5.4.2 There are currently 19 Fire Standards covering all areas of the Service. We have governance arrangements in place to ensure these standards are achieved and reflected in our local policies and procedures.

5.4.3 The Service uses systems, tools, and processes to assess alignment with the standards' desired outcomes. This includes conducting gap analyses, reviewing progress against HMICFRS Areas for Improvement, and implementing governance and reporting mechanisms. Key compliance tools include:

- Compliance Tracker
- Liaison with Action Leads to maintain compliance.
- TWFRS representation on the Protection Standard Review Group.
- Collaboration with the NFCC Implementation Manager regarding Fire Standard updates.

6. Progress on improvement actions

6.1 Actions carried forward from the 2023/2024 governance review:

6.1.1 **HR policies (2023/2024) – *Target: September 2025.***

- **Status: Completed.** Policies have been reviewed, consulted upon, and approved through the appropriate governance routes.

6.1.2 **Stakeholder analysis and prioritisation (2023/2024) – *Target: March 2026***

- **Status: Completed.** A structured approach to stakeholder mapping and prioritisation is now in place.

6.1.3 **Data Protection Officer role standardisation (2023/2024) – *Target: March 2024***

- **Status: Completed.** Reported in the 2024/2025 Annual Governance Statement.

6.1.4 **Leaver checklist effectiveness review (2023/2024) – *Target: June 2025***

- **Status: Completed.** The process is operating as intended and will be reviewed periodically.

6.1.5 **Digitalisation of the Occupational Health Unit (2023/2024) – *Target: March 2026***

- **Status: Ongoing.** The first stage has begun. A provider has been identified to scan and convert existing paper records into a secure digital format. OHU is working with IT and the Data Protection Officer to ensure full compliance with data protection requirements. The implementation of a dedicated OHU system is currently on hold until the HR system replacement project is completed. Once the new HR system is operational, Phase 2 will introduce an OHU system to fully support digital record management and workflow. ***New Target: March 2027.***

6.2 Actions from the 2024/2025 governance review:

6.2.1 **Standing Orders and Scheme of Delegation – review and update – *Target: June 2025***

- **Completed.** Updated Standing Orders approved by the Authority on 11 December 2025.

6.2.2 **Information governance and data protection – additional training – *Target: April 2025***

- **Completed.** Targeted training delivered to relevant employees and teams to strengthen compliance.

6.2.3 **Service policies and procedures – SLT plan to refresh outdated documents – *Target: September 2025***

- **Completed.** Legacy policies updated; embedding and review process are ongoing.

7. Governance matters identified in 2025/2026

7.1 No new or significant governance issues were identified during the review. The main focus remains on completing the **Digitalisation of the Occupational Health Unit,** now scheduled for completion by March 2027.

8. Opinion on the governance framework

8.1 Based on the annual review, the Authority is satisfied that its governance framework remains fit for purpose. It provides reasonable assurance that risks are managed effectively, resources are used appropriately, and public money is safeguarded.

9. Approval of the Annual Governance Statement

9.1 This Statement has been reviewed and approved by the Authority and will continue to be monitored through established governance arrangements.

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:		

Tyne and Wear Fire and Rescue Service

Local Code of Corporate Governance

2026

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1. Introduction

This Local Code of Governance sets out the governance framework for Tyne and Wear Fire and Rescue Authority ("the Authority"). It explains how the Authority meets the seven core principles of good governance described in the *Delivering Good Governance in Local Government Framework* (2016), issued by the Chartered Institute for Public Finance and Accountancy and Accountancy and the Society of Local Authority Chief Executives (CIPFA/SOLACE).

The Code complements the Authority's Annual Governance Statement. While the Code describes the Authority's governance arrangements, the Annual Governance Statement evaluates their effectiveness each year.

2. What is governance?

Governance describes how an organisation is directed, controlled, and managed. It defines the relationships, rights and responsibilities of those involved, the processes for setting and delivering objectives and the mechanisms for monitoring performance. Good governance ensures that public money and resources are used transparently, lawfully and in the public interest.

The CIPFA/SOLACE framework enables the Authority to demonstrate that its decisions and activities are conducted in an open, inclusive, honest, timely and accountable way.

3. The seven principles of good governance

The framework sets out seven principles against which the Authority demonstrates compliance.

Principles A and B relate to acting in the public interest:

- **A.** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- **B**. Ensuring openness and comprehensive stakeholder engagement.

Principles C - G describe the organisational activities that support continuous improvement:

- **C.** Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- **D.** Determining the interventions necessary to optimise the achievement of intended outcomes.
- **E.** Developing the Authority's capacity, including the capability of its leadership and the individuals within it.
- **F**. Managing risks and performance through robust internal control and strong public financial management.
- **G.** Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

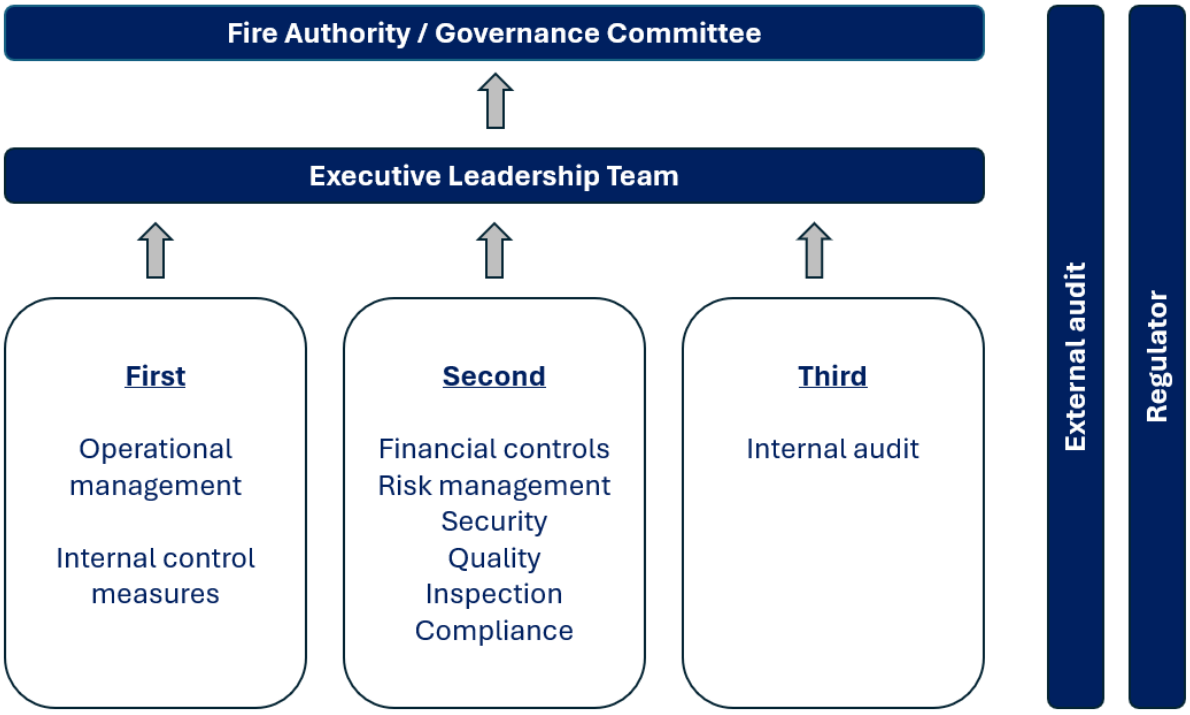
4. Developing a Local Code of Corporate Governance

The Authority is responsible for ensuring that its services comply with legislation, safeguard public funds and deliver best value. Good governance requires transparency, accountability effectiveness, integrity, impartiality, and inclusivity.

This Code bring together all aspects of the Authority's governance framework into a single public document. It sets out how the Authority fulfils its responsibilities and governs the fire service in line with the seven principles. It reflects the Authority's structure, systems, processes, culture, and values.

5. Importance of the system of internal control

Sections 7 and 8 describe the roles and arrangements that support the Authority's internal control environment. The Authority adopts the *Three Lines of Defence* model:



1. **First Line – Operational Management**
   Operational managers own and manage risks and apply effective controls within day to day service delivery.

2. **Second Line – Oversight Functions**
   Functions such as financial management, risk management, performance management, monitor and support the implementation of effective risk and control processes.

3. **Third Line – Independent Assurance**
   Internal audit provides independent assurance on the effectiveness of governance, risk management and internal control.

6. Benefits of an effective governance framework

A strong governance framework:

- Provides timely and reliable assurance on risk and control.
- Enables escalation of significant issues to senior officers and Members.
- Identifies gaps in governance and supports prompt corrective action.
- Enhances accountability, ownership of controls and visibility of risk.
- Reduces duplication of assurance activity.
- Supports the preparation of the Annual Governance Statement.
- Improves overall organisational oversight, performance and efficiency.

7. Monitoring and review

Regulation 6(1)(a) of the Accounts and Audit (England) Regulations (2015) requires the Authority to review the effectiveness of its internal control systems and publish an Annual Governance Statement.

The annual review:

- Assesses compliance with this Code.
- Provides an opinion on the effectiveness of governance arrangements.
- Identifies opportunities for improvement.

Sources of assurance include:

- Feedback from Members (Councillors).
- Assurance statements from statutory officers.
- Senior management input.
- Risk management arrangements.
- Internal audit reports and the annual audit opinion.
- External audit findings.
- His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspections and other external reviews or other relevant.
- Partnership governance arrangements.
- Counter fraud and corruption arrangements.

The result informs actions for improvement, departmental planning, internal audit planning, the Annual Governance Statement and updates to this Code.

8. Key roles in the Authority's governance framework

The Authority

The Authority is the publicly accountable body responsible for overseeing Tyne and Wear Fire and Rescue Service. It approves the constitution, strategies, governance reports and budgetary frameworks and is responsible for:

- Setting policy direction and approving strategic plans.
- Setting a budget to fund priorities.
- Scrutinising performance and ensuring statutory compliance.

The Authority comprises seventeen elected Members. Members are appointed to committees annually at the Annual General Meeting (AGM) and reflect political balance.

The Authority and its committees oversee risk management, review governance practices, scrutinise internal and external audit reports, approve the Annual Statement of Accounts and receive regular updates from senior officers about service achievements of objectives and targets.

Governance Committee

The Governance Committee provides independent assurance on governance, risk management and the internal control environment. Its remit follows *CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police* (2022).

Chaired by an independent person, it:

- Reviews the effectiveness of governance and internal control arrangements.
- Scrutinises internal and external audit plans and reports.
- Oversees Member conduct and supports the Monitoring Officer with complaints about Member conduct.
- Reviews and recommends updates to the Constitution.
- Approves the Statement of Accounts.
- Monitors the implementation of audit and inspection recommendations.

Statutory Officers

Head of Paid Services

The Chief Fire Officer/Chief Executive is responsible for all operational and corporate management of the fire service and for providing professional advice to the Authority.

Chief Financial Officer/Section 151 Officer

The Director of Finance, Estates and Facilities ensures proper administration of the Authority's finances, in line with s151 of the Local Government Act 1972 and CIPFA's *Role of the Chief Financial Officer* (2016). whose role is to ensure the proper administration of the Authority's financial affairs. Responsibilities include financial control, audit provisions, financial reporting and advising on the financial implications of decisions.

Monitoring Officer

The Assistant Director of Law and Governance (Sunderland City Council) ensures legality, fairness, and compliance with the constitution and investigates conduct issues related to Members and Principal Officers.

Senior Information Risk Owner (SIRO)

The Assistant Chief Fire Officer oversees information risk, supported by the Data Protection Officer (DPO) and the Information Governance Advisor.

Management

Executive Leadership Team (ELT)

Comprising the Chief Fire Officer/Chief Executive, Deputy Chief Fire Officer, Assistant Chief Fire Officer, Area Managers and Directors, the ELT:

- Implement policy and budgetary frameworks.
- Direct corporate strategy and ensuring policy implementation.
- Oversee internal control improvements.
- Provide strategic direction to the Senior Leadership Team.

Senior Leadership Team (SLT)

Group Managers and Department Heads are responsible for:

- Developing and implementing the governance, risk, and control frameworks.
- Corporate management and performance.
- Acting promptly on audit and internal control recommendations.

Internal Audit

Provided through a Service Level Agreement with Sunderland City Council, internal audit follows the CIPFA *Code of Practice for the Governance of Internal Audit in UK Local Government* and the *Public Sector Internal Audit Standards* (2017). It delivers a risk-based annual audit plan, reports findings to senior officers and the Governance Committee and provides an annual opinion informing the Annual Governance Statement.

External Audit

External audit is provided by Forvis Mazars through Public Sector Audit Appointments arrangements. External auditors:

- Provide an opinion on the financial statements
- Assess value for money arrangements
- Provide assurance on resilience and efficiency through the Annual Audit Report.

Risk Management

Risk management is embedded throughout the Service's planning and decision-making processes. Risk registers are maintained at corporate and directorate level, reviewed by ELT and incorporated into Authority and committee reports and project management processes.

9. How the Authority meets the principles of good governance

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

How will we meet this principle?

- Ensure Members and employees behave with integrity and act in the public interest in line with the Seven Principles of Public Life (the Nolan Principles).
- Set out clearly the ethics, values and behaviour standards and procedures expected of Members and employees and take action where they are not met.
- Ensure, as far as possible, that suppliers, external service providers and partners adhere to these standards when delivering services on our behalf.
- Ensure adherence to laws and regulations and make proportionate use of the legal powers available to us to deliver our services.
- Ensure that employees fulfil their responsibilities in accordance with statutory provisions.
- Establish arrangements for dealing with any breaches of law, corruption or misuse of power.

What do we do to deliver this?

- Set out the standards of behaviour expected of Members, employees and suppliers working with and for us.
- Have processes in place for reporting and investigating allegations of inappropriate behaviour.
- Have processes in place for dealing with breaches of Member and employee code of conduct.
- Select our suppliers and partners carefully and ensure they are aware of and comply with the behaviour and standards we expect when working with us.
- Have arrangements for identifying and considering the impact of current and new legislation and regulations affecting our work.
- Have arrangements in place for deterring, detecting and investigating fraud, corruption, bribery and unethical practices, and for addressing cases where unacceptable practices are found.

Where can you find evidence that shows that we deliver these commitments?

We publish on our website:

- Our vision, missions and core values.
- Our constitutional documents, comprising: Standing Orders, Financial Regulations, Terms of Reference, Scheme of Delegation and Members' Allowance Scheme.
- Our Code of Conduct for Employees and Code of Conduct for Members.
- How to contact us if you are unhappy with our services or the behaviour of an employee or Member, or if you suspect fraud or corruption within the Authority.
- Compliments and complaints policy and procedure, and annual report.
- Our contracts register listing our current suppliers, value and duration of contracts.
- Our Counter Fraud Framework and counter fraud data.
- Our modern slavery statement.
- Declaration of interests at meetings.
- Registers of gifts and hospitality.
- Our Whistleblowing (confidential reporting) Policy.
- Our discipline policy.

Principle B. Ensuring openness and comprehensive stakeholder engagement

How will we meet this principle?

- Provide a simple and accessible process for engaging with, and seeking information from us about our decisions, services and plans.
- Provide evidence and justification for our decisions and policies and make this information available.
- Engage and consult with stakeholders (internal and external) to ensure significant proposals for change are communicated, and views are taken into account.
- Provide a simple process to encourage feedback from stakeholders and consider this in our decision making.
- Establish collaborative working arrangements for service delivery where a good business case exists.
- Consider the impact on community risk when making decisions on the delivery of services.

What will we do to deliver this?

- Provide easily accessible means for contacting us via a range of methods, including electronic and non-electronic methods.
- Comply with freedom of information legislation and publish frequently requested and statutory information on our website.
- Actively seek and consider feedback from service users, the public, employees and partners about our plans and performance.
- Actively seek opportunities to work collaboratively with appropriate partners where it makes sense to do so.
- Publish information and data to support and validate our plans and objectives.
- Endeavour to ensure that our decisions are deliverable and sustainable for the medium to long term.

Where can you find evidence that shows that we deliver these commitments?

We will publish on our website:

- Our strategic plans and Community Risk Management Plan (CRMP).
- Information required by the Local Government Transparency Code 2015 and Trade Union (Facility Time Publication Requirements) Regulations 2017.
- Guidance on how to make a freedom of information request or subject access request, and how long it will take to process it.
- Information frequently requested under the Freedom of Information Act 2000.
- A privacy notice setting out the personal data we collect in order to provide our services, the lawful bases for collecting data, and how long we retain data for.
- Information and data to support our plans, proposals and decisions.
- Our constitutional documents, comprising: Standing Orders, Financial Regulations, Terms of Reference, Scheme of Delegation and Members' Allowance Scheme (references meetings open to the public).
- Authority and committee timetable and reports.
- Our Strategic Framework for Communications, Engagement and Consultation (available on request) provides a range of consultation methods.
- Details of how you can engage with us about the development of services and comment on our plans and proposals.

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

How will we meet this principle?

- Set out our vision and objectives for the Service through our CRMP and strategies.
- Provide updates on our progress in delivering our vision and objectives.
- Identify and manage, as far as practicable, the key risks and threats to the achievement of our objectives.
- Ensure that our objectives are deliverable and sustainable with the resources available.
- Balance social, economic and environmental impacts in our decision making.
- Aim to design our services so they are tailored to meet all service user needs and are accessible to everyone.
- Act transparently in presenting our decisions related to our vision and aims.

What will we do to deliver this?

- Publish our plans and strategies for the Service.
- Publish updates on progress in delivering our targets and meeting our strategies.
- Identify and manage the key strategic risks to the delivery of our strategies.
- Identify the risks from fires and other emergencies and have appropriate plans to manage these risks.
- Set out our approach to equality, diversity and inclusion and apply this to our dealings with service users, the pubic and partner organisations.
- Manage our resources effectively to deliver optimum value and benefit for service users.

Where can you find evidence that shows that we deliver these commitments?

We publish on our website:

- Our three-year strategic plan 2030, Our Strategy, Our Future.
- Details of proposed plans and strategies, and how you can provide feedback, comments and suggestions on these. Responses to consultations that we run.
- Our vision, mission, values and goals are to achieve across the areas of inclusivity and culture, community and firefighter safety, innovation and environmental sustainability and making best use of our resources.
- Information and campaigns to help you stay safe in the home and protect yourself from fire and other risks.
- Our CRMP associated risk analysis and assessment, and strategic priorities.
- Our external auditor’s assessment of our accounts and the value for money we provide.
- Detailed performance information including quarterly performance reports.
- Developing effective relationships and partnerships with other public sector agencies and the voluntary sector, which are recorded in our partnership register.

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

How will we meet this principle?

- Open our performance and decisions to scrutiny by the democratically elected Members of the Fire Authority.
- Consider any feedback from the public in assessing options for service change.
- Put in place a robust planning process that considers aims, resources and capacity, and takes all relevant factors into account.
- Produce a sustainable budget and financial plan to support our plans and objectives over the medium term.
- Consider the use of collaborative working as a means of delivering services where appropriate service improvements can be realised.

What will we do to deliver this?

- Consider the various options available for all our plans and objectives and explain the rationale for our decisions in publicly available documents.
- Actively seek and consider feedback and input from stakeholders (internal and external) as part of our consultation and options appraisal process.
- Put in place effective project and programme management arrangements, operated by skilled and experienced employees to optimise the chances of successful delivery.
- Produce and publish a Medium Term Financial Strategy (MTFS) that supports our plans and objectives and identifies the resources needed to deliver these.
- Demonstrate the financial sustainability and affordability of our plans.
- Actively seek to work collaboratively with partners where appropriate.

Where can you find evidence that shows that we deliver these commitments?

We publish on our website:

- Our CRMP outlines the strategic priorities and actions necessary to address the risks and strategic challenges.
- Updates on the progress in achieving strategic priorities.
- How you can get involved in any consultation exercises we run about the development of our plans.
- Our responses to the consultations we run.
- Our Programme Management Office, project planning framework and Project Management Policy.
- Our Procurement Regulations and procurement management documents.
- Our Medium Term Financial Strategy and financial strategies (Treasury Management Policy, Capital Policy and Programme and Reserves Policy).
- Monitoring policies through ongoing reviews to assess their effectiveness.

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

How will we meet this principle?

- Regularly review the Authority's activities and processes to ensure they remain effective and fit for purpose.
- Engage with external partners where appropriate and beneficial to do so.
- Develop a workforce and people plans that ensure sufficient employees with the necessary skills and knowledge are in place when needed.
- Put in place arrangements for managing the relationship between Members and officers, including clear written delegations to officers.
- Ensure Members and employees have the skills, knowledge, resources and support to fulfil their roles and responsibilities.
- Monitor and manage the performance of Members and employees in their roles.
- Support employees in managing their health and wellbeing.

What will we do to deliver this?

- Set out in our plans, the risks, issues and factors we face and our plans to address them.
- Develop the workforce and people plans that set out our employee establishment requirements and plans for developing and training the workforce.
- Develop processes for working in collaboration with key partners and suppliers to deliver more effective services.
- Set out the constitutional documents of the Authority, including arrangements for managing the relationship between Members and officers and the powers delegated to the Chief Fire Officer/Chief Executive.
- Provide employees with constructive feedback on performance and opportunities for development and training needs.
- Provide access to effective training and development opportunities to help employees maintain and increase relevant role-related knowledge and skills.
- Put in place arrangements to assist employees to manage their own health and wellbeing and provide access to support and assistance when problems are experienced.

Where can you find evidence that shows that we deliver these commitments?

We publish on our website:

- Our People and Organisational Development Strategy.
- Operating robust recruitment and selection processes supported by our Recruitment, Selection and Promotion Policy and Procedure.
- Investing in Member, Officer and employee leadership and development programmes.
- Talent management, employee coaching, mentoring and training opportunities.
- Our Annual Equality and Gender Pay Gap report and pay policy statement.
- Code of Corporate Governance.
- Scheme of delegations with responsibilities for statutory officers.
- 350 appraisals, Performance Development Reviews and career conversations (not published).
- Staffing policies and procedures, including our Inclusion Policy.

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

How will we meet this principle?

- Ensure risks are identified and managed effectively.
- Publish regular reports on performance and progress in delivering our objectives.
- Encourage robust challenge and engagement in developing our plans and objectives.
- Objectively assess the outcomes of plans and policies and address any deficiencies.
- Implement and monitor strong governance arrangements that ensure our objectives and policies are delivered, and threats and losses are minimised.
- Ensure data, including personal data, is secured, used and shared in accordance with the law and good practice.
- Ensure that financial resources are protected and used effectively including, arrangements to prevent fraud and corruption.

What will we do to deliver this?

- Put in place arrangements for identifying, assessing and managing the risks to the delivery of services and the achievement of objectives.
- Where appropriate, consult with service users and partners on our intended plans and projects.
- Monitor and review the success of our plans and strategies to ensure delivery of planned outcomes.
- Maintain effective controls and systems to ensure the effective use of resources, the achievement of our plans and projects, and strong stewardship of the Authority including, measures to prevent and detect fraud, corruption, bribery and modern slavery.
- Maintain effective arrangements for the secure storage, use and sharing of personal data we hold in connection with the delivery of services.
- Ensure compliance with the relevant codes and highest standards of financial management to protect resources, ensure value for money and prevent losses and errors in accounting.

Where can you find evidence that shows that we deliver these commitments?

We publish on our website:

- Our key strategic risks and our plans to manage these.
- Our CRMP and associated risk analysis, Community Risk Profile (CRP) which details how we profile risk for Tyne and Wear.
- Details of our proposed plans and strategies, and how you can provide feedback, comments and suggestions on these and responses to consultations we run.
- Corporate risk register, departmental and project risks (not published).
- An annual assessment of the systems and controls that ensure strong governance arrangements are in place across the Authority (the Annual Governance Statement).
- An annual assessment of our performance against the requirements of the Fire and Rescue National Framework (Statement of Assurance).
- Regular financial reports on the performance in delivering our budget.
- Annual audit reports on our statement of accounts are undertaken by our external auditor.
- Annual report and mid-year progress report on the outcomes of internal audits.
- Our modern slavery statement.
- Information Management Framework– data, documentation, and security policies.

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

How will we meet this principle?

- Operate an effective audit and review function that assures the effectiveness of controls and ensures that recommendations are implemented promptly.
- Publish statutory and commonly requested information on our website and put in place arrangements to enable easy access to other information requested.
- Encourage partners to adopt high standards of governance and transparency in their dealings with us.
- Publish an annual assessment of our governance arrangements and compliance with the Fire and Rescue National Framework.
- Ensure that statutory officers and the Head of Internal Audit have unfettered access to Members and are free to comment on policies and plans objectively.

What will we do to deliver this?

- Maintain an effective internal and external audit process and ensure auditors have free access to decision makers, including elected Fire Authority Members.
- Comply with the requirements to publish information on our website and include other commonly requested information and data.
- Establish a simple way of contacting us to request further information, data or assistance including, receiving and responding to freedom of information requests and subject access requests.
- Support and encourage our partners to establish strong governance and control processes and support us in providing access to information and data in a timely manner.
- Regularly review our governance arrangements, taking into account external and internal assessments, and publish our results of these reviews.
- Enable the S151 Officer, Monitoring Officer and Head of Audit to undertake their statutory and regulatory roles unhindered and report directly to Members when necessary.

Where can you find evidence that shows that we deliver these commitments?

We publish on our website:

- Annual reports from our internal and external auditors.
- Inspections and reports from HMICFRS and other external reviews,
- Information required by the Local Government Transparency Code 2015 and Trade Union (Facility Time Publication Requirements) Regulations 2017.
- Guidance on how to make a freedom of information request or subject access request, and how long it will take to process it.
- An annual assessment of the systems and controls that ensure strong governance of the Authority (Annual Governance Statement).
- An annual assessment of our operational performance against the requirements of the Fire and Rescue National Framework (Statement of Assurance).
- Publishing relevant information relating to salaries and data.
- Our Procurement Regulations and procurement management documents which provide clear guidance for procuring goods and services.
- Our annual Statement of Accounts.

Tyne and Wear Fire and Rescue Authority

TYNE AND WEAR FIRE AND RESCUE AUTHORITY **Item No 8**

GOVERNANCE, RISK AND AUDIT SCRUTINY COMMITTEE: 13 FEBRUARY 2026

SUBJECT: AUDITED STATEMENT OF ACCOUNTS 2024/25

REPORT OF THE DIRECTOR OF FINANCE, ESTATES AND FACILITIES

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1 INTRODUCTION

1.1 This report presents the audited Statement of Accounts for 2024/25. As the audit was still ongoing at the time of preparing this report, the final audited Statement of Accounts will be issued once available and published as Appendix A.

1.2 A complete list of amendments is included in Forvis Mazars' Audit Completion Report, which will be provided at Appendix B once issued; their report also includes the Auditor's opinion on the Statement of Accounts.

1.3 The Letter of Representation for 2024/25, providing assurance by the Director of Finance, Estates and Facilities that the Statement of Accounts provides a true and fair view, will be attached at Appendix C once issued.

1.4 **Due to the fact that the audit was not fully completed at the time of report drafting, finalised versions of the appendices will be provided to the committee once available in advance of the meeting.**

1.5 The reason for the delay is that the audit could not be completed until early February due to extreme pressures within the audit industry. The government has set a statutory "backstop date" of 27 February 2026 for the publication of all local government audited accounts.

1.6 The draft Auditor's Annual Report was presented to Governance, Risk and Audit Scrutiny Committee on 16 December 2025; the final version of the Auditor's Annual Report will be issued following completion of the Audit Completion Report and once the 2024/25 audit has fully concluded.

2 BACKGROUND

2.1 Forvis Mazars LLP, the Authority's statutory external auditor, is required by statute to audit and report on the Authority's Statement of Accounts on an annual basis, reporting certain matters to Members and issuing an audit opinion on the Authority's accounts to provide assurance to stakeholders on the Authority's financial health and governance.

3 KEY MESSAGES

3.1 The 2024/25 Statement of Accounts presents a true and fair view of the Authority's financial position as at 31 March 2025 and its income and expenditure for 2024/25.

3.2 At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, Forvis Mazars anticipate issuing an unqualified opinion on the 2024/25 Statement of Accounts.

3.3 A summary of any identified misstatements will be set out in the report. At the time of issuing this report, no material errors had been identified and no changes affecting the Authority's financial position are anticipated.

3.4 The external auditors have not identified any material weaknesses in the Authority's internal control systems.

3.5 Value for Money: the external auditors do not anticipate any significant weaknesses in the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources.

4 RISK MANAGEMENT

4.1 There are no risks in respect of this report.

5 FINANCIAL IMPLICATIONS

5.1 The financial implications are set out in the 2024/25 Statement of Accounts and accompanying documentation; there are no other financial implications.

6 EQUALITY AND FAIRNESS IMPLICATIONS

6.1 There are no equality and fairness implications in respect of this report.

7 HEALTH AND SAFETY IMPLICATIONS

7.1 There are no health and safety implications in respect of this report.

8 RECOMMENDATIONS

8.1 The Committee is recommended to:

a) Approve the audited Statement of Accounts for publication in accordance with the Accounts and Audit Regulations 2015 section 9 (2) (b);

b) Authorise the Chair of the Committee to certify the audited Statement of Accounts on behalf of the Committee, in accordance with section 9 (2) (c) of the above Regulations;

c) Approve the Letter of Representation to Forvis Mazars prior to being signed by the Director of Finance, Estates and Facilities following the issue of the audit opinion; and

d) Note the contents of the Audit Completion Report and Auditors' Annual Report.

Risk Category

Risk categories help identify risks and enable them to become robust and practical at the same time. It ensures that risk owners can track the origin of the underlying and potential risks faced by the FA. These categories help determine the efficiency of the control systems implemented to mitigate risk appropriately. It ensures that risk identification is made comprehensively, covering all the probable aspects of the underlying and upcoming risk conditions.

TWFRS categorise risk according to the following:-

- Strategic
- Operational
- Information
- Reputational
- Financial
- People
- Regulatory
- Cross Cutting
- Other

Risks categories provide a structured and manageable overview of the risks facing the FA.

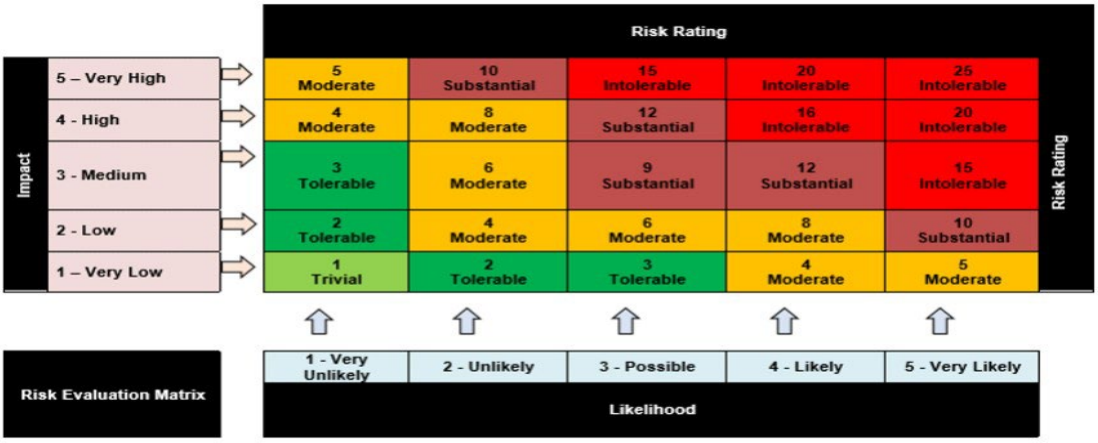
Risk Descriptor

Once a risk is identified it is important to prioritise it. This ensures the appropriate resources are allocated to those risks that require them. It is important that the risk description is carefully constructed so that we can fully understand and assess the risk. The risk description outlines the following:-

- Cause – the source of the risk
- Event – area of uncertainty in terms of the threat or opportunity
- Effect – impact the risk has on TWFRS activities should the risk materialise

Risk Rating

Risks are rated using a 5x5 risk matrix (as seen below) producing a score between 1 and 25 which subsequently allocates a risk rating ranging from trivial to Intolerable. Risks that are above the trivial/tolerable threshold (moderate, substantial or intolerable) require further consideration and a decision taken as to how the risk should be treat. TWFRS use the matrix below to apply an appropriate risk rating.



LIKELIHOOD CRITERIA

Rating	Descriptor	Description	Probability
5	Very Likely	It is very likely and will almost certainly occur	>80%
4	Likely	It is probable that it will occur	60-80%
3	Possible	It is possible that it may occur	40-60%
2	Unlikely	Unlikely to occur however there is a remote chance of an occurrence	20-40%
1	Very Unlikely	Very unlikely to occur, following consideration occurrence is not expected	<20%

IMPACT CRITERIA

Rating	Descriptor	Description
5	Very High	Risk will have a significant impact to department/Service objectives, reputation or budget.
4	High	Risk will have a major impact to department/Service objectives, reputation or budget.
3	Medium	Risk will have a moderate impact to department/Service objectives, reputation or budget.
2	Low	Risk will have a minor impact on department/Service objectives, reputation or budget.
1	Very Low	Risk will have negligible impact on department/Service objectives, reputation or budget.

Risk Level	Action & Timescale
TRIVIAL	No action is required and documentary records need to be kept.
TOLERABLE	No additional controls are required. Consideration may be given to a more cost-effective solution or improvements that impose no additional cost burden. Monitoring is required to ensure that the controls are maintained.
MODERATE	Efforts should be made to reduce the risk but the costs of prevention should be carefully measured and limited. Risk reduction measures should be implemented within a defined time period. Where the moderate risk is associated with extremely harmful consequences, further assessment may be necessary to establish more precisely the likelihood or harm as basis for determining the need for improved control measures.
SUBSTANTIAL	Work should not be started until the risk has been reduced. Considerable resources may have to be allocated to reduce the risk. Where the risk involves work in progress urgent action should be taken.
INTOLERABLE	Work should not be started or continued until the risk has been reduced. If it is not possible to reduce risk even with unlimited resources, work has to remain prohibited.

An agreed risk rating (pre-mitigation) is applied to each risk with the CRR with a current risk rating (post-mitigation) being applied once the risk is treat.

Tyne and Wear Fire and Rescue Service Corporate Risk Register				
Reference and Risk Category	Description	Risk Rating (pre mitigation)	Risk Rating (post mitigation)	Risk Trend
01.24 Cross Cutting	There is a risk of cyber-attacks on the service's digital and network systems, which could cause prolonged outages and loss of access to critical systems and information. This disruption could hinder the delivery of essential activities and the sharing of data, potentially leading to operational, reputational, and financial damage.	Intolerable L.5 I.5	Substantial L.3 I.3	→

This risk considers the vulnerabilities within internet facing services and the potential threat of a malicious attack. Following the merger of all cyber related risks this now also incorporates addressesing the integrity of data stored and its protective security measures in relation to unathorised access due to malicious intent.

Mitigation:

Currently, the Service is 63% compliant with the National Cyber Security Centre's Cyber Assessment Framework (CAF) baseline profile and will not meet the 2025 deadline; the revised target is to achieve baseline compliance during 2026. Four priority areas require immediate attention. First, unmanaged and personal devices accessing Service resources increase the risk of data leakage. To address this, access to corporate data will be restricted to Service-managed devices only, supported by mobile data management tools. Second, the continued use of generic accounts undermines accountability and increases the risk of unauthorised access. These accounts will be removed, and individual authentication enforced. Third, reliance on the legacy "S" drive and an outdated asset database creates compliance and visibility risks. The plan is to migrate data to secure platforms such as Teams and SharePoint, make the S drive read-only, and cleanse the asset database. Finally, exceptions allowing senior staff to access Service resources from outside the UK weaken governance and increase exposure to international threats. Policies will be updated to restrict overseas access until secure technical controls are implemented.

Additional measures include deploying network monitoring solutions, developing incident response playbooks, improving supply chain risk management, and continuing staff awareness programs. Implementing these actions will raise compliance to approximately 90%, significantly reducing cyber risk. However, resource constraints and the loss of ICT specialists remain challenges, though dedicated support will commence in January 2026. Financial implications for technical controls are anticipated but currently unknown. In summary, while the Service maintains a strong cybersecurity posture, these actions are critical to mitigating risk and ensuring resilience.

The level of risk will continue be reviewed in line with the progress against the CAF in addition to any emerging intellegence in relation to the hightening of the threat of a cyber attack.

Reference and Risk Category	Description	Risk Rating (pre mitigation)	Risk Rating (post mitigation)	Risk Trend
11.02 Financial	Risk that financial pressures will impact on Service's decision making and delivery of its goals/priorities and objectives.	Intolerable L.5 I.5	Moderate L.2 I.3	→

This risk reflects the adequacy of available resources to ensure the service can operate as effectively as possible in accordance with its stated strategic aims and objectives. Resources available include, but not limited to, government funding, business rates, council tax and sales fees and charges (including collaboration and commercial undertakings), and use of limited reserves in accordance with the Fire Authorities' reserve policy.

Mitigation:

The Finance Policy Statement published in November 2025 confirmed that there would be a multi year settlement covering the three year period 2026/27 to 2028/29. The statement also confirmed that Fire and Rescue Authorities would be able to increase council tax by a maximum of £5 on a band D property.

Following the Finance Policy Statement the settlement was published on 17 December 2025. The settlement covered the period 2026/27 to 2028/29 and included transitional protection to give TWFRS a real terms funding increase. This increase included the assumption that Fire Authority would approve the £5 council tax increase. If council tax is excluded, then there is a funding decrease over the settlement period in relation to grant funding.

Work is ongoing to draft the base budget for 2026/27 and refresh the MTFS but it is anticipated that the budget can be balanced in 2026/27 without any service reductions as long as the £5 council tax increase is approved.

Reference and Risk Category	Description	Risk Rating (pre mitigation)	Risk Rating (post mitigation)	Risk Trend
02.23 Cross Cutting	Risk that the culture and behaviours within TWFRS do not fully align with the Services commitment to its values and the employees Code of Conduct leading to reputational damage.	Intolerable L.4 I.4	Moderate L.2 I.3	→

This risk reflects any historic or present cultural concerns that may be reported directly or indirectly to the service and any matters arising that may impact on the services reputation.

Mitigation:

Significant progress has been made in advancing cultural and inclusion initiatives across the Service. The Strategic Cultural Action Plan is nearing completion, with 13 out of 14 actions delivered, and the remaining action actively monitored. All Local Culture Talks have been completed, with feedback and local action plans submitted by every department and station; this data is currently being analysed to inform future strategies. Gender diversity continues to be supported through the Women in the Fire Service programme, with three female staff successfully completing the latest development programme. To embed inclusion and equity into decision-making, an updated Equality Impact Assessment (EIA) procedure and template has been launched, supported by internal communications to all staff and targeted emails to ELT and SLT. A dedicated Equality, Diversity, and Inclusion (EDI) Subgroup has been established under the North East Strategic Delivery Board (NESDB) to foster a cohesive regional approach, share best practice, and collaboratively address common challenges. Training has been delivered to staff network chairs to strengthen leadership skills and inclusive practices, ensuring they are equipped to drive cultural change. Members of the People and Culture team have attended multiple conferences and events, enabling knowledge sharing and networking with other UK Fire and Rescue Services.

Additionally, the Service successfully hosted the Inclusion Forum North East, a cross-sector event led by Positive About Inclusion, promoting collaboration and learning. Work continues in partnership with NFCC and sector specialists to develop resources that build understanding and awareness of inclusive workplaces. Further training has also been provided to supervisory managers, equipping them with the skills and tools necessary to foster an inclusive culture within their teams.

While significant progress has been made, the risk level has remained unchanged because key actions are still in progress, outcomes have not yet been fully evaluated, and cultural transformation requires sustained effort over time. Reducing the risk prematurely could create a false sense of security and undermine continued focus on these initiatives.

Reference and Risk Category	Description	Risk Rating (pre mitigation)	Risk Rating (post mitigation)	Risk Trend
01.25 Cross Cutting	Risk that outdated policies impede service alignment with organisational strategic objectives and ethical standards, which has the potential to lead to ill-informed decision-making resulting in legal issues, operational inefficiencies, reputational damage and non-compliance with legislative requirements.	Substantial L.4 I.3	Moderate L.3 I.2	→

This risk addresses the potential negative impacts of the continued use of any outdated policies.

Mitigation:

A small number of procedures remain outstanding, which poses a potential risk to policy alignment with organisational strategic objectives and ethical standards. The Deputy Chief Fire Officer (DCFO) has been fully briefed on the position, and relevant mitigation measures have been applied to minimise immediate risk. These include interim guidance to ensure operational consistency and temporary controls to prevent gaps in compliance.

A revised completion deadline of **31 December 2025** has been agreed, and progress will be monitored proactively through regular governance reporting and oversight by GM Service Delivery. Additional assurance measures include escalation protocols for any emerging issues and prioritisation of high-impact procedures to ensure alignment with legislative requirements and organisational standards. Communication plans are in place to keep stakeholders informed, and resource allocation has been reviewed to support timely delivery. The Service remains committed to embedding robust governance and ethical standards, and this risk will continue to be monitored closely until all outstanding procedures are fully implemented and signed off.

Reference and Risk Category	Description	Risk Rating (pre mitigation)	Risk Rating (post mitigation)	Risk Trend
01.20 Cross Cutting	Risk that the pension remedy for Age Discrimination in Pension Schemes results in detrimental Financial and workforce impacts for the Service.	Substantial L.4 I.3	Moderate L.4 I.3	→

This risk reflects the fact there are financial implications to the authority in addressing this issue particularly if the government pass on the additional costs. The anticipated additional cost is expected to be included in the next pension re-evaluation in 2022-23.

Mitigation:
As reported to the Committee in June 2025 Following LGA guidance, the Scheme Manager extended the deadline for issuing Remediable Service Statements (RSS) from 31 March 2025 to 30 September 2025 for specific cases. Some cases remain outstanding, and West Yorkshire Pension Fund (WYPF) is working on a recovery plan. Formal reports of these breaches—covering both the “Extension” cases and the missed statutory deadline for deferred benefit statements—have been submitted to The Pensions Regulator (TPR). These reports will also be presented to the Local Pension Board (LPB) and the HR Committee, as confirmed by the Scheme Manager.

In relation to Internal Dispute Resolution Process (IDRP) claims, 114 Stage 1 and 2 Stage 2 cases were received and have now been resolved. RSS buyback arrangements opened a 12-week window for members to make repayments or claim refunds, creating additional workload for the Pensions Team. Work on contingent decisions and historic retained firefighter cases continues, with some processes paused pending legal clarification. The Compensation Scheme remains open, but claims are expected to increase once RSS statements are issued. TWFRS has processes in place and will reclaim any upheld awards from central government. Additional temporary resource is being explored to support the Pensions Team.

Finally, WYPF missed the November onboarding deadline for Pensions Dashboards due to a national bottleneck. This has been documented internally but does not require external reporting, in line with TPR guidance.

Forward Look

The CRR is a live document and will be continuously monitored with progress of the actions established to mitigate the risks facing the FA being recorded appropriately within. Subsequently progress will be reported to the Governance Committee on a bi-annual basis for independent scrutiny.