



**Tyne and Wear  
Fire and Rescue Authority**

**Statement of Accounts  
2022/2023  
(subject to audit)**

## Contents

Contents .....	2
Authority Membership 2022/2023 .....	3
Introduction .....	4
Statement of Responsibilities for the Statement of Accounts .....	5
Certification of the Statement of Accounts .....	5
Narrative Statement – 2022/2023 .....	7
Independent Auditor’s report to the Members of Tyne and Wear Fire and Rescue Authority on the Financial Statements .....	24
Core Financial Statements .....	47
Movement in Reserves Statement .....	47
Comprehensive Income and Expenditure Statement .....	49
Balance Sheet .....	50
Cash Flow Statement .....	51
Notes to the Core Financial Statements .....	52
Note 1 – Accounting Policies .....	52
Note 2 – Accounting standards that have been issued but have not yet been adopted .....	66
Note 3 – Critical Judgements in applying Accounting Policies .....	66
Note 4 - Assumptions made about the Future and Major Sources of Estimation Uncertainty .....	69
Note 5 – Events After the Balance Sheet Date .....	71
Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations .....	71
Note 7 – Expenditure and Funding Analysis .....	74
Note 8 – Movements in Earmarked Reserves .....	76
Note 9 – Other Operating Expenditure .....	78
Note 10 – Financing and Investment Income and Expenditure .....	78
Note 11 – Taxation and Non Specific Grant Income .....	78
Note 12 – Property, Plant and Equipment .....	79
Note 13 – Assets Held for Sale .....	81
Note 14 – Financial Instruments .....	81
Note 15 – Short-Term Debtors .....	89
Note 16 – Cash and Cash Equivalents .....	90
Note 17 – Short-Term Creditors .....	90
Note 18 – Provisions .....	90
Note 19 – Usable Reserves .....	91
Note 20 – Unusable Reserves .....	91
Note 21 – Cash Flow Statement – Operating Activities .....	95
Note 22 – Cash Flow Statement – Investing Activities .....	95
Note 23 – Cash Flow Statement – Financing Activities .....	95
Note 24 – Members’ Allowances and Expenses .....	95
Note 25 – Officers’ Remuneration .....	96
Note 26 – External Audit Costs .....	98
Note 27 – Grant Income .....	98
Note 28 – Related Parties .....	99
Note 29 – Capital Expenditure and Capital Financing .....	100
Note 30 – Private Finance Initiatives and Similar Contracts .....	101
Note 31 – Defined Benefit Pension Schemes .....	102
Note 32 - Contingent Liability .....	110
Note 33 – Contingent Asset .....	111
Supplementary Statements .....	112
Firefighters’ Pension Fund Statement .....	112
Firefighters’ Pension Net Assets Statement .....	113
Notes to the Firefighters’ Pensions Statements .....	113
Glossary of Terms .....	115

## **Authority Membership 2022/23**

### **Chairman**

Councillor A. Taylor (Sunderland City Council) to 8<sup>th</sup> May 2022

Councillor P. Tye (Sunderland City Council) from 8<sup>th</sup> July 2022

### **Vice-Chairman**

Councillor N. Forbes (Newcastle City Council) to 8<sup>th</sup> May 2022

Councillor C. Burdis (North Tyneside Council) from 27<sup>th</sup> June 2022

### **Councillors**

#### ***Sunderland City Council***

Councillor A. Samuels to 27<sup>th</sup> June 2022

Councillor J. Usher from 27<sup>th</sup> June 2022

Councillor J. Doyle

Councillor J. Warne

#### ***Newcastle City Council***

Councillor G. Bell

Councillor K. Kilgour

Councillor T. Woodwark

Councillor D. Wood from 27<sup>th</sup> June 2022

#### ***Gateshead Council***

Councillor G. Haley

Councillor K. Dodds

Councillor C. Ord

#### ***North Tyneside Council***

Councillor C. Burdis

Councillor C. Johnson

Councillor J. Hunter

#### ***South Tyneside Council***

Councillor W. Flynn

Councillor N. Dick to 27<sup>th</sup> June 2022

Councillor J. Keegan from 27<sup>th</sup> June 2022

### **Police and Crime Commissioner**

Ms Kim McGuinness

### **Independent Members**

Mr G.N. Cook

Miss G.M. Goodwill

Mr M. Knowles

Mr D. Hall

### **Chief Officers**

C. Lowther, Chief Fire Officer and Chief Executive (Clerk to the Authority)

D. Napier, Finance Director

## Introduction

We are pleased to present the Statement of Accounts for the year 2022/2023 for Tyne and Wear Fire and Rescue Authority. A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers' money. We recognise, however, that the Authority's accounts can only tell part of the story. The Authority needs to demonstrate that it is aiming to operate to the highest standard of conduct in accordance with the principles of Corporate Governance and continues to have a robust system of internal control in place.

With regard to Corporate Governance, the Authority considers, annually, a review of its Code of Corporate Governance. A report on the annual review was delivered at the meeting of the Fire Authority on 26 June 2023. The Code takes account of the CIPFA framework, 'Delivering Good Governance in Local Government', produced in 2007 and revised in 2016 by CIPFA and SOLACE. The review specifically considers the seven core principles of good governance as defined in the framework as, behaving with integrity, ensuring openness, defining outcomes, determining interventions, developing capacity and capability, managing risks and performance, and accountability.

The review found that the Authority continues to have robust and comprehensive arrangements in place, but has identified a small number of areas for improvement and development which are not considered significant that will be acted upon during 2023/2024.

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

Elsewhere within the Statement of Accounts, an Annual Governance Statement has been included, which confirms that there are sound systems of Internal Control in place. We will also continue to ensure action is taken, where necessary, to maintain and develop the system of Internal Control for the Authority in the future.



Chris Lowther  
Chief Fire Officer and  
Chief Executive



Dennis Napier  
Finance Director



Councillor Phil Tye  
Chair of the Authority

Dated: 30 June 2023

# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer (the Finance Officer) is the Finance Director of Tyne and Wear Fire and Rescue Service;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

## The Finance Officer's Responsibilities

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

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

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

The Finance Officer has also:

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

## Certification of the Statement of Accounts

### Statement of Accounts 2022/2023 Subject to Audit) Certification by the Responsible Finance Officer

As the Tyne and Wear Fire and Rescue Authority's Responsible Finance Officer, I hereby certify that in accordance with the Accounts and Audit Regulations 2015 Regulation 8 (1) the Statement of Accounts for 2022/2023 (subject to audit) presents a true and fair view of the financial position of Tyne and Wear Fire and Rescue Authority as at 31 March 2023 and its income and expenditure for the year then ended.



Mr D Napier  
Finance Director

Dated: 30 June 2023

**Audited Statement of Accounts 2022/2023 Certification on behalf of those charged with governance**

As Chairman of the Governance Committee held on 30 September 2023, I hereby acknowledge receipt of the audited Statement of Accounts for 2022/2023 by this Committee, in accordance with the Accounts and Audit Regulations 2015 Regulation 8 (3) (a), and confirm that the Statement of Accounts was approved at the Governance Committee of 30 September 2023 in accordance with sub-paragraph 8 (3) (b) with regard to the aforementioned Regulations.

Mr G Cook  
Chairman of the Governance Committee

Dated:

**Audited Statement of Accounts 2022/2023 Certification by the Responsible Finance Officer**

As the Authority's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2022/2023 in accordance with Regulation 8 (1) of the Accounts and Audit Regulations 2015.

Mr D Napier  
Finance Director

Dated:

# Narrative Statement – 2022/2023

## Tyne and Wear Fire and Rescue Service

Tyne and Wear Fire and Rescue Service serves a resident population of 1.147 million<sup>1</sup> spread across five districts of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland in the North East of England. The population density of the Tyne and Wear area is comparable to that of other Metropolitan areas of the country, (Greater Manchester, Merseyside, South Yorkshire, West Midlands and West Yorkshire), and accounts for 43% of the North East's population in just 6% of the total land mass. The area covered by the Service is 538 square kilometres and borders with the Counties of Durham to the south and west, Northumberland to the north and with the North Sea coast line to its eastern boundary.

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

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

## Vision and Purpose

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

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

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

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

The Authority publishes an Annual Report to highlight its successes over the previous 12 months, including its performance against national indicators and the opinions of external inspectors, as

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<sup>1</sup> Source – ONS 2021 mid-year estimate

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

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

## **Performance**

The Fire Authority is responsible for Tyne and Wear Fire and Rescue Service and is required by law to publish certain performance indicators annually in the local press. These show the statistical performance of the service but cannot provide any indication of the true quality or scope of the service delivered every day to the citizens of Tyne and Wear. It is also important to note that the Service remained effective and fully operational throughout the pandemic although some of our key performance indicators were affected. More detail about the work the service carried out to help our communities during 2022/2023 is also set out later in this summary for information.

## **Summary of Performance**

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

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

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is targeted Home Safety Checks, or Safe and Well visits, which involve Community Firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and practical support, such as installing smoke detectors. During 2022/2023, the Service carried out 21,078 Safe and Well visits (12,037 in 2021/2022) and attended a total of 18,729 incidents (17,922 in 2021/2022).

## **Service Led Priorities**

Service led priorities, as defined by the Government, are no longer required to be reported nationally but allow continuity of performance reporting. The table below sets out the performance over the last three years:



	2020/2021	2021/2022	2022/2023
<b>Performance Indicator</b>			
Average Response time of all incidents (mins)	6.00	5.53	<b>5.44</b>
Number of fatalities from all fires	1	2	<b>10</b>
Number of fatalities in accidental dwelling fires	0	2	<b>10</b>
Number of injuries from accidental dwelling fires (excluding precautionary checks)	38	26	<b>34</b>
Number of accidental fires in dwellings	501	463	<b>470</b>
Number of false alarms due to automatic fire detection from non-domestic properties	1,371	1,461	<b>1,539</b>
Number of primary fires	1,632	1,738	<b>1,825</b>
Number of deliberate fires	4,362	6,211	<b>6,380</b>

The Authority has a long track record of reducing fires but, sadly, in 2022/2023 there were ten deaths attributed to fire. On a pleasing note, average response times reduced slightly to 5 minutes 44 seconds.

The service will continue to strive to work towards the reduction of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2022/2023. More detail on performance can be found on the Authority's website.

### Performance Improvement

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

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

### Efficiency and the Integrated Risk Management Plan (IRMP)

Following the end of the Four Year Grant Funding Settlement covering 2016/2017 to 2019/2020, the Authority has had no formal requirement to produce a formal Efficiency Plan in order to secure Government funding.

All Fire and Rescue Authorities however are expected to set out budget efficiencies made during each financial year by the Home Office. The principles that were used to develop the Efficiency Plan, which set out the Authority's detailed approach to the delivery of savings needed to address the reductions in funding over this four year period, have been maintained for the purposes of setting out each year the level of efficiency savings the Authority has achieved, which totalled £3.712m in 2022/2023 (£4.711m for 2021/2022). These savings have not only helped to balance the budget but have also been re-invested into priority areas of the Service identified by the IRMP process.

The Authority continues to identify and make budget efficiencies each year to assist with its overall spending plans.

## Funding Context and Financial Planning

### Financial Outlook for the Authority

In February 2023, the Government confirmed the Local Government finance settlement for 2023/2024. The Authority's Core Spending Power (CSP) increased by 5.99% rising to 7.32% when the council tax £5 Band D was accepted, less than the national average increase for all standalone Fire and Resuse Authorities of 9.4%.

The Service Delivery Grant, which according to the Government was one-off funding for 2022/2023, has been retained although reduced to £0.604m from £1.072m. Although welcomed, it is not certain if this grant will remain a permanent feature of future grant settlements.

The Government continued to assume that the Authority can grow its Council Tax base by 0.79% in 2023/2024 and would increase its precept by at least 2.99% with additional flexibility of a £5 Band D increase equivalent to a 5.72% increase in council tax without any growth in the Tax Base. This continues the Government's policy of shifting some of the funding of Local Government services directly on to the council tax payer through assumed annual council tax increases.

The Government has assumed that there will be no Business Rates detriment to the income yield expected in 2023/2024 despite the continued adverse trading conditions post COVID-19 and the significant impact of the cost of living crisis on businesses. The assumption is that income will reduce to £3.965m for 2023/2024 compared to £4.088m in 2022/2023 (when actual income in 2021/2022 was only £2.270m).

The key elements of the Authority's settlement for 2023/2024 are:

- An increase in the Government's Core Spending Power of £3.892m or 7.32% with a council tax £5 Band D increase;
- An increase in the Settlement Funding Assessment (SFA) of £1.521m or 5.78%; and
- Confirmation of the Revenue Support Grant element of the settlement. This includes core revenue grant funding allocations of Formula Grant and previous Council Tax Freeze Grants. Only the Revenue Support Grant will increase by 10.1% in line with inflation continuing the government's policy of providing at least inflationary increases for public sector services.

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

The Authority published a revised Medium Term Financial Strategy (MTFS), covering the period 2023/2024 to 2026/2027 and this can be found on the Authority's website (13 February 2023 Authority meeting; Item 6). This aims to:

- provide an analysis of the financial position likely to face the Authority over the medium term taking into account the National Economic context, the potential local funding position, internal spending pressures and commitments and the revenue implications of the capital programme; and

- set out the medium term financial position which the Authority is likely to face and to update the Budget Planning Framework for the preparation of future Revenue and Capital Budgets in the next four year period to 2026/2027.

This MTFS projects a funding gap of £2.920m by the end of the four year period. The current financial climate over the medium term remains unclear with only another one year 2023/2024 financial settlement being provided by the government.

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

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

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

## **COVID-19 Pandemic**

During 2022/2023, the after effects of the COVID-19 pandemic continued to have an impact on service delivery especially with regards to delivery lead times and delays in some of the planned Capital Works.

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

## **Financial Performance of the Fire Authority 2022/2023**

### **Revenue Expenditure and Income Summary**

The estimated net revenue expenditure for 2022/2023 to be met from Government Grants and local taxpayers was approved by the Authority at £51.487million\*. This meant that the precept, at the Band D level of Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates receipts, was set at £87.35 for 2022/2023. This represented a 1.99% increase in Band D, below the Government's 2% referendum threshold level. The following table summarises the financial position for the year:

	2022/2023	2022/2023	2022/2023	2021/2022
	Original Estimate	Revised Estimate	Actual Outturn	Actual Outturn
	£'000	£'000	£'000	£'000
Community Safety	6,156	6,396	5,162	4,604
Fire Fighting and Rescue Operations	46,312	46,344	31,202	30,609
Corporate and Democratic Core	212	212	177	139
Non Distributed Costs	(494)	(494)	89	12
<b>Net Cost of Services</b>	<b>52,186</b>	<b>52,458</b>	<b>36,630</b>	<b>35,364</b>
Interest Payable	258	258	1,491	1,860
Contingencies	2,291	2,201	0	0
Interest on Balances	(41)	(41)	(994)	(59)
Pension Interest Cost and Expected Return on Pension Assets	(620)	(620)	25,260	19,230
<b>Net Operating Expenditure</b>	<b>54,074</b>	<b>54,256</b>	<b>62,387</b>	<b>56,395</b>
Capital Financing:				
Reversal of Capital Charges and Impairments	(4,479)	(4,479)	(4,221)	(3,651)
Minimum Revenue Provision	1,574	1,574	1,652	1,570
Revenue Contribution to Capital Outlay	250	250	4,922	2,784
<b>Total Net Operating Expenditure</b>	<b>51,419</b>	<b>51,601</b>	<b>64,740</b>	<b>57,098</b>
Contribution to/(from) IAS 19 Pension Reserve	(85)	(85)	(10,450)	(7,520)
Contribution to/(from) Collection Fund Account	0	0	(1,298) *	119
Contribution to/(from) Accumulated Absences Account	0	0	(91)	129
Contribution to/(from) Earmarked Reserves	152	(30)	(1,847)	170
<b>Net Budget</b>	<b>51,486</b>	<b>51,486</b>	<b>51,054</b>	<b>49,996</b>
<b>Resources:</b>				
Revenue Support Grant and General Grants	(9,263)	(9,263)	(9,263) *	(8,989)
Top Up Grant	(11,457)	(11,457)	(11,457) *	(11,457)
Business Rates and Collection Fund Precepts and Collection Fund	(3,858)	(3,858)	(3,615) *	(3,256)
Local Council Tax Support Scheme Grant	(25,836)	(25,836)	(24,708) *	(25,334)
Service Delivery Grant	0	0	0	(826)
Section 31 Non-Specific Grants	(1,072)	(1,072)	(1,072)	0
	0	0	(939)	(134)
<b>Total Resources</b>	<b>51,486</b>	<b>51,486</b>	<b>51,054</b>	<b>49,996</b>
(Increase) / Reduction to General Balances in year	0	0	0	0
<b>Opening General Fund Balance</b>	<b>(4,089)</b>	<b>(4,089)</b>	<b>(4,089)</b>	<b>(3,943)</b>
<b>Closing General Fund Balance</b>	<b>(4,089)</b>	<b>(4,089)</b>	<b>(4,072)</b>	<b>(4,089)</b>

\* In the accounts, the Net Budget Requirement for 2022/2023 of £51.054m is made up of Total Resources of £51.487m, as set out in the estimates in the above table, adjusted for a difference in government Settlement Funding Assessment (SFA) grant funding of £0.076m, an amendment required under the Code in respect of the Collection Fund Account of £1.298m, section 31 non-specific grant income of (£0.939m), and a debtor for section 31 non-specific grant income of (£0.003m).

The variances between the Estimates and Actual Outturn 2022/2023 on Firefighting and Rescue Operations and the Return on Pensions Assets are compensating variances arising from the actuarial valuations on the Pensions Assets which can, and invariably do, change between budget and outturn stages. The key comparator for actual expenditure against budget in the above statement is the "Net Budget" figure which, as explained above mainly relates to the adjustments required in the Collection Fund.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the full Authority. These reports detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also includes a review of certain other key financial items, including Treasury Management and Prudential Indicators. Again, this process reflects strong and robust financial management in 2022/2023, continuing the Authority's sound track record in this regard.

The Revenue Budget Outturn position for 2022/2023 was reported to the Fire Authority on 26 June 2023 and showed a net overall underspend of £1.914m, at £49.573m compared with an original budget of £51.487m.

It is important for Members to understand the continued positive drive the Authority has made during the financial year to achieve this level of savings, with a number of initiatives and delays in filling corporate roles as the Authority made adjustments to accommodate the higher than expected pay awards for all of its staff.

- Improved financial management is embedded throughout the Authority, with increased financial awareness and tighter budgetary control achieving a net delegated budget savings of £0.116m across the full service;
- Employee budgets are set based on assumptions relating to staff turnover and vacancy levels, firefighter pension scheme membership and the numbers of operational staff who are at the development stage in their roles. As the year progresses, employee costs reflect the actual position on all of these factors which, in reality, can vary considerably against the budget assumptions made.

We have experienced significantly higher levels of corporate staff vacancies than the budget assumed over most of this financial year, which was anticipated to ease during the latter stages of the fiscal year. This factor shows staff vacancies were 14% on average across the year which has created a saving of almost £1.4m. Whilst this is a one-off saving provided the posts are filled, the service is to review the roles and necessity of some of the longer dated vacant posts to ensure they are needed.

The pay award for corporate staff was agreed at a flat cash increase of £1,925 per employee which equated to a 7% increase for Tyne and Wear and the pay award from July 2022 for firefighters was agreed at 7%. At the end of the financial year, some of the contingency budget set aside for potential costs when the budget was established for 2022/2023 has not been required. This has been reallocated to fund the increased pay awards.

- Members will be aware that during the 2022/2023 financial year, two further Trainee courses were completed bringing 42 additional staff into operational crews. This has reduced overtime costs and has also contributed towards the additional underspend on the overall employee budgets highlighted;
- The Authority has also had to manage and contend with significant budgetary pressures caused by the very high levels of inflation which, although have reduced a little, continues to be an ongoing issue. However, the increase in interest rates has had a positive impact on the budget and this has helped to fund some of the budget pressures benefitting by almost £1m excess interest received because of the high interest rates experienced across the financial year ,which could not have been anticipated when the budget for 2022/2023 was approved; and
- All aspects of the Authority's finances continue to be reviewed and a more commercially based approach to income generation is carefully and sensibly applied where appropriate to ensure Best Value is achieved for the Authority. Increases in income above budget during the year help to show this is continuing to be a success and income generation is expected to increase in future years as a result.

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

The table below shows the actual outturn for 2022/2023 as compared with the original and revised budget positions as reported to the Fire Authority in June 2023.

	<b>Original Estimate (For Information)</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance to Revised Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>				
Employees	45,819	48,387	46,197	(2,190)
Premises	2,844	2,852	2,537	(315)
Transport	1,051	1,051	1,138	87
Supplies and Services	8,270	8,315	8,575	260
Contingencies	2,291	0	0	0
Support Services	15,030	15,030	14,914	(116)
Capital Financing	939	939	898	(41)
<b>Total Expenditure</b>	<b>76,244</b>	<b>76,574</b>	<b>74,259</b>	<b>(2,315)</b>
<b>Income</b>				
Grants and Contributions	(8,837)	(8,837)	(8,697)	140
Receipts	(170)	(170)	(371)	(201)
Fees and Charges	(1,125)	(1,161)	(1,306)	(145)
Interest Earned	(41)	(41)	(994)	(953)
Recharge Income	(14,736)	(14,736)	(14,608)	128
Reserve Appropriations	152	(142)	1,290	1,432
<b>Total Expenditure</b>	<b>(24,757)</b>	<b>(25,087)</b>	<b>(24,686)</b>	<b>401</b>
<b>NET BUDGET</b>	<b>51,487</b>	<b>51,487</b>	<b>49,573</b>	<b>(1,914)</b>

While the budget figures above are presented on a cash basis, the Statement of Accounts is prepared on an accruals basis, which also has to comply with statutory requirements and International Accounting Standards. This is the main reason why the two sets of figures differ, as the information is presented on two different bases, however the financial underspend compared to the budget reported to members for 2022/2023 is fully reflected within the Statement of Accounts.

The main budget variations are detailed below:

- Employee costs (£2.190m net underspend) – the main reason for the underspend relates to the level of operational and corporate vacancies and the higher number of operational staff in development. Along with these, savings have been made on employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme altogether.

Operational overtime costs continue to be a significant budget pressure, particularly working with the increased vacancy levels experienced. The savings in salaries and pensions have accommodated these increased costs however. Overtime continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate.

- Premises (£0.315m net underspend) – as reported at third review, a refund in respect of Business Rates was expected to be received before the end of the financial year. The Authority has now received this one-off refund of £479,000 which has helped to absorb the overspend on electricity and gas charges of £113,000 incurred during the financial year. Energy charges are being closely monitored with information from Sunderland City Council and increased tariffs have been accommodated in the budget for 2023/2024.
- Transport (£0.087m net overspend) – increased fuel costs during the first part of the financial year have had an impact on the transport budget in addition to an increased cost for outside contractors and an increase in travel across the service.
- Supplies and Services (£0.260m net overspend) – as reported at third review, work has been carried out by the PFI providers resulting in an increase in the unitary charge payment for the full year and future years due to the rise in utility charges. The PFI smoothing reserve will be utilised next year to help fund these additional costs.
- Contingencies – an adjustment has been made in the final quarter of the year to reallocate the full contingency budget to partly finance the firefighters pay award.
- Support Services and Recharges (£0.012m net overspend) – there has been an in year change to the staffing model recharges for the USAR National Resilience responsibilities.
- Income (£0.206m overachieved) – the year end position shows an increase in total income received against the revised budget.

Reductions in income from Princes Trust Courses, Contract Income from Primary Authority Scheme arrangements and under-recovery of catering income due to reduced sales have been offset by additional income from training courses, a one-off PFI Authority Support repayment, additional secondment income, and income from sale of equipment.

- Interest Received (£0.953m overachieved) – the budget was significantly reduced in 2022/2023 and set at £0.041m due to a drop in interest rates to 0.5%. At Third Review, it

was estimated that the Authority would receive a total of £0.500m for 2022/2023 due to an increase in the bank base rate, but rates have continued to rise during the final quarter of the financial year, resulting in interest received of £0.994m in total. The budget set for 2023/2024 reflects the improved interest rate position, although this very high level is not expected to be a long term gain.

- Reserves and Provisions Appropriations (£1.432m decrease) – underspends against budget have reduced the need to draw down from Reserves in year. Adjustments have also been made to reflect the IFRS Employee Benefit accounting entry and the Council Tax and Business Rates Collection Fund balance required for 2022/2023.

Members agreed to appropriate the surplus funds of £1.914m to a new Mobilisation Smoothing Reserve to support a business critical new system that is required. This was expected to be a capital programme issue where borrowing could have been considered, but is now a revenue budget cost pressure which will need to be accommodated within the Authority's existing resource. The Authority has no firm understanding of the increased costs of this solution at this initial stage but expects costs of the revised system to create a cost pressure of at least £500k per annum on an ongoing basis. The Smoothing Reserve will therefore help bridge the gap for this additional cost until the savings from the end of the PFI Contract in 2028/2029 can be accessed.

The total resources at the end of the financial year included within the Authority's Statement of Accounts were £51.054m, £0.432m less than that set out in the budget of £51.487m for 2022/2023:

- As part of the finance settlement, the Authority received slightly less government grant funding of £0.076m and a year-end accounting adjustment of £1.298m was required to the Collection Fund, resulting in an decrease in overall resources of £1.374m compared to the budget figures for 2022/2023.
- The Authority received Section 31 non-specific grants of £0.939m and the year end NNDR returns from the District Councils notified the Authority that its share of section 31 grant from Government will be £0.003m and a debtor for this grant funding has been raised in the accounts.

### **Injury Pension Grant Repayment (Firefighter Pension Scheme)**

The long term pension liability of £8.639m is being repaid at £0.500m a year. The table below reconciles the position shown in the statutory accounts and the true position as shown in the reserves statement:



	Statutory Accounts			True Reserve Position		
	Balance as at 31 March 2022 £'000	Net Transfer * £'000	Balance as at 31 March 2023 £'000	Balance as at 31 March 2022 £'000	Net Transfer * £'000	Balance as at 31 March 2023 £'000
Capital Developments Reserve	4,582	13,424	18,006	7,901	16,244	24,145
Transformation and Reform Reserve	9,680	(9,180)	500	13,000	(12,500)	500
Injury Pension Adjustment	0	0	0	(6,639)	500	(6,139)
	<b>14,262</b>	<b>4,244</b>	<b>18,506</b>	<b>14,262</b>	<b>4,244</b>	<b>18,506</b>

## Accounting for Pensions

### International Accounting Standard 19 (IAS19)

The Authority's accounts continue to be compliant with International Accounting Standard 19 which is a complex accounting standard. It is based on a simple principle, however, namely that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. Inclusion of the pension fund assets and liabilities in the accounts does not mean that the legal title or obligation has passed from the Pension Fund Administrator to the employer. Instead, it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (through reduced contributions) from a surplus in the Pension Fund.

The last actuarial valuation of the Firefighter's Pension Scheme (FPS) was at 31 March 2020. This has been rolled forward to reflect the position as at 31 March 2023, in particular allowing for service accrued between 1 April 2020 and 31 March 2023 and known pension and salary increases that would have applied.

A triennial actuarial valuation of the Local Government Pension Scheme (LGPS) was carried out at 31 March 2022.

The Authority continues to comply fully with this Standard and the Accounting Policy 1.10 in the Statement of Accounts and the Notes to Core Financial Statements provide more details of the necessary disclosures required for this very complex area of the accounts.

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

The financial health of the Authority is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit, as assessed by the Actuary as at 31 March 2023, is being addressed by the Authority in line with Government regulations. The Authority can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

### Arrangements for Funding and Accounting for Firefighter Pensions

From 1 April 2006, revised arrangements came into effect for funding firefighter pensions, with Fire and Rescue Authorities administering and paying firefighters' pensions through a local firefighters'

pension fund. Together, employee and employer contributions meet the accruing pension liabilities of currently serving firefighters, meaning that Fire and Rescue Authorities meet all of the costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them.

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

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

### **Immediate Detriment**

Immediate Detriment is where a member has been transitioned to the Firefighter Pension Scheme 2015 (FPS2015) and has retired or is due to retire and cannot access their legacy pension (Firefighters Pension Scheme 1992) prior to remedying legislation being put in place in October 2023.

On 8 October 2021 the Local Government Association (LGA) and Fire Brigades Union (FBU) agreed a Memorandum of Understanding (MOU) and the Immediate Detriment Framework (MOU and IDF) to enable Fire Authorities to process immediate claims.

After the Authority initially adopted the MOU and IDF, this process was paused due to government guidance not to process immediate detriment cases due to uncertainties and risks to the authority and the pension member. These risks according to the government relate to the interaction between remedy and tax legislation.

Although government guidance is not to process immediate detriment claims, it is the Fire Authority who ultimately needs to make this decision.

On 13 February 2023 the Authority recommenced immediate detriment for members coming up to retirement, and members who had retired within the last 12 months. This decision was in part due to the growing threat of High Court legal action.

The remedying legislation is due to be in place in October 2023.

### **Balance Sheet Position**

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

	<b>Balance at 31 March 2022</b>	<b>Balance at 31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Non-current assets	86,568	88,867
Net current assets	42,889	39,252
Long term liabilities and provisions	(993,050)	(717,717)
<b>Net Assets / (Liabilities)</b>	<b>(863,593)</b>	<b>(589,598)</b>
<b>Represented by:</b>		
Usable reserves	40,908	39,061
Unusable reserves	(904,501)	(628,659)
	<b>(863,593)</b>	<b>(589,598)</b>

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

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

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

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

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of £589.598m on its Balance Sheet, most of the 'deficit' relates to the pensions deficiency of £688.580m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

The fact that all pension costs would never be incurred in one year (as implied by IAS19), coupled with the fact that the Authority is addressing this potential deficiency in accordance with pension regulatory requirements by making additional annual pension deficiency payments, means the Balance Sheet Net Worth is effectively being distorted by this reporting standard.

If this element is removed, the Authority has a 'real' net surplus of £98.982m. The Authority also has assets worth £88.867m and cash backed reserves of £39.061m which support the view that the Authority's Balance Sheet and finances are in fact healthier than implied by the published accounts.

## **Capital Expenditure and Income and Major Acquisitions, Capital Works and Disposals**

### **Capital Expenditure**

In February 2022, the Authority approved a capital programme for 2022/2023 of £12.655m which was subsequently revised to £19.427m during the year.

Actual capital expenditure at the end of the financial year was £5.025m, financed from a combination of revenue contributions of £0.250m, earmarked reserves of £4.612m, external contributions of £0.076m and Section 31 grant of £0.087m. The main reasons for the variation in spending of £14.402m have arisen due to the following:

- Expenditure on a number of projects planned for 2022/2023 of £13.472m slipped in to 2023/2024:
  - Delays in the genous security system due to a new tender, this will be complete early in 2023/2024;
  - Delayed progress on the PFI element of the security upgrade programme but a new contractor is finishing of the gates and will be complete early in 2023/2024;
  - Outstanding legal costs that will need to be paid for the MRU development;
  - A payment withheld for the Fire Behaviour Units until technical issues are resolved;
  - Stage payments for Hebburn Station will be made in 2023/2024 now that the build has started;
  - Delayed progress on Information Screens due to other priorities;
  - DCS/LifeX and Telent Mobs Hardware Refresh will continue in 2023/2024 as multi year projects;
  - Continued delays on the national government led Emergency Services Mobile Communications Project in to future years;
  - Delayed delivery of operational equipment and slippage to cover purchase of a new pump;
  - Purchase of Foam and Firefighting Equipment pending a decision on the type of foam that will be purchased;
  - Remaining PPE will issued early in 2023/2024;
  - Delayed replacement of the small fleet pending further consideration of options; and
  - Final stage payment for the ten remaining new appliances due early 2023/2024 before they can become operational.
- Net underspend of £0.163m across a number of schemes completed during 2022/2023.
- Addition of £0.045m required to the upgrade to the Dispath Communication Server (DCS) / LifeX required to support the Emergency Services Network (ESN).
- Members will recall that the Capital Programme for 2022/2023 was set with an additional £0.850m for a number of business critical, invest to save schemes, that were slipped from 2020/2021. Plans for the two projects, repairs to Barmston Mere Training Centre and relocation of Safetyworks have continued to be impacted and as a result the £0.850m funding for these schemes will need to be reviewed in 2023/2024.

### **Authority's Current Borrowing and Capital Borrowing Provision**

The Capital Programme report, incorporating the Prudential Indicators and the Treasury Management Strategy, was submitted to the Authority meeting on 14 February 2022, which detailed the 2022/2023 borrowing limits for the Authority. All borrowing is undertaken by the Lead Authority (Sunderland City Council) on the Authority's behalf.

The specific borrowing limits set each year relate to two of the Prudential Indicators required under the Prudential Code, which was introduced from 1 April 2004.

- Authorised Limit for External Debt for 2022/2023 of £52.816 million;
- Operational Boundary for External Debt for 2022/2023 of £47.816 million.

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP). The above two statutorily required Prudential Indicators are monitored on a daily basis and neither limit has been exceeded during 2022/2023. The highest level of external debt incurred by the Authority during 2022/2023 was £33.235m on 1 April 2022. This includes borrowing debt of £10.778m, injury pension liability of £6.639m, and £15.819m in relation to the Authority's long term liabilities (consisting of its PFI Schemes commitments and finance leases) which forms part of both borrowing limits in order to comply with IFRS accounting requirements.

### **Private Finance Initiative (PFI)**

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

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

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

### **Estates and Facilities Asset Plan**

The Authority is delivering the current Estates and Facilities Asset Plan in conjunction with the Lead Authority and its external service providers.

The key activities are:

- Continue to implement the findings and recommendations of a service wide Access Audit using a prioritised phased approach to ensure all our buildings and facilities comply with The Equalities Act 2010 and are accessible to all.
- Commissioned a comprehensive Stock Condition Survey (SCS) to inform and drive future capital investment.
- Completed a detailed service wide building and asset review that is resulting in the disposal/remodelling of surplus assets and the generation of both capital receipts and revenue savings. The review has primarily focussed on the identification of surplus assets, leases and license reviews and a re-evaluation of all third party business arrangements within the premises portfolio.
- Continue to explore collaborative and co-location opportunities with partner agencies. To date we have North East Ambulance Service (NEAS), Northumbria Police, Great North Air Ambulance Service, The Army, Northumbria Community Rehabilitation Company, RNLI,

North of Tyne Mountain Rescue, The Princes Trust and Northumbria Blood Bikes, and a number of other smaller third party partners operating from our locations.

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

### **Her Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS)**

In 2021/2022, the HMICFRS carried out its second full inspection of the Service, which, like the first inspection in 2018/2019, continued to look at how effectively and efficiently the Service prevents and protects the public from, and responds to, fires and other emergencies, as well as examining how well we look after our people.

TWFRS was graded as 'Good' once again in all three key areas listed below, as it was in 2018/19, although the criteria to achieve 'Good' was much more challenging:

- How effective we are in keeping people safe from fire and other risks;
- How efficient we are in keeping people safe from fire and other risks;
- How well we look after our people.

The Inspection which was formally announced in July 2022 also identified fewer Areas For Improvement (AFI's) across all three pillars of inspection although the Authority is not complacent and will use the inspection report to support the continuous improvement agenda by addressing all of these areas for improvement.

### **Financial Statements**

The Statement of Accounts shows the Authority's final accounts for 2022/2023. They have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023' and are based on International Financial Reporting Standards (IFRS), known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989.

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

1. **Statement of Responsibilities**

This discloses the respective responsibilities of the Authority and the Finance Officer.

2. **Movement in Reserves Statement (MiRS)**

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

3. **Comprehensive Income and Expenditure Statement**

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

4. **Balance Sheet**

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

5. **Cash Flow Statement**

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

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

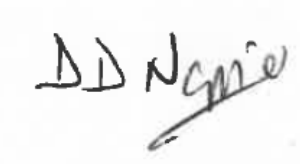
The Notes to the financial statements have three significant roles. They:

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

7. **Supplementary Statements**

**Firefighters' Pensions – Fund Account, Net Assets Statement and Notes**

These statements summarise the transactions and the net assets relating to the Firefighters' Pension Fund, which are required to be reported separately within the Statement of Accounts for the Authority.



**Dennis Napier**  
**Finance Director**

Dated: 30 June 2023

## **Independent Auditor's report to the Members of Tyne and Wear Fire and Rescue Authority on the Financial Statements**

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# Annual Governance Statement

## SCOPE OF RESPONSIBILITY

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

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

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

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

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

The Authority's governance framework has continued to be in place for the year ending 31 March 2023 and up to the date of approval of this statement.

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

The Authority's local Code of Corporate Governance brings together in one document all the governance and accountability arrangements it has in place. This Code was updated and submitted to the Authority for their approval in July 2022. In preparing this Statement, the CIPFA/SOLACE framework is used as a benchmark by which to measure against.

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

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

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

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

The leadership sets a tone for creating a climate of openness and respect and fosters a culture based on shared values, ethical principles and good conduct. The Authority operates two codes of conduct, one for Members, and a new Code of Ethics (introduced in October 2022) for staff. These codes define the standards of behaviour expected by Members and staff, work between Members and Officers, the Authority, the fire service, its partners and the community. Standards of behaviour are defined and communicated through these Codes, protocols and other policies and procedures. The Code of Conduct for Members is monitored by the Monitoring Officer and overseen by the Governance Committee. The Code of Conduct for staff is monitored by the Human Resource Department. Any allegations of wrongdoing are thoroughly investigated in accordance with the relevant disciplinary policies and procedures.

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

The fire service's recruitment policy, induction and training processes incorporate personal behaviours with ethical values. Core values are embedded and the People Board considers matters relating to equality, diversity and inclusion issues. The annual equality data and gender pay gap report was presented to the HR Committee on 3 October 2022.

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

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

A new, standalone Whistle Blowing Policy, and a Whistle Blowing Procedure, were developed in 2022/23, for implementation in May 2023.

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

## **Principle B: Ensuring openness and comprehensive stakeholder engagement**

Authority and committee meetings are open for the public to attend. The Authority's Annual General Meeting took place on 27 June 2022.

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

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

The Reserves Policy is published providing transparency to stakeholders about the purpose and level of the reserves held by the Authority. In addition, the audited Statement of Accounts, Annual Governance Statement, Narrative Statement and external auditor's reports are published annually on the TWFRS website.

A commitment to openness is also shown through the distribution of strategic documents including the TWFRS Strategy 2025 and key performance information.

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

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

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

Public consultation and engagement arrangements are in place to invite the views of stakeholders prior to developing and implementing key changes. During 2022/23, the Authority carried out informal consultation to support the development of the new Community Risk Management Plan 2024-27. The Authority carries out a statutory business rate and council tax consultation each year.

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

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

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

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

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

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

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

The CRMP 2022-24 drives continuous improvement and innovation in the fire service, ensuring that services are planned, designed and delivered in a way that balances efficiency and community risk. The CRMP process is used to improve community outcomes, strengthen prevention, reduce costs, reduce incidents and manage the risk in our communities. The CRMP is based on the analysis of extensive data and information, local intelligence, and a comprehensive understanding of local, regional and national risks.

The Community Risk Profile 2020-2023 (CRP) provides a comprehensive and forward-looking assessment of the risks in the communities of Tyne and Wear. The CRMP 2022-24 contains actions, which ensure that risks, including those identified in the CRP, are appropriately addressed and resources are targeted at these risks.

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

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

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

Equality impact and risk assessments are carried out to ensure that any changes to procedures do not affect any stakeholders adversely and service delivery outcomes are not affected. Data Protection Impact Assessments (DPIA) are also beginning to be utilised.

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

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

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

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

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

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

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

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

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

The Authority ensures the necessary roles and responsibilities for effective governance are identified and allocated so there is accountability for decisions made. This is done through the Constitution and the Scheme of Delegation, which outlines the roles of Members and officers, which includes statutory roles of Chief Fire Officer, Finance Director and Monitoring Officer.

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



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

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

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

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

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

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

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

The Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations. The Finance Director is the designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs.

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

There is regular reporting of non-financial performance against targets and priorities to the Executive Leadership Team and to Members via the Fire Authority and Committees.

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

The fire service use a robust and transparent five stage framework to identify, assess, treat, report and review risk that utilises the right tools, methods and processes to manage risk in a transparent

way. This framework conforms with the risk management legislation outlined within the Civil Contingencies Act [2004] and its supporting guidance, namely, The Principles of Effective Response and Recovery in addition to aligning with the ISO31000 international standard of risk management.

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

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

Policies for anti-fraud and corruption and whistleblowing are in place, which confirms the Authority's commitment to operating in a fair and transparent manner. The Authority participates in the National Fraud Initiative. A new, standalone Whistle Blowing Policy and Procedure has been developed in 2022/23 and will be implemented in May 2023.

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

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

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

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

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

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

The Annual Statement of Accounts and Annual Governance Statement are subject to scrutiny and approval in accordance with the Authority's Constitution. The Annual Statement of Accounts provides clear information on income and expenditure and demonstrates the stewardship of public

money for the year. The statutory deadline for submission of accounts for audit is 31 May, however this is currently being challenged and could move to June / July. The Annual Governance Statement provides transparency on the governance arrangements and the planned improvements for the coming year. The External Auditor provides an opinion on the Statement of Accounts, which is published on the Authority's website. The Authority acts on recommendations and, where necessary, takes corrective action.

The Authority maintains an Internal Audit service, provided by Sunderland City Council. An independent periodic review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk. The work of Internal Audit provides assurance that key risks are being managed. The Authority acts on recommendations and where necessary, takes improvement action.

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

## **REVIEW OF EFFECTIVENESS**

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

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

### **The Authority**

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

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

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

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

## **The Governance Committee**

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

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

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

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

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

## **Statutory Officer Roles**

The Authority appoints the following statutory officers:

- The Head of Paid Services (Chief Fire Officer) has overall responsibility for the management and operational activities of the fire service and:
  - Provides professional advice to the Authority and its committees; and
  - Ensures a system for recording and reporting Authority decisions, together with the Monitoring Officer.
- The Chief Financial Officer (Finance Director and s151 Officer) has overall responsibility for the financial management of the Authority and:
  - Ensuring that the financial position of the Authority is monitored throughout the year and consideration is given to financial implications when taking decisions and with the support of External Audit that financial processes are complied with;
  - For advising both senior officers and elected Members on all financial matters in line with CIPFA's document *Role of the Chief Financial Officer in Local Government (2010)*. The Authority's financial management arrangements conform to the governance requirements of the CIPFA statement; and
  - The post holder is professionally qualified and has many years' experience within Local Authority finance.
- The Monitoring Officer has overall responsibility for:
  - Ensuring compliance with established policies, procedures, laws and regulations, and the lawfulness and fairness of decision-making;

- Reporting on matters they believe are, or are likely to be, illegal or amount to maladministration;
- Matters relating to the conduct of Members and Principal Officers; and
- The operation of the Authority's constitution.

## **The Executive Leadership Team**

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

- Providing clear direction to the fire service and senior managers;
- Providing information from various sources to inform governance arrangements, e.g. performance reports, financial and risk management arrangements and;
- Contributing to the completion and review of the Annual Governance Statement.

## **Financial planning**

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

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

The Authority approved a balanced budget for 2022/23 on 14 February 2022. Monitoring of expenditure against the budget is carried out throughout the year and Executive Leadership Team is regularly kept informed of the position. Formal quarterly reports are also provided to Authority where the Revenue Budget and Capital Programme are scrutinised and actions approved by members of the Authority as considered necessary. The fire service reported an estimated underspend of £0.700m for the financial year 2022/23, the detail of which is set out in the quarterly budget monitoring report made to Authority in January 2023. The final position however will not be known until the outturn report is finalised and reported to members in June 2023.

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

The proposed Treasury Management Policy and Strategy 2022/23 (including both borrowing and investment strategies) proposed for 2022/2023 and the Prudential 'Treasury Management' Indicators for 2022/2023 to 2025/2026 was presented to the Governance Committee in March 2022 for scrutiny before it was fully approved by the Authority.

The Treasury Management Policy and Strategy and its Prudential Indicators, which are regularly monitored and formally reported to Governance Committee quarterly, ensure that the Authority's

proposed Capital Programme is sustainable, affordable and achievable within the total resources envelope available to the Authority and also helps inform the MTFS.

## **Financial Management Code**

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

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

## **Performance management**

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

The Operational Standards Programme, introduced in 2021/2022 has provided substantial assurance. Areas for improvement identified were fed back to the crew and incorporated into future training programmes. A new programme of Operational Standards 2022/23 has seen a continuation of station visits, support to phase II firefighters, and development of leadership pathways for supervisory commanders.

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

## **Risk management**

The Governance Committee received a progress report regarding the management of corporate risks on 6 March 2023, to ensure independent scrutiny of the corporate risk register. The Chair noted the good practice of critically evaluating the register (min no.31/21 refers) which provides assurance to the committee that risk is being managed appropriately.

The corporate risks facing the Authority were reviewed on 9 March 2023 by the Executive Leadership Team as part of their ongoing management of risk and there is currently one risk that is categorised as intolerable on the register, namely:

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

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

## **Business continuity**

The Service ensures business continuity arrangements remain fit for purpose by undertaking regular reviews and updating individual business continuity plans as appropriate. Specific plans are also created and reviewed as required (i.e. Covid-19) to ensure the delivery of critical activities

during any business interruption. The programme of testing and exercising of business continuity plans underpins the business continuity management system.

Throughout 2022/23, the Service faced the additional risk of industrial action. To ensure the Service was prepared for this, the TWFRS Emergency Management Group was activated on 14 July 2022, and extensive work was undertaken to ensure suitable and sufficient business continuity arrangements were in place to provide a fire and rescue service in the event of a strike. This work included developing a new Concept of Operations, and Logistics Cell.

## **Internal Audit**

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

The Internal Audit Plan for 2022/23 was noted and agreed by Governance Committee at their meeting on 7 March 2022 and set out the proposed plan of work for the Authority. The following audits took place during the year, and gave overall assurance levels of substantial (risk levels are low) or moderate (risk levels are acceptable):

- Business Continuity Arrangements (Substantial assurance confirmed);
- Partnership Working (Substantial assurance confirmed);
- Information Governance and compliance with GDPR (Moderate assurance confirmed).

In addition to the above, audit work was also undertaken on the Lead Authority's key financial systems, which are used by the Authority. Systems audited covered during the year included:

- Accounts Payable and Payroll (Transaction Testing) and substantial assurance was confirmed.

The Governance Committee were updated on progress against the audit plan at their meeting in March 2023.

## **External Audit**

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

The External Auditor has yet to issue their opinion on the Authority's Financial Statements for the year ending 31st March 2022. Particulars of the auditor's findings in respect of the audit of the accounts will be included in their detailed draft Audit Completion Report once issued to the Governance Committee, where it is expected to provide assurance of an unqualified audit opinion on the accounts and detailed on the Authority's arrangements for achieving value for money.

Mazars are expected to issue an unqualified opinion on both the Authority's financial statements and Value for Money Conclusion although the audit completion date is still unknown because it has been affected by a LGPS pension valuation issue that will impact upon the accounts for 2021/22. Past audits have not provided any issues of concern and this is the expected outcome for 2021/22.

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

The Authority was first inspected by HMICFRS in 2018/19, and again in 2021/22, and judged as Good for all three areas of inspection:

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

The third round of full inspections is scheduled for 2023/24.

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

The Annual Governance Statement 2021/22 contained 9 improvement actions, comprising of four actions new actions identified during the 2021/22 annual governance review and five legacy actions.

Progress against these actions was reported to the Executive Leadership Team on 2 May 2023, where five were noted as complete and four actions remain to be completed. These actions are listed below:

- Action ref 60 2019/20 - Information Asset Register (IAR) and recording system to be reviewed, supported by new technology and further training. (*complete*)
- Action ref 7 2021/22 - Arrange for the provision of anti-fraud and bribery training for TWFRS Members, managers and staff. (*complete*)
- Action ref 67b 2020/21 - Roll out training on Corporate Governance for SLT including information asset management. (*complete*)
- Action ref 2 2022/23 - Develop a structured management development programme for the Senior Management Group. (*complete*)
- Action ref 4 2022/23 – Review, and where appropriate, update the All Personnel Code of Conduct. (*complete*)
- Action ref 43 2018/19 - Review and streamline policies and procedures, to include PIA & EIA and support training, to align to new strategic planning framework. (*partially complete*)
- Action ref 8 2021/22 - Further guidance and training required for staff on Privacy Impact Assessment (PIA) to improve staff understanding of and compliance with PIA requirements. (*partially complete*)
- Action ref 1 2022/23 - Develop a Communications and Engagement Strategy that sets out how the Service will continue to effectively engage with internal and external stakeholders. (*partially complete*)
- Action ref 3 2022/23 – Review and improve the Service's Information Governance approach and develop an Information Governance Framework (*partially complete*)



Appendix A provides a concise high-level summary of the action taken during 2022/23 to progress these actions.

## **OPINION ON THE GOVERNANCE FRAMEWORK**

The review of the effectiveness of the governance framework shows that the arrangements continue to be fit for purpose and reasonable assurance can be given that the framework is operating adequately in practice.

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

Whilst the governance framework is considered adequate a couple of issues have been identified that need to be addressed to further enhance the Authority's governance arrangements and are outlined in section 7.

## **GOVERNANCE MATTERS IDENTIFIED FOR IMPROVEMENT DURING 2023/2024**

The review of the effectiveness of the Authority's governance framework has identified no additional actions for 2023/24. This is due to the continued and focussed improvements to corporate governance monitoring, and better awareness of corporate governance amongst managers in the Service.

There are four improvement actions for completion during 2023/24, all of which are legacy actions carried forward from the 2022/23 action plan.

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

## **ASSURANCE SUMMARY**

The Authority recognises that good governance provides the foundation for the delivery of good quality services that meet the needs of stakeholders and ensures that public money is well spent. This review confirms the governance systems and monitoring arrangements in place for 2022/23 are working effectively.

The Authority is satisfied that appropriate governance arrangements are in operation and remains committed to enhancing these via the delivery of the action plan for 2023/24.

To the best of our knowledge, the governance arrangements, as defined above and within the Authority's Local Code of Corporate Governance, have been effectively operating during the year 2022/23 with the exception of the outstanding actions at 5.2. We pledge our commitment that over the coming year we will take steps to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified and will monitor their implementation and operation during the year and as part of our next annual review.



Chris Lowther  
Chief Fire Officer and  
Chief Executive



Dennis Napier  
Finance Director



Councillor Phil Tye  
Chair of the Authority

Dated: 30 June 2023

## Annual Governance Statement 2022/2023 – Annual Action Plan

Ref	Area for improvement	Lead Officer	Responsible Officer	Actions Status
1 2022/23	Develop a communication and engagement strategy that sets out how the fire and rescue service will continue to effectively engage with both internal and external stakeholders.	AM Data, Digital & Safety	Media and Communications Manager	<p><b>In progress</b></p> <p>A draft Communication, Engagement and Consultation Strategy in consultation with the Senior Leadership Team (SLT). This was circulated to ELT for final review, following amendments as a result of consultation, in June 2023, and published.</p> <p>The Strategic sets a clear direction for internal and external engagement, and will be supported by an internal and external communication, engagement and consultation plans – being developed in 2023.</p>
2 2022/23	Develop and deliver a structured management development programme for the Senior Management Group.	HR Director	<p>Organisational Development Manager</p> <p>Organisational Development Advisor</p>	<p><b>Action complete</b></p> <p>A structured management development programme was initiated in 2022 and five sessions have now been delivered with a further three, where specific topics have already been assigned, scheduled for delivery.</p> <p>Sessions are delivered every 6 weeks with content designed around topical subjects which address specific areas of leadership and management; and provide opportunity for learning and growth for TWFRS leaders.</p> <p>The Service has implemented the National Fire Chiefs Council (NFCC) Supervisory Leadership Development Programme in 2023, with all those participating in the initial rollout phase now inducted and progressing with the programme.</p> <p>In October 2022, a business case to commence the NFCC Middle Management Development Programme was agreed. This course is currently in development by NFCC and the Service will roll this out once a launch date is confirmed and training material is available.</p>

<p><b>3</b> 2022/23</p>	<p>Review and improve the fire and rescue service's information governance approach and develop an information governance framework.</p>	<p>HR Director  AM Data, Digital &amp; Safety</p>	<p>Information Governance Advisor  HR Services Manager  Head of ICT  Head of Data, Information and Safety</p>	<p><b>In progress</b> A new Information Management Framework has been developed, based upon all elements of the information life cycle and includes essential sign posting to our updated procedures relating to information governance. Benchmarking has been undertaken against the Information Commissioner's Office (ICO) accountability tracker and in accordance with Fire Standards Board (FSB) criteria for information governance related Fire Standards. This is to ensure our policy content aligns to statutory requirements. There will be further review of this benchmarking following additional guidance due to be published by the FSB in relation to compliance with Fire Standards. Several policies and procedures were approved by ELT, and the overarching Framework will be reviewed and approved at the July 2023 ELT meeting.</p>
<p><b>4</b> 2022/23</p>	<p>Review and where appropriate update the All Personnel Code of Conduct.</p>	<p>HR Director</p>	<p>HR Director</p>	<p><b>Action complete</b> The Service's Code of Conduct was reviewed and refreshed to incorporate the national Core Code of Ethics for Fire and Rescue Services in England. The national Core Code of Ethics was developed in partnership with the National Fire Chiefs Council (NFCC), Local Government Association (LGA) and the Association of Police and Crime Commissioners (APCC) to support a consistent approach to ethics, including behaviours, by fire and rescue services in England.  An e-learning package has also been developed for staff to complete to support the implementation of the Service's new Code of Conduct and Ethics.</p>

<p><b>7</b> 2021/22</p>	<p>Arrange for the provision of anti-fraud and bribery training for TWFRS Members, managers and staff</p>	<p>HR Director</p>	<p>Head of Learning and Development  Multimedia Technician</p>	<p><b>Action complete</b> An e-learning package for the Service anti-fraud and bribery training has now been launched and is available for all staff to complete. In addition, to further support the roll out of this training, a counter fraud framework has been drafted and is now in the consultation phase prior to publication.</p> <p>The Monitoring Officer has confirmed that Members receive training from their 'home' councils so there is no further action required in respect of Member training.</p>
<p><b>8</b> 2021/22</p>	<p>Further guidance and training required for staff on Privacy Impact Assessment (PIA) to improve staff understanding of and compliance with PIA requirements.</p>	<p>HR Director</p>	<p>Information Governance Advisor  HR Services Manager</p>	<p><b>In progress</b> In line with current Information Commissioners Office (ICO) guidance the Service has moved from the Privacy Impact Assessment requirements to incorporate the Data Protection Principles in to a Data Protection Impact Assessment.</p> <p>The Data Protection and GDPR policy is now published and a new DPIA template is in use. A trial of the revised DPIA process was carried out successfully on the refresh of the Body Worn Video Cameras policy.</p> <p>A DPIA guidance document is under consultation to support the completion of the screening questions/DPIA. DPIA requirements is explained within the e-learning package, additional 1 to 1 training/support is available as required.</p> <p>A request for an extension for this action to August 2023, to accommodate approval route for publication and delivery of the training.</p>

<p><b>43</b> 2018/19</p>	<p>Review and streamline policies and procedures, to include PIA and Equality Impact Assessment (EIA) and support training, to align to new strategic planning framework.</p>	<p>HR Director</p>	<p>Information Governance Advisor  HR Services Manager</p>	<p><b>In progress</b> A revised process for developing and reviewing Service Policy and Procedure is now fully implemented which includes EIA. The Service has adopted a DPIA which covers the requirements of a PIA, in line with the ICO guidance. DPIA requirements and guidance is incorporated within the overarching Information Management Framework (noted in action 3 of this action plan) and further training is to be delivered (as noted in action 8). The Service is in the process of rolling out PIA training and templates Proposed completed date of August 2023 to accommodate the appropriate review of all required policies and procedures.</p>
<p><b>60</b> 2019/20</p>	<p>Information Asset Register (IAR) and recording system to be reviewed, supported by new technology and further training.</p>	<p>HR Director  AM Data, Digital &amp; Safety</p>	<p>Information Governance Advisor  HR Services Manager Head of ICT</p>	<p><b>Action Complete</b> A new IAR template is now in place that also includes the Record of Processing Activities (ROPA) to ensure we have a lawful basis for processing. Guidance documentation and training for Information Asset Owners (IAO) and administrators has been produced and delivered. All IAOs are currently carrying out data mapping exercises within their teams on the new IAR template to inform the final identification and allocation of information assets across the Service. Microsoft 365 functionality is being explored to effectively manage IARs and enhance the control of IARs within the Service eg. retention automation</p>
<p><b>67</b> 2020/21</p>	<p>Roll out training on corporate governance (CG) for the Senior Leadership Team (SLT) including b) info asset management.</p>	<p>HR Director</p>	<p>Information Governance Advisor</p>	<p><b>Action Complete</b> An initial Information Asset Owner training session was delivered to the SLT in February 2023 by the Information Governance Advisor, with follow up individual training sessions conducted with Department Heads. These one to one sessions will continue on a rolling basis to maintain and develop knowledge for IAOs.  In addition, an Information Governance e-learning package was produced and has been launched to all staff in early 2023.</p>

## **Core Financial Statements**

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more detail of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts required to be charged to the General Fund Balance. The Net (Increase) / Decrease before Transfers (to) / from Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Grant Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2021</b>	(3,943)	(35,224)	(169)	(1,403)	(40,739)	916,966	876,227
<u>Movement in reserves during 2021/22</u>							
(Surplus) / Deficit on provision of services	6,399	0	0	0	6,399	0	6,399
Other Comprehensive Income and Expenditure	0	0	0	0	0	(19,033)	(19,033)
Total Comprehensive Income and Expenditure	6,399	0	0	0	6,399	(19,033)	(12,634)
Adjustments between accounting basis & funding basis under regulations (note 6)	(6,568)	0	0	0	(6,568)	6,568	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(169)	0	0	0	(169)	(12,465)	(12,634)
Transfers (to) / from Earmarked Reserves	23	(25)	2	0	0	0	0
(Increase) / Decrease in 2021/22	(146)	(25)	0	0	(169)	(12,465)	(12,634)
<b>Balance at 31 March 2022</b>	(4,089)	(35,249)	(167)	(1,403)	(40,908)	904,501	863,593
<u>Movement in reserves during 2022/23</u>							
(Surplus) / Deficit on provision of services	11,333	0	0	0	11,333	0	11,333
Other Comprehensive Income and Expenditure	0	0	0	0	0	(285,328)	(285,328)
Total Comprehensive Income and Expenditure	11,333	0	0	0	11,333	(285,328)	(273,995)
Adjustments between accounting basis & funding basis under regulations (note 6)	(9,486)	0	0	0	(9,486)	9,486	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	1,847	0	0	0	1,847	(275,842)	(273,995)
Transfers (to) / from Earmarked Reserves	(1,830)	1,830		0	0	0	0
(Increase) / Decrease in 2022/23	17	1,830	0	0	1,847	(275,842)	(273,995)
<b>Balance at 31 March 2023</b>	(4,072)	(33,419)	(167)	(1,403)	(39,061)	628,659	589,598



## Comprehensive Income and Expenditure Statement

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

2021/2022			2022/2023			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
3,082	(1,105)	1,977				
25,385	(7,336)	18,049				
15,562	(330)	15,232				
106	0	106				
44,135	(8,771)	35,364				
0	0	0	9	0	0	0
21,090	(59)	21,031	10	26,751	(994)	25,757
0	(49,996)	(49,996)		0	(51,054)	(51,054)
65,225	(58,826)	6,399	11,27	71,689	(60,356)	11,333
		(6,453)	20			(1,608)
		(12,580)	31			(283,720)
		(19,033)				(285,328)
		(12,634)				(273,995)

## Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority. Reserves are allocated into two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudential level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable reserves, i.e. those that the Authority is not able to use to provide services. This category of reserves holds unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2022 £'000		Notes	31 March 2023 £'000
86,321	Property, Plant and Equipment	12	88,620
20	Long Term Investments		20
227	Long Term Debtors	14	227
86,568	<b>Long Term Assets</b>		88,867
951	Inventories		1,067
15,607	Short Term Debtors	15	12,475
38,141	Cash and Cash Equivalents	16	39,306
54,699	<b>Current Assets</b>		52,848
(431)	Short Term Borrowing	14	(414)
(8,892)	Short Term Creditors	17	(10,589)
(1,849)	Other Short Term Liabilities	14	(1,924)
(638)	Short Term Provisions	18	(669)
(11,810)	<b>Current Liabilities</b>		(13,596)
(188)	Long Term Provisions	18	(346)
(10,346)	Long Term Borrowing	14	(9,932)
(57)	Donated Assets Account	27	(47)
(982,459)	Other Long Term Liabilities	14,31	(707,392)
(993,050)	<b>Long Term Liabilities</b>		(717,717)
(863,593)	<b>Net Assets / (Liabilities)</b>		(589,598)
40,908	Usable Reserves	8	39,061
(904,501)	Unusable Reserves	20	(628,659)
(863,593)	<b>Total Reserves</b>		(589,598)

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute towards the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2021/2022 £'000		Notes	2022/2023 £'000
6,399	Net (surplus) or deficit on the provision of services		11,333
(10,045)	Adjustments to net surplus or deficit on the provision of services for non cash movement		(19,573)
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
(3,646)	Net cash flows from operating activities		(8,240)
2,784	Investing activities	22	4,922
2,072	Financing Activities	23	2,153
1,210	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(1,165)</b>
(39,351)	Cash and cash equivalents at the beginning of the reporting period	16	(38,141)
(38,141)	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(39,306)</b>

# Notes to the Core Financial Statements

## Note 1 – Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/2023 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and these Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023, based on International Financial Reporting Standards (IFRS). The Code no longer requires statements or notes to be prepared in accordance with the CIPFA Service Reporting Code of Practice 2022/2023 (SeRCOP). Instead, the Code requires that the service analysis is based on the organisational structure under which the authority operates. However, the provisions of SeRCOP are still relevant and have been referred to and applied where appropriate, along with CIPFA guidance notes for practitioners.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 1.2 Financial Instruments

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### Financial Assets

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

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

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

### **Financial Assets Measured at Amortised Cost**

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

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

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, where material.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Expected credit losses are reviewed annually.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on:

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

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

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

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

### **1.3 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

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

### **De Minimis Levels**

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

### **Impairment**

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

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

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

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

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A de-minimis level for considering componentisation has been set at £1m.

A standard list of components is used by the Authority:

- Building structure;
- Mechanical and electrical

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals & Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.



If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

#### **1.4 Charges to Revenue for Non-Current Assets**

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **1.5 Accruals of Income & Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Authority has set a de-minimis level of £5,000 for the recording of accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. A full year's charge is included in the accounts for those supplies and services used continuously and charged on a periodic basis (e.g. gas, electricity and water), but the period covered by the payments does not always coincide with the financial year.

## **1.6 Cost of Support Services**

External support services are provided to the Authority by Sunderland City Council, based upon a scheme approved by the Home Office. Support service costs from Sunderland City Council are charged on the basis set out in the Service Level Agreement.

Both internal and external support service costs are accounted for under Management and Support Services in the Comprehensive Income and Expenditure Account, with the exception of Corporate and Democratic Core Costs and Non-Distributed Costs. These are defined in SeRCOP as follows:

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

These costs are accounted for as a separate heading under Corporate Support Services in the Comprehensive Income and Expenditure Account.

## **1.7 Provisions**

Provisions are made where an event has taken place that gives the Authority an obligation that will probably require settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the probable obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

## **1.8 Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is to be financed from a reserve, it is charged to the revenue account in that year to score against the Provision of Services, in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance statement in Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

In addition, certain accounts and reserves are maintained to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These do not represent usable resources for the Authority, however, as they are accounting requirements, not physical cash reserves.

## **1.9 Internal Interest**

Interest is credited to the Revenue Account from the Lead Authority's Capital Advances and Borrowing Pool based on cash flow and fund balances. The amounts are calculated using 7-day money market rates in accordance with guidance contained within the Code of Practice on Local Authority Accounting.

## **1.10 Employee Benefits (including Pensions)**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Corporate Support Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable unpaid at the year-end.

### **Post Employment Benefits**

The pension costs that are charged to the Authority's accounts can be divided into two types of pension arrangements. These have different accounting treatments, set out below for information:

#### **Firefighters' Pension Scheme**

The firefighters' pension scheme is an unfunded, final salary defined benefit scheme, the rules of which are set out in The Firemen's Pension Scheme Order 1992, The Firefighters' Pension Scheme (England) Order 2006 and The Firefighters' Compensation Scheme (England) Order 2006, The Firefighters' Pension Scheme Regulations 2015 and subsequent amendments.

The last actuarial valuation of the scheme was 31 March 2020 and has been rolled forward to reflect the position as at 2023, in particular allowing for service accrued between 1 April 2020 and 31 March 2023 and known pension and salary increases that would have applied.

Employer and employee contributions are paid into the pension fund, together with a contribution from the Authority for the cost of ill health early retirements. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus being recouped by Government.

The pension fund is ring-fenced to ensure accounting clarity. As such, a Pensions Fund Account and Net Assets Statement are reported as supplementary financial statements within the Authority's Statement of Accounts.

## Local Government Pension Scheme

All non-operational staff of the Authority have the right to join the Local Government Pension Scheme (LGPS), which South Tyneside Council administers on behalf of all of the Tyne and Wear local authorities and other admitted bodies. The scheme is a funded, defined benefit plan, the rules of which are set out in The Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Benefits earned up to 31 March 2014 are linked to final salary and benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. The last actuarial valuation was at 31 March 2022.

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is set out in the Statement of Accounts.

IAS19 requires the Authority to disclose certain information concerning assets, liabilities, income and expenditure related to the LGPS for its employees. The liabilities of the pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method. The liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted Securities – current bid price;
- Unquoted Securities – professional estimate;
- Unitised Securities – current bid price;
- Property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - Current Service Costs – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
  - Past Service Costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Support Services;
  - Net Interest on the Net Defined Benefit Liability (Asset), i.e. net interest expense for the authority – the change during the year in the net defined

benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure Income line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking in to account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pension Reserve.
  - Contributions paid to the Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and any amount payable to the fund but un-paid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **1.11 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been

satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **1.12 Long Term Borrowing**

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP) and, as such, the Authority does not undertake borrowing in its own name. The amount of borrowing undertaken by the Lead Authority on the Authority's behalf has been recognised within the Long Term Borrowing liabilities within the Statement of Accounts.

### **1.13 External Interest**

All interest payable on external borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

### **1.14 Other Investments**

Investments in companies are shown in the Authority's Balance Sheet at cost. Investments are all made via the Lead Authority's CABP.

### **1.15 Private Finance Initiative (PFI) and Similar Contracts**

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The relevant note and information relating to the Authority's PFI schemes are detailed in the Statement of Accounts.

#### **Recognising assets and liabilities**

Property used in a PFI or similar contract shall be recognised as an asset or assets of the Fire Authority. A related liability shall also be recognised at the same time. The asset shall be recognised in accordance with the Code of Practice on Local Authority Accounting; this will be when the asset is made available for use unless the Fire Authority bears an element of the construction risk, which will not be the case where standard PFI contract terms are

used. Where the Authority bears the construction risk, it shall recognise an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the Authority. In accordance with the Code of Practice on Local Authority Accounting, separate assets shall be recognised in respect of land and buildings where appropriate. The related liability shall initially be measured at the value of the related asset, and subsequently shall be calculated using the same actuarial method used for finance leases under the Code of Practice on Local Authority Accounting.

### **Prepayments**

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

### **Depreciation, impairment and revaluation**

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

### **MRP (England and Wales)**

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

### **Capital financing requirement**

When PFI contracts or similar arrangements are recognised on the Balance Sheet, the Capital Financing Requirement is adjusted to reflect this and the authorised limits and operational boundaries set accordingly.

## **1.16 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

## **1.17 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.



Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Key sources of estimation are disclosed in the Statement of Accounts.

### **1.18 Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **1.19 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

### **1.20 Cash and Cash Equivalents**

The Authority's cash and cash equivalents is held within the Lead Authority's bank accounts and investments. Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **1.21 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation

cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **1.22 Contingent Assets**

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

## **1.23 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of precept.

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2023/2024 (The Code) has adopted a number of new standards from 1 April 2023:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

It is likely that, though these new standards will lead to improved reporting, these will not have a significant impact on the amounts anticipated to be reported in the financial statements.

## **Note 3 – Critical Judgements in applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Retirement benefit obligations – the Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS19 ‘Employee Benefits’. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. The key assumptions made are set out in Note 31.
- Provisions – provisions are measured at the Finance Officer’s best estimate of the expenditure required to settle the obligation at the Balance Sheet date and are discounted to present value where the effect is material.
- McCloud/Sargeant Judgement – Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

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

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

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

### **Firefighters’ Pension Schemes**

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

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

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

## **LGPS**

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

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

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

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

- Guaranteed Minimum Pension (GMP) Indexation and Equalisation - Reforms to the State Pension system on 6 April 2016 removed the facility by which Central Government paid top-up payments to members with GMP who reached State Pension Age after that date.

In March 2016 the Government introduced an 'interim solution' which made the Local Government Pension Scheme responsible for paying the full increases on GMPs for individuals reaching State Pension Age (SPA) from 5 April 2016 through to 6th December 2018.

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

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

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

Separately, on 26 October 2018, the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".

HM Treasury have confirmed that public sector schemes already have a method to equalise GMP (through the interim solutions and commitment to pay full increases on GMPs) and they do not plan to change their method as a result of that judgement.

In light of this, the accounts include an allowance for full increases on GMP pensions for all members reaching state pension age from 5 April 2016 not just those covered by the current interim solution. Until the scheme changes are announced, there is some uncertainty over the final liability.

#### **Note 4 - Assumptions made about the Future and Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2023, for which there is a significant estimation uncertainty in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Property, Plant and Equipment – Valuation</p>	<p>Assets are valued, in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards and involve the use of a number of estimation techniques including various property indices.</p> <p>Due to the after effects of the Covid-19 pandemic, the Authority’s valuer has been faced with an unprecedented set of circumstances and considers that less weight can be attached to market evidence which would usually be relied upon to inform opinions of value at 31 March 2023.</p> <p>The asset valuations at 31 March 2023 have therefore been provided on the basis of ‘material valuation uncertainty’ and the Authority’s valuer has stated that valuations should be considered with less certainty and a higher degree of caution than usual.</p> <p>This does not mean that these valuations cannot be relied on, just that they have been provided in exceptional circumstances, which could result in future fluctuations occurring more rapidly than would usually be the case.</p> <p>See note 12 for more details on PPE.</p>	<p>The gross book value (GBV) of the Authority’s land and buildings portfolio is £77.785m as at 31 March 2023.</p> <p>A 1% change in asset valuations would equate to a £0.78m change in GBV.</p>
<p>Property, Plant and Equipment - Depreciation</p>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.283m for every year that useful lives had to be reduced.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	See note 12 for more details on PPE.	
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>Further information regarding Pension Liabilities can be found in note 31.</p>	<p>The effect on the net pension liability from changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Local Government pension liability of £1.8m and a 0.50% increase in the discount rate assumption would result in a decrease in the Firefighters' pension liability of £47m. However, in practice the assumptions interact in complex ways and changes may be interrelated.</p>

## Note 5 – Events After the Balance Sheet Date

### Adjusting Post Balance Sheet Events

No events have taken place since the accounts were closed on 31 March 2022 which are judged to be adjusting post balance sheet events.

### Non Adjusting Post Balance Sheet Events

No events have taken place since the accounts were closed on 31 March 2022 which are judged to be non-adjusting post balance sheet events.

## Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations

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

2021/2022			2022/2023	
General Fund Balance	Capital Receipts Reserve		General Fund Balance	Capital Receipts Reserve
£'000	£'000		(£'000)	(£'000)
<b>Adjustments to Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
(7,520)	0	Pensions costs – transferred to (or from) the Pensions Reserve (notes 20, 31)	(10,450)	0
119	0	Council Tax and NNDR – transfers to or from the Collection Fund Adjustment Account (note 20)	(1,298)	0
129	0	Holiday Pay – transferred to the Accumulated Absences Reserve (note 20)	(91)	0
(3,651)	0	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (notes 12, 20, 29)	(4,221)	0
1,570	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 29)	1,652	0
690	0	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 29)	647	0
0	0	Transfer of non-current asset sale proceeds from revenue to the Capital Adjustment Account	0	0
(8,662)	0	<b>Total Adjustments to Revenue Resources</b>	<b>(13,761)</b>	<b>0</b>



2021/2022			2022/2023	
General Fund Balance (£'000)	Capital Receipts Reserve (£'000)		General Fund Balance (£'000)	Capital Receipts Reserve (£'000)
		<b>Adjustments between Revenue and Capital Resources</b>		
0	0	Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Account	0	0
0	0	<b>Total Adjustments between Revenue and Capital Resources</b>	0	0
		<b>Adjustments to Capital Resources</b>		
160	0	Application of capital grants to finance capital expenditure (note 29)	163	0
0	1,934	Use of the Capital Receipts Reserve to finance capital expenditure (note 29)	0	4,112
160	1,934	<b>Total Adjustments to Capital Resources</b>	163	4,112
(8,502)	1,934	<b>Total Adjustments</b>	(13,598)	4,112

## Note 7 – Expenditure and Funding Analysis

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

<b>2022/2023</b>	<b>Net Expenditure Chargeable to the General Fund Balance</b>	<b>Adjustments between the Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community Safety	2,184	308	2,492
Firefighting and Rescue Operations	15,426	2,260	17,686
Management Support Services	19,765	(3,532)	16,233
Corporate Support Services	219	0	219
<b>Net Cost of Services</b>	<b>37,594</b>	<b>(964)</b>	<b>36,630</b>
Other Income and Expenditure	(35,747)	10,450	(25,297)
<b>(Surplus) or Deficit</b>	<b>1,847</b>	<b>9,486</b>	<b>11,333</b>
Opening General Fund Balance and Earmarked Reserves at 1 April	40,908		
Plus Surplus in Year	(1,847)		
Closing General Fund Balance and Earmarked Reserves at 31 March	39,061		
<b>2021/2022</b>			
Community Safety	1,727	250	1,977
Firefighting and Rescue Operations	16,218	1,831	18,049
Management Support Services	18,265	(3,033)	15,232
Corporate Support Services	106	0	106
<b>Net Cost of Services</b>	<b>36,316</b>	<b>(952)</b>	<b>35,364</b>
Other Income and Expenditure	(36,485)	7,520	(28,965)
<b>(Surplus) or Deficit</b>	<b>(169)</b>	<b>6,568</b>	<b>6,399</b>
Opening General Fund Balance and Earmarked Reserves at 1 April	40,739		
Plus Surplus in Year	169		
Closing General Fund Balance and Earmarked Reserves at 31 March	40,908		

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

<b>2022/2023</b>	<b>Community Safety</b>	<b>Fire Fighting and Rescue Operations</b>	<b>Corporate and Democratic core</b>	<b>Non Distributed Costs</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges and other service income	132	216	0	0	348
Government grants	617	4,051	0	0	4,668
Other grants, reimbursements and contributions	80	43	0	0	123
<b>Total Income</b>	<b>829</b>	<b>4,310</b>	<b>0</b>	<b>0</b>	<b>5,139</b>
Employee expenses	1,013	14,458	2	89	15,562
Other service expenses	271	2,160	128	0	2,559
Support services	4,707	18,894	47	0	23,648
<b>Total Expenditure</b>	<b>5,991</b>	<b>35,512</b>	<b>177</b>	<b>89</b>	<b>41,769</b>
<b>Deficit on Cost of Services</b>	<b>5,162</b>	<b>31,202</b>	<b>177</b>	<b>89</b>	<b>36,630</b>

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

## Note 8 – Movements in Earmarked Reserves

	Balance at 1 April 2021 £'000	Transfers out 2021/2022 £'000	Transfers in 2021/2022 £'000	Balance at 31 March 2022 £'000	Transfers out 2022/2023 £'000	Transfers in 2022/2023 £'000	Balance at 31 March 2023 £'000
<b>General Fund Balance</b>	3,943	0	146	4,089	(17)	0	4,072
<b>Capital Reserves</b>							
Capital Receipts Reserve	1,403	0	0	1,403	0	0	1,403
Capital Grant Reserve	169	(2)	0	167	0	0	167
<b>Total Capital Reserves</b>	1,572	(2)	0	1,570	0	0	1,570
<b>Revenue Reserves</b>							
PFI Smoothing Reserve	8,231	(43)	0	8,188	(322)	0	7,866
Insurance Reserve	1,128	(85)	0	1,043	0	117	1,160
Early Retirement Reserve	5	(5)	0	0	0	0	0
Capital Developments Reserve	5,457	(1,934)	1,059	4,582	(4,315)	17,739	18,006
Resilience Reserve	3,500	0	0	3,500	(3,000)	0	500
Budget Carry Forward Reserve	3,269	(1,416)	401	2,254	(1,405)	51	900
New Dimensions Reserve	845	(193)	0	652	0	1	653
Transformation and Reform Reserve	6,523	0	3,157	9,680	(9,180)	0	500
Medium Term Planning Reserve	3,444	0	826	4,270	(3,270)	0	1,000
Emergency Services Mobile	1,080	0	0	1,080	(87)	0	993
Communications Reserve							
COVID-19 Reserve	1,742	(1,742)	0	0	0	0	0
Mobilisation Smoothing Reserve	0	0	0	0	0	1,841	1,841
<b>Total Revenue Reserves</b>	35,224	(5,418)	5,443	35,249	(21,579)	19,749	33,419
<b>Total Reserves</b>	40,739	(5,420)	5,589	40,908	(21,596)	19,749	39,061

The table, above, shows the movement on the Authority's earmarked reserves for the year ended 31 March 2023. Detail on the purpose of each reserve is provided below:

- **PFI Smoothing Reserve** - Government Grants received for PFI schemes, in excess of previous levels of expenditure, were carried forward as an earmarked reserve to fund future contract expenditure. This had the effect of smoothing the impact of PFI schemes on the Authority's revenue budget over the lifetime of the scheme.
- **Insurance Reserve** - this reserve is held to protect the Authority from:
  - any unexpected volatility;
  - potential future changes in legislation that could be retrospective;
  - any unknown exposures that may arise in the future; and
  - the Municipal Mutual Insurance Scheme of Arrangement reserve that was established in 1993/1994 to cover a possible shortfall in the eventual settlement of claims against MMI.

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

- **Early Retirement Reserve** - this reserve was established in order to cover future compensatory added years payments, associated with an early retirement during 2002/2003. This has ensured that the costs are covered in the year of retirement and will not lead to on-going revenue implications. The reserve will be reduced each year as payments are made to the Tyne and Wear Pension Fund.
- **Capital Developments Reserve** - this reserve was created to fund medium term and long term capital developments.
- **Resilience Reserve** - this reserve was established following a review of the potential liabilities arising from a major industrial dispute. Having considered the principles, criteria and framework upon which the Authority's Business Continuity Strategy should be based, the reserve is intended to ensure that the communities of Tyne and Wear are protected in the event of a major industrial dispute.
- **Budget Carry Forward Reserve** - this reserve is used to fund the slippage of specific items of revenue expenditure.
- **New Dimensions Reserve** - this reserve is used to provide for any adverse effect of planned changes in funding from specific to general grant and to provide resources to meet future specific costs in relation to delivering an appropriate response.
- **Transformation and Reform Reserve** - this reserve was created to cover the expected costs of all major organisational changes and transformation projects required for the Authority to operate more efficiently and effectively.
- **Medium Term Planning Reserve** - this reserve was established to plan for the impact of Government reductions in funding, due to localisation of the business rates retention system and the impact on precepting authorities of localisation of the

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

- **Emergency Services Mobile Communications Reserve** – this reserve was established for the ESMCP grant received from Home Office, to be used to implement the new wide area communications system.
- **COVID-19 Reserve** – this reserve was established to deal with the implications of the COVID-19 pandemic.
- **Mobilisation Smoothing Reserve** – this reserve was established to support a business critical new mobilisation system.

## Note 9 – Other Operating Expenditure

2021/2022 £'000		2022/2023 £'000
0	(Gain)/Loss on Disposal of Non-Current Assets	0
<b>0</b>	<b>Total</b>	<b>0</b>

## Note 10 – Financing and Investment Income and Expenditure

2021/2022 £'000		2022/2023 £'000
1,860	Interest Payable	1,491
19,230	Net Interest on the Net Defined Benefit Liability (Asset)	25,260
(59)	Interest and Investment Income	(994)
<b>21,031</b>	<b>Total</b>	<b>25,757</b>

## Note 11 – Taxation and Non Specific Grant Income

2021/2022 £'000		2022/2023 £'000
(25,334)	Council Tax Income	(24,708)
(14,713)	Non Domestic Rate Income	(15,072)
(8,989)	Non Ringfenced Government Grants	(9,263)
(134)	COVID-19 Section 31 Grant	0
0	Business Rates Section 31 Grant	(801)
(826)	Local Council Tax Support Scheme Grant	0
0	Service Delivery Grant	(1,072)
0	Levy Account Surplus Grant	(130)
0	Transparency Grant	(8)
<b>(49,996)</b>	<b>Total</b>	<b>(51,054)</b>

## Note 12 – Property, Plant and Equipment

### Movement on Balances 2022/2023

	Land & Buildings	Vehicles, Plant Furniture & Equipment	Assets Under Construction	Assets Held for Sale	TOTAL	PFI Assets included in Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
<b>At 1 April 2022</b>	76,124	31,089	697	150	108,060	40,330
Additions	1,156	990	2,952	0	5,098	325
Revaluation increases/(decreases) recognised in the Revaluation Reserve	708	0	0	0	708	0
Revaluation increases/(decreases) recognised in the Provision of Services	(352)	0	0	0	(352)	0
Disposals	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	(176)	0	(176)	0
<b>At 31 March 2023</b>	<b>77,636</b>	<b>32,079</b>	<b>3,473</b>	<b>150</b>	<b>113,338</b>	<b>40,655</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2022</b>	142	21,597	0	0	21,739	0
Depreciation Charge	2,360	1,872	0	0	4,232	1,097
Depreciation written out to Revaluation Reserve	(901)	0	0	0	(901)	0
Depreciation recognised in the Provision of Services	(352)	0	0	0	(352)	0
Disposals	0	0	0	0	0	0
<b>At 31 March 2023</b>	<b>1,249</b>	<b>23,469</b>	<b>0</b>	<b>0</b>	<b>24,718</b>	<b>1,097</b>
<b>Net Book Value at 31 March 2022</b>	<b>75,982</b>	<b>9,492</b>	<b>697</b>	<b>150</b>	<b>86,321</b>	<b>40,330</b>
<b>Net Book Value at 31 March 2023</b>	<b>76,387</b>	<b>8,610</b>	<b>3,473</b>	<b>150</b>	<b>88,620</b>	<b>39,558</b>

## Movement on Balances 2021/2022

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

## Capital Commitments

At 31 March 2023, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/2024, budgeted to cost £13.658m (as at 31 March 2022 £5.481m). A summary of the commitments are:

- ICT Software and Hardware (£0.355m)
- Estates (£10.764m)
- Operations and Resilience (£0.156m)
- ESMCP (£1.725m)
- Technical Services Centre (£0.101m)
- Vehicle Replacement Programme (£0.557m)



## Revaluations

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

	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture and Equipment £'000</b>	<b>Assets Under Construction £'000</b>	<b>Assets Held for Sale £'000</b>	<b>Total £'000</b>
Carried at historic cost	0	32,079	3,473	0	35,552
Valued at fair value as at:					
31 March 2022	40,403	0	0	150	40,553
31 March 2023	36,641	0	0	0	36,641
Assets held under finance leases	592	0	0	0	592
<b>Total</b>	<b>77,636</b>	<b>32,079</b>	<b>3,473</b>	<b>150</b>	<b>113,338</b>

## Note 13 – Assets Held for Sale

The Authority has agreed sale of land at Washington Community Fire Station. This will be sold in 2023/2024 and yield a one off capital receipt of £150,000.

## Note 14 – Financial Instruments

### Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
<b>Debtors</b>				
Financial assets carried at amortised amount	227	227	0	0
Financial assets carried at contract amount**	0	0	2,816	6,704
Assets not defined as financial instruments	0	0	6,124	4,553
<b>Total Debtors</b>	<b>227</b>	<b>227</b>	<b>8,940</b>	<b>11,257</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost *	(9,932)	(10,346)	(414)	(431)
<b>Total Borrowings</b>	<b>(9,932)</b>	<b>(10,346)</b>	<b>(414)</b>	<b>(431)</b>
<b>Other Liabilities</b>				
PFI and finance lease liabilities	(13,173)	(14,470)	(1,424)	(1,349)
Injury Pension Liability	(5,639)	(6,139)	(500)	(500)
<b>Non-Financial Liabilities</b>				
Pension Liability	(688,580)	(961,850)	0	0
<b>Total Other Liabilities</b>	<b>(707,392)</b>	<b>(982,459)</b>	<b>(1,924)</b>	<b>(1,849)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount**	0	0	(2,882)	(2,175)
Liabilities not defined as financial instruments	0	0	(1,986)	(1,450)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(4,868)</b>	<b>(3,625)</b>
<b>Cash and Cash Equivalents</b>				
Bank Deposits	0	0	11,792	10,626
Investments	0	0	27,514	27,514
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>39,306</b>	<b>38,140</b>

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

\*\* The figures exclude Collection Fund debtors and creditors in accordance with the Code.

### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

<b>2022/2023</b>	<b>Financial Liabilities measured at Amortised Cost £'000</b>	<b>Financial Assets measured at Amortised Cost £'000</b>
Interest expense	1,491	0
Interest income	0	(994)
<b>Net (gain) / loss for the year</b>	<b>497</b>	

Comparative figures as at 31 March 2022 are as follows:

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

### **The Fair Values of Financial Assets and Financial Liabilities**

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

- For loans from the Public Works Loan Board (PWLB) payable, PWLB prevailing market rates (new borrowing (certainty) rates) have been applied to provide the fair value under PWLB debt redemption procedures as per interest rate notice number 127/23;
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables and trade and other payables is taken to be the invoiced or billed amount; and
- The fair value of the injury pension liability is taken to be the same as the carrying amount due to the nature of this liability.

The financial assets classed as held at amortised cost and held with Money Market Funds and Notice Accounts, and the financial liabilities held by the Lead Authority with PWLB and Market lenders are investments and borrowings that are not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount for these assets, the Lead Authority has used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
9,327	9,434	PWLB Debt	9,063	3,971
1,019	1,315	Non PWLB Debt	869	840
431	430	Short Term Borrowing	414	413
14,470	14,470	Long Term PFI and Finance Lease Liability	13,173	13,173
1,349	1,349	Short Term PFI and Finance Lease Liability	1,424	1,424
6,139	6,139	Long Term Injury Pension Liability	5,639	5,639
500	500	Short Term Injury Pension Liability	500	500
3,625	3,625	Short Term Creditors	4,868	4,868
<b>36,860</b>	<b>37,262</b>	<b>Financial Liabilities</b>	<b>35,950</b>	<b>30,828</b>

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

The fair value of the liabilities is greater than the carrying amount because the Authority's share of the Lead Authority's portfolio includes a number of fixed loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2023) arising from a commitment to pay interest to lenders above current market rates.

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

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

31 March 2022			31 March 2023	
Carrying Amount £'000	Carrying Amount £'000		Carrying Amount £'000	Fair Value £'000
27,514	27,514	Deposits with Money Market Funds, Banks & Building Societies	27,514	27,514
10,626	10,626	Cash in Hand	11,792	11,792
227	227	Long Term Debtors	227	227
11,257	11,257	Short Term Debtors	8,940	8,940
49,624	49,624	<b>Financial Assets</b>	<b>48,473</b>	<b>48,473</b>

Deposits with Money Market Funds, Banks and Building Societies, Cash and Short-term debtors are carried at cost as this is a fair approximation of their value.

### Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

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

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (both revised in 2017). Overall, these procedures require the Authority to manage risk in the following ways:

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

the Authority's annual budget meeting before the beginning of the financial year and actual performance is reported annually to Members.

All of the Authority's Treasury Management function is provided under a Service Level Agreement by Sunderland City Council.

### **Credit Risk**

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

### **Credit Risk Management Practices**

The Authority has considered its financial assets to determine whether their credit risk has increased significantly since initial recognition.

These have been grouped into two categories:

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

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

It is the policy of Sunderland City Council to place deposits only with a limited number of high quality banks, building societies and money market funds that are on the Council's Approved Lending List. Limits are also placed on the country in which the institution is resident, the sector of the institution and if companies are members of a group of companies, a limit is placed on the group. Full details of these limits can be found in the Council's Treasury Management Policy and Strategy.

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

The Authority's maximum exposure to credit risk at 31 March 2023 in relation to its investments in banks and building societies is determined to be nil and as all cash balances are held with Sunderland City Council, it cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2023 that this was likely to crystallise.

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

The Authority does not generally allow credit for customers, £0.665m is beyond its due date for payment. The past due amount can be analysed by age as follows:

<b>31 March 2022 £'000</b>		<b>31 March 2023 £'000</b>
<b>58</b>	Less than 3 months	<b>635</b>
<b>39</b>	Between 3 and 6 months	<b>5</b>
<b>12</b>	Between 6 months to one year	<b>20</b>
<b>1</b>	More than one year	<b>5</b>
<b>110</b>		<b>665</b>

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

### **Amounts arising from expected credit loss**

All of the Authority's financial assets have been assessed as Stage 1 at both 31 March 2022 and 31 March 2023, which means that there has been no significant increase in their credit risk. The 12-month expected credit loss for these assets has been assessed as nil. Impairment allowances for losses in relation to receivables due from customers are shown within the debtors note to the accounts. The Authority calculates allowances based on estimated default rates in combination with specific adjustments for individual debts when appropriate. There is a rebuttable presumption in IFRS 9 that aged debt older than 30 days should be impaired. The aged debt older than 30 days, disclosed above, has been reviewed and the Authority is satisfied that the existing impairment allowance adequately provides for this.

### **Liquidity Risk**

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury management strategy report).

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

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

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

## **Refinancing and Maturity risk**

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

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

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

## **Market Risk**

### **Interest Rate Risk**

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

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

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



According to this assessment strategy, at 31 March 2023, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

31 March 2022 £'000		31 March 2023 £'000
(110)	Increase in interest payable on variable rate borrowings	(106)
275	Increase in interest received on variable rate investments	275
165	<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>169</b>
0	Decrease in fair value of fixed rate investment assets	0
0	<b>Impact on Comprehensive Income and Expenditure</b>	<b>0</b>
2,190	Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>1,043</b>

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

## Note 15 – Short-Term Debtors

31 March 2022 £'000		31 March 2023 £'000
6,404	Central Government bodies	2,973
800	Other local authorities	360
2	NHS bodies	2
6	Public corporations and trading funds	16
8,394	Other entities and individuals	9,124
15,606	<b>Total</b>	<b>12,475</b>

## Note 16 – Cash and Cash Equivalents

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

31 March 2022 £'000		31 March 2023 £'000
1	Cash held by the Authority	1
10,626	Bank Current Accounts	11,791
	Short Term Investments held with Lead Authority	
27,514		27,514
38,141	<b>Total</b>	<b>39,306</b>

## Note 17 – Short-Term Creditors

31 March 2022 £'000		31 March 2023 £'000
(819)	Central Government bodies	(1,363)
(6,023)	Other local authorities	(6,515)
(150)	Public corporations and trading funds	(165)
(1,900)	Other entities and individuals	(2,546)
(8,892)	<b>Total</b>	<b>(10,589)</b>

## Note 18 – Provisions

### Insurance Provision

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

### Business Rates Appeal Provision

A provision for Non-Domestic Rates appeals has been established to meet the identified potential costs to the Authority of appeals in relation to the valuations used in the calculation of Business Rates. The provision is based on the District's best estimate of the amount that will be successfully appealed (i.e. that businesses have been overcharged) in relation to 2022/2023 and previous years, regardless of when that appeal is raised or settled. Whilst the settlement of these appeals is outside of the Authority's control, it is considered likely that 2010 list appeals will be settled within the next financial year and hence are classified as a short term provision.

	<b>Insurance Provision £'000</b>	<b>Business Rates Appeal Provision £'000</b>	<b>Total £'000</b>
Balance at 31 March 2021	(101)	(664)	(765)
Additional provisions made in 2021/2022	(175)	(115)	(290)
Amounts used in 2021/2022	88	141	229
<b>Balance at 31 March 2022</b>	<b>(188)</b>	<b>(638)</b>	<b>(826)</b>
Additional provisions made in 2022/2023	<b>(234)</b>	<b>(240)</b>	<b>(474)</b>
Amounts used in 2022/23	<b>76</b>	<b>209</b>	<b>285</b>
<b>Balance at 31 March 2023</b>	<b>(346)</b>	<b>(669)</b>	<b>(1,015)</b>

The nature of the individual provisions held at 31 March 2023 is detailed below:

	<b>Short Term £'000</b>	<b>Long Term £'000</b>	<b>2022/23 Total £'000</b>
Insurance provision	0	(346)	<b>(346)</b>
Business rates appeal provision	(669)	0	<b>(669)</b>
	<b>(669)</b>	<b>(346)</b>	<b>(1,015)</b>

## Note 19 – Usable Reserves

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

## Note 20 – Unusable Reserves

31 March 2022 £'000		31 March 2023 £'000
34,499	Revaluation Reserve	<b>36,079</b>
24,922	Capital Adjustment Account	<b>27,303</b>
(962,196)	Pensions Reserve	<b>(688,926)</b>
(1,555)	Collection Fund Adjustment Account	<b>(2,853)</b>
(171)	Accumulated Absence Account	<b>(262)</b>
<b>(904,501)</b>	<b>Total Unusable Reserves</b>	<b>(628,659)</b>

## Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/2022 £'000		2022/2023 £'000
28,165	Balance at 1 April	34,499
6,699	Upward revaluation of assets	2,192
(246)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(584)
34,618	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	36,107
(119)	Difference between fair value depreciation and historical cost depreciation	(28)
0	Accumulated gains on non-current assets sold	0
34,499	<b>Balance at 31 March</b>	<b>36,079</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2021/2022 £'000		2022/2023 £'000
24,099	<b>Balance at 1 April</b>	<b>24,922</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,542)	Charges for depreciation and impairment of non-current assets	<b>(4,204)</b>
	Amount of non-current assets written out on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>0</b>
0		<b>0</b>
20,557		<b>20,718</b>
	Capital financing applied in the year:	
1,934	Use of Capital Receipts to finance new capital expenditure	<b>4,112</b>
160	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>163</b>
1,570	Statutory provision for the financing of capital investment charged against the General Fund balance	<b>1,652</b>
690	Capital expenditure charged against the General Fund balance	<b>647</b>
11	Movement in the Donated Asset Account credited to the Income and Expenditure Statement	<b>11</b>
24,922	<b>Balance at 31 March</b>	<b>27,303</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/2022 £'000		2022/2023 £'000
(967,256)	<b>Balance at 1 April</b>	(962,196)
12,580	Re-measurement of the net defined benefit liability / (asset)	283,720
(38,710)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(42,090)
31,190	Employers pensions contributions and direct payments to pensioners payable in the year	31,640
(962,196)	<b>Balance at 31 March</b>	(688,926)

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rating income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/2022 £'000		2022/2023 £'000
(1,674)	<b>Balance at 1 April</b>	(1,555)
119	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(1,298)
(1,555)	<b>Balance at 31 March</b>	(2,853)

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account

2021/2022 £'000		2022/2023 £'000
(300)	Balance at 1 April	(171)
300	Settlement or cancellation of accrual made at the end of the preceding year	171
(171)	Amounts accrued at the end of the current year	(262)
(171)	<b>Balance at 31 March</b>	(262)

## Note 21 – Cash Flow Statement – Operating Activities

The cash flows from operating activities is detailed in the income, expense, gains and losses section of the Financial Instruments note.

## Note 22 – Cash Flow Statement – Investing Activities

2021/2022 £'000		2022/2023 £'000
2,784	Purchase of property, plant and equipment	4,922
0	Net proceeds from the sale of property, plant and equipment, investment properties and intangible assets	0
<b>2,784</b>	<b>Net cash flows from Investing Activities</b>	<b>4,922</b>

## Note 23 – Cash Flow Statement – Financing Activities

2021/2022 £'000		2022/2023 £'000
449	Repayments of short and long term borrowing	431
1,504	Other payments and financing activities	1,838
<b>1,953</b>	<b>Net cash flows from Financing Activities</b>	<b>2,269</b>

## Reconciliation of Liabilities arising from Financing Activities

	1 April 2022 £'000	Financing Cash Flows £'000	31 March 2023 £'000
Short and long term borrowing	10,778	(432)	10,346
On balance sheet PFI liabilities	15,819	(1,222)	14,597
Injury pension liability	6,639	(500)	6,139
<b>Total liabilities from Financing Activities</b>	<b>33,236</b>	<b>(2,154)</b>	<b>31,082</b>

## Note 24 – Members' Allowances and Expenses

	2021/2022 £'000	2022/2023 £'000
Total Members' Allowances and Expenses	83	82

## Note 25 – Officers’ Remuneration

The number of employees (excluding ‘Senior’ officers) whose remuneration, excluding employer’s pension contributions, was £50,000 or more in bands of £5,000:

Remuneration Band	2021/2022 Number of Employees	2022/2023 Number of Employees
£50,000-£54,999	20	<b>22</b>
£55,000-£59,999	11	<b>15</b>
£60,000-£64,999	6	<b>16</b>
£65,000-£69,999	8	<b>8</b>
£70,000-£74,999	0	<b>1</b>
£75,000-£79,999	0	<b>1</b>
£80,000-£84,999	3	<b>1</b>
£85,000-£89,999	0	<b>0</b>
£90,000-£94,999	0	<b>2</b>
	<b>48</b>	<b>66</b>

The tables below disclose the specific remuneration information in relation to ‘Senior’ officers. The senior officers are those who are involved in influencing and making strategic decisions and developing policies for the organisation. For Tyne and Wear Fire and Rescue Authority, this is the Chief Fire Officer, the Deputy Chief Fire Officer, the Assistant Chief Fire Officer and the Finance Director.



Post Holder Information	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of Office	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Strain on Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£	£	£

### 2022/2023

Chief Fire Officer and Chief Executive: Chris Lowther	157,746	0	0	157,746	45,431	0	203,177
Deputy Chief Fire Officer	134,084	0	0	134,084	38,616		172,700
Assistant Chief Fire Officer – Organisational Development	132,197	0	0	132,197	36,345		168,542
Finance Director	85,976	0	0	85,976	15,386		101,362

### 2021/2022

Chief Fire Officer and Chief Executive: Chris Lowther	158,429	0	0	158,429	45,571	0	204,000
Deputy Chief Fire Officer	134,664	0	0	134,664	50,168	0	184,832
Assistant Chief Fire Officer – Organisational Development	127,380	0	0	127,380	36,044	0	163,424
Finance Director	84,021	0	0	84,021	14,808	0	98,829

## Note 26 – External Audit Costs

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

	2021/2022 £'000	2022/2023 £'000
Fees paid to external auditors with regard to external audit services carried out by the appointed auditor (Mazars LLP)	38	47
	<b>38</b>	<b>47</b>

An additional fee of £16,404 was paid in 2022/2023 in respect of a variation to the scale fee for audit work in 2020/2021, as approved by Public Sector Audit Appointments, and a refund of £13,573 was received in respect of the Redmond Review.

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

## Note 27 – Grant Income

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

	2021/2022 £'000	2022/2023 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(8,989)	(9,263)
National Non Domestic Rates	(3,256)	(3,615)
Top Up Grant	(11,457)	(11,457)
Council Tax Income	(25,334)	(24,708)
COVID-19 S31 Grant	(134)	0
Business Rates S31 Grant	0	(801)
Local Council Tax Support Scheme Grant	(826)	0
Service Delivery Grant	0	(1,072)
Levy Account Surplus Grant	0	(130)
Transparency Grant	0	(8)
	<b>(49,996)</b>	<b>(51,054)</b>
<b>Credited to Services</b>		
PFI Grant	(3,358)	(3,358)
New Dimensions	(872)	(872)
Firelink	(236)	(207)
Pensions	(2,593)	(2,593)
Pensions Admin	(50)	0
New Threats	(55)	(20)
FS Protection Uplift	(243)	(211)
	<b>(7,407)</b>	<b>(7,261)</b>

The Authority has donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balance at the year-end are as follows:

	31 March 2022 £'000	31 March 2023 £'000
<b>Donated Assets Account</b>		
New Dimensions Equipment	57	46
	<b>57</b>	<b>46</b>

## Note 28 – Related Parties

The 'Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023' requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

**Central Government:** Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from Government departments are set out in Note 27.

**Authority Members:** Disclosures in respect of members' interests are required to be reported. After consultation with Members there are no disclosures to report.

**Chief Officers:** Disclosures in respect of Chief Officers' interests are also required to be reported. After consultation with Chief Officers there are no disclosures to report.

**Other Relevant Information:** Details of the Authority's transactions with Sunderland City Council for provision of support services are shown in the appropriate sections of the Income and Expenditure Account as disclosed in Accounting Policy 1.6 on page 58. The cost of Support Services received by the Authority total £327,736 (£317,881 in 2021/2022).

### Trading Arrangement:

#### TWFRS Ltd

The Authority has a trading company TWFRS Ltd which commenced operating on 1 April 2015. The Authority currently holds 20,001 £1 shares and wholly owns the company which it has always operated on a local authority trading company basis. The Company was trading with an agreed Operating Arrangement with Impeller Assurance and Resilience Ltd (Impeller) until November 2019 when Impeller went into liquidation. This had an adverse one-off impact on the finances of TWFRS Ltd which meant that the Company reported a net loss of £270,748 in 2019/2020 and a Negative Net Worth of £186,162 as at 31<sup>st</sup> March 2020. The Company has since reviewed its activities and structures with the full support of the Authority to develop plans to slowly rebuild the way TWFRS LTD will operate in the future so that it can continue to trade successfully and thereby repay all of the loan

advanced to Impeller totalling £225,000, which Fire Authority members have requested. The actual loan made to Impeller consequently was of no direct benefit to TWFRS LTD.

The COVID-19 pandemic has had a significant impact on the ability of TWFRS Ltd to trade to any real significance, although it has developed a revised business plan and taken measures to get the business back up and running. In 2020/2021 no trading was possible and the Company made a small loss of £2,599 in the year increasing its Negative Net Worth to £188,761 as at 31<sup>st</sup> March 2022. It was recognised that building up business would be a much longer process than originally anticipated. There was some very limited trading in 2021/2022 which saw turnover of £2,396 but after costs meant a Net Loss of £588 was posted for 2021/2022, taking the Negative Net Worth to £189,349 as at 31<sup>st</sup> March 2022. The Company however was concentrating its efforts on re-engaging with past customers and trying to develop new business opportunities to help change the outlook of the Company for future years. It also employed a Business Development Manager for the latter part of the financial year to help improve the prospects of the Company.

The financial results for 2022/2023 are not yet available but will be reported in full once the auditors have completed their audit work. It is expected, however, that with there will be a small net profit after all costs have been taken into account with business during the year being steady and is slowly building. As a consequence, any surplus net profit after tax will be used to repay the Loan as requested by members. As a result, no dividends will be paid or proposed until the loan has been fully repaid. The Company is now ready to re-launch in 2023/2024 and will then look to increase business at a steady rate. There is a place for the Company in the training market and the prospects for the trading company are improving.

## **Note 29 – Capital Expenditure and Capital Financing**

The total amount of capital expenditure in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2021/2022 £'000	2022/2023 £'000
<b>Opening Capital Financing Requirement</b>	28,602	<b>27,032</b>
Capital Investment:		
Property, Plant and Equipment	2,784	<b>4,922</b>
Revenue Expenditure Funded from Capital under Statute	79	<b>103</b>
Sources of Finance		
Capital Receipts	(1,934)	<b>(4,112)</b>
Government grants and other contributions	(160)	<b>(163)</b>
Sums set aside from		
Direct Revenue Contributions	(769)	<b>(750)</b>
MRP	(1,570)	<b>(1,652)</b>
<b>Closing Capital Financing Requirement</b>	<b>27,032</b>	<b>25,380</b>
Explanation of movements in year:		
Assets acquired under PFI contracts	0	<b>0</b>
Minimum Revenue Provision	(1,570)	<b>(1,652)</b>
<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>(1,570)</b>	<b>(1,652)</b>

### Note 30 – Private Finance Initiatives and Similar Contracts

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

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

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

2021/2022 £'000		2022/2023 £'000
16,382	Balance outstanding at start of year	15,270
0	Additions	0
(1,112)	Repayment of capital	(1,212)
15,270	<b>Balance outstanding at the year end</b>	<b>14,058</b>

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

	2023/2024 £'000	2024/2025 £'000	2028/2029 £'000	2033/2034 £'000	Total £'000
Finance Lease		-	-	-	
Creditor Repayment	1,416	7,692	3,963	848	13,919
Finance Lease					
Creditor Interest	1,283	3,569	1,077	115	6,044
Lifecycle					
Maintenance Costs	70	299	418	229	1,016
Contingent Rentals	117	978	510	5	1,610
Operating Costs	2,663	10,430	4,038	811	17,942
PFI Grant	(3,358)	(13,432)	(8,728)	(1,177)	(26,695)
<b>Total Net Expenditure</b>	<b>2,191</b>	<b>9,536</b>	<b>1,278</b>	<b>831</b>	<b>13,836</b>

## Note 31 – Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The firefighters' pension scheme for operational employees is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities. The cost of pension payments is met from employer and employee contributions, with the balance being funded by the Government through a top-up grant. The employers' contributions to the firefighters' pension fund account are 28.8%.
- The Local Government Pension Scheme for non-operational employees, administered by South Tyneside Council is a funded defined benefit salary scheme,

meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employers' contributions to the Local Government fund account are 17.9%.

### **Transactions Relating to Post-employment Benefits**

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement, including Past Service Costs which are treated as Non Distributed Costs in Corporate Support Services, and are removed from the General Fund Balance via the Movement in Reserves Statement during the year.

## Comprehensive Income and Expenditure Statement

Cost of Services:

Service Cost comprising:

Current Service Cost

Past Service Costs

Financing and Investment Income and Expenditure:

Net Interest Expense

**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**

Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
2022/2023 £'000	2021/2022 £'000	2022/2023 £'000	2021/2022 £'000	2022/2023 £'000	2021/2022 £'000
3,680	3,660	10,510	13,200	14,190	16,860
0	0	0	0	0	0
620	690	24,640	18,540	25,260	19,230
<b>4,300</b>	<b>4,350</b>	<b>35,150</b>	<b>31,740</b>	<b>39,450</b>	<b>36,090</b>

## Other Post Employment Benefits Charged to the CIES

Re-measurement of the Net Defined Benefit Liability comprising:

### Local Government Scheme

Return on Plan Assets

Actuarial (Gains) and Losses due to changes in Demographic Assumptions

Actuarial (Gains) and Losses due to changes in Financial Assumptions

Actuarial (Gains) and Losses due to Liability Experience

### Firefighters' Scheme

Experience (Gains) and Losses arising on the Defined Benefit Obligation

Changes in Financial Assumptions underlying the Present Value of the Defined Benefit Obligation

Changes in Demographic Assumptions underlying the Present Value of the Defined Benefit Obligation

**Total Post Employment Benefits Charged to the CIES**

2,610	(3,130)	0	0	2,610	(3,130)
0	(550)	0	0	0	(550)
(38,620)	(7,080)	0	0	(38,620)	(7,080)
7,000	(1,940)	0	0	7,000	(1,940)
0	0	55,950	10,960	55,950	10,960
0	0	(310,660)	(10,840)	(310,660)	(10,840)
0	0	0	0	0	0
<b>(24,710)</b>	<b>(8,350)</b>	<b>(219,560)</b>	<b>31,860</b>	<b>(244,270)</b>	<b>23,510</b>



Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022
£'000	£'000	£'000	£'000	£'000	£'000

**Movement in Reserves Statement**

Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code

**2,800**      3,000      **7,650**      4,520      **10,450**      7,520

**Actual amount charged against General Fund Balance for pensions in the year:**

Employers Contributions Payable to the Scheme

**1,500**      1,350      **0**      0      **1,500**      1,350

Retirement Payments Payable to Pensioners

**0**      0      **30,140**      27,580      **30,140**      27,580

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	<b>(71,340)</b>	(98,240)	<b>(691,030)</b>	(938,090)	<b>(762,370)</b>	(1,036,330)
Fair value of plan assets	<b>73,790</b>	74,480	<b>0</b>	0	<b>73,790</b>	74,480
Net liability arising from defined benefit obligation	<b>2,450</b>	(23,760)	<b>(691,030)</b>	(938,090)	<b>(688,580)</b>	(961,850)

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

	Local Government Pension Scheme	
	2022/2023	2021/2022
	£'000	£'000
Opening fair value of scheme assets	<b>74,480</b>	69,840
Interest income	<b>2,010</b>	1,470
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	<b>(2,610)</b>	3,130
Contributions from employer	<b>1,500</b>	1,350
Contributions from employee in to the scheme	<b>530</b>	470
Benefits paid	<b>(2,120)</b>	(1,780)
Closing balance at 31 March	<b>73,790</b>	74,480

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

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

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	<b>98,240</b>	103,300	<b>938,090</b>	933,450	<b>1,036,330</b>	1,036,750
Current Service Cost	<b>3,680</b>	3,660	<b>10,510</b>	13,200	<b>14,190</b>	16,860
Interest Cost	<b>2,630</b>	2,160	<b>24,640</b>	18,540	<b>27,270</b>	20,700
Contributions by scheme participants	<b>530</b>	470	<b>2,580</b>	2,440	<b>3,110</b>	2,910
Re-measurement (gains) and losses:						
<i>Local Government Scheme</i>						
Actuarial (gains)/losses arising from changes in demographic assumptions	<b>0</b>	(550)	<b>0</b>	0	<b>0</b>	(550)
Actuarial (gains)/losses arising from changes in financial assumptions	<b>(38,620)</b>	(7,080)	<b>0</b>	0	<b>(38,620)</b>	(7,080)
Other	<b>7,000</b>	(1,940)	<b>0</b>	0	<b>7,000</b>	(1,940)
<i>Firefighters' Scheme</i>						
Experience (gains) and losses arising on pension liabilities	<b>0</b>	0	<b>55,950</b>	10,960	<b>55,950</b>	10,960
Changes in assumptions underlying the present value of the pension liabilities	<b>0</b>	0	<b>(310,660)</b>	(10,840)	<b>(310,660)</b>	(10,840)
Past service cost	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0
Benefits paid	<b>(2,120)</b>	(1,780)	<b>(30,140)</b>	(29,840)	<b>(32,260)</b>	(31,620)
Pension transfers in	<b>0</b>	0	<b>60</b>	180	<b>60</b>	180
Liabilities extinguished on settlements	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0
Closing balance at 31 March	<b>71,340</b>	98,240	<b>691,030</b>	938,090	<b>762,370</b>	1,036,330

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The net liability of £688.580m has a substantial impact on the negative net worth of £589.598m recorded on the balance sheet of the Authority. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2023 is £1.51m.

### Local Government Pension Scheme Assets

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

	Asset split at 31 March 2023			Asset split at 31 March 2022
	Quoted %	Unquoted %	Total %	%
Equities	40.1	11.1	<b>51.2</b>	57.0
Government Bonds	1.3	0.0	<b>1.3</b>	2.0
Corporate Bonds	19.5	0.0	<b>19.5</b>	18.8
Property	0.0	10.5	<b>10.5</b>	8.4
Cash	1.8	0.0	<b>1.8</b>	1.8
Multi Asset Credit	4.5	0.0	<b>4.5</b>	0.0
Other Assets	0.0	11.2	<b>11.2</b>	12.0
<b>Total</b>	<b>67.2</b>	<b>32.8</b>	<b>100.0</b>	<b>100.0</b>

### Basis for Estimating Assets and liabilities

The liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Aon Hewitt Limited, an independent firm of actuaries and the firefighters' pension scheme liabilities have been assessed by the Government Actuary's Department.

The principal assumptions used by the actuary are:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2022/2023	2021/2022	2022/2023	2021/2022
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	<b>21.6 years</b>	21.5 years	<b>21.2 years</b>	21.5 years
Women	<b>24.6 years</b>	24.5 years	<b>21.2 years</b>	21.5 years
Longevity at 65 for future pensioners (aged 45):				
Men	<b>22.9 years</b>	22.8 years	<b>22.9 years</b>	23.2 years
Women	<b>26.1 years</b>	26 years	<b>22.9 years</b>	23.2 years
CPI	<b>2.70%</b>	3.00%	<b>2.60%</b>	3.00%
Rate of increase in salaries	<b>4.20%</b>	4.50%	<b>3.85%</b>	4.75%
Rate of increase in pensions	<b>2.70%</b>	3.00%	<b>2.60%</b>	3.00%
Rate for discounting scheme liabilities	<b>4.70%</b>	2.70%	<b>4.65%</b>	2.65%
Rate of pension accounts revaluation	<b>2.70%</b>	3.00%	<b>3.85%</b>	4.75%
Commutation – Pre 2008	<b>75.00%</b>	75.00%	<b>N/A</b>	N/A
Commutation – Pre 1 April 2010	<b>N/A</b>	N/A	<b>N/A</b>	N/A
Commutation – Post 31 March 2010	<b>N/A</b>	N/A	<b>N/A</b>	N/A

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### Impact on the Defined Benefit Obligation

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	+3,480	-3,380		
Rate of increase in salaries (increase or decrease by 0.1%)	+400	-400		
Rate of increase in pensions (increase or decrease by 0.1%)	+1,790	-1,790		
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	-2,180	+2,180		
Longevity (increase or decrease in 1 year)			+19,000	-19,000
Rate of increase in salaries (increase or decrease by 0.50%)			+5,000	-5,000
Rate of increase in pensions (increase or decrease by 0.50%)			+46,000	-46,000
Rate for discounting scheme liabilities (increase or decrease by 0.50%)			-47,000	+47,000

### Impact on the Authority's Cash Flows

The weighted average duration of the defined benefit obligation for scheme members in the Local Government scheme is 18.2 years (22.1 years, 2021/22) and in the firefighter scheme is 15 years (19 years, 2021/22).

### Note 32 - Contingent Liability

As a consequence of Remedy for Age Discrimination in Pension Schemes, claimant Firefighters are claiming Injury to Feelings awards against FRA's, as part of the compensation that is being sought. Injury to Feelings can be awarded even where there is no financial loss.

There are three bands of potential awards, known as the Vento Bands that were established by the case of *Vento v Chief Constable of West Yorkshire Police (No 2)* [2003]. For claims presented during 2022/2023, the bands are as follows:

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

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

Although not all of those affected by Pensions Remedy have lodged a claim at this time, advice is that it would be prudent to recognise the situation where all of those affected may be eligible for compensation, as they could issue a claim to achieve an award. Due to the numbers of TWFRS employees who will be affected by Remedy, (442) at the lower band this cost could range from just under £0.4m to just over £4.0m. On the basis that it is so unclear at this stage where a potential award could lie within the scale, it is not possible to estimate with any certainty what this liability will be. It is therefore considered appropriate to report this as a Contingent Liability at this stage.

### **Note 33 – Contingent Asset**

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

The Authority was impacted by this and has identified all affected vehicles. Current advice is that it is very difficult for the Authority to be able to assess the benefit of its claim at this stage.

## Supplementary Statements

### Firefighters' Pension Fund Statement

The financial statements summarise the transactions and the net assets relating to the Firefighters' Pension Fund. The amounts that must be debited and credited to the Pension Fund Account are specified by regulation.

	2022/2023 £'000		2021/2022 £'000	
<b>Contributions Receivable</b>				
From employers				
- normal	(5,830)		(5,524)	
- early retirement	0		0	
From members	<u>(2,581)</u>	(8,411)	<u>(2,449)</u>	(7,973)
<b>Transfers In</b>				
Individual transfers in from other schemes		(285)		(190)
<b>Benefits Payable</b>				
Pensions	26,130		24,574	
Commutations and lump sum retirement benefits	2,873		4,617	
Lump sum death benefits	<u>0</u>	29,003	<u>0</u>	29,191
<b>Payments to and on account of leavers</b>				
Individual transfers out to other schemes		0		73
<b>Deficit/surplus for the year before top-up grant receivable from/amount payable to Central Government</b>		<b>20,307</b>		21,101
Top-up grant (receivable)/amount payable to sponsoring department		<b>(20,307)</b>		(21,101)
<b>Net amount payable/(receivable) for the year</b>		<b>0</b>		<b>0</b>



## Firefighters' Pension Net Assets Statement

	31 March 2023	31 March 2022
	£'000	£'000
<b>Net Current Assets and Current Liabilities</b>		
Pension top-up grant receivable from / (due to) sponsoring department	1,916	2,108
Pre-paid pension benefits	2,267	4,642
Cash Overdrawn due to the General Fund	(4,183)	(6,750)
	<b>0</b>	<b>0</b>

## Notes to the Firefighters' Pensions Statements

### 1. Basis of Preparation

The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain. CIPFA guidance notes for practitioners have also been referred to and applied where appropriate.

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

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

### 2. Accounting Policies

The principal accounting policies are as follows:

#### Contributions

Contributions represent the total amounts receivable from the Authority and the pensionable employees. The employer's contributions are made at rates determined by the Government Actuaries Department, at a nationally applied rate of 28.8% for the 2015 Firefighters' Pension Scheme. The employee's contributions are dependent on salaries and range from 11.0% to 14.5% for the 2015 Scheme.

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

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

## **Benefits and refunds**

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

## **Transfer values**

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

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

## **3. Fund's Operations**

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

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

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

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

The fund has no investment assets.

## **Glossary of Terms**

### **Accrual**

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

### **Accounting Policies**

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

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

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

### **Actuarial Gains and Losses**

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

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

### **Assets**

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

### **Balance Sheet**

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

### **Balances**

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

### **Capital Charge**

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

### **Capital Expenditure**

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

### **Capital Financing Charges**

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

### **Capital Financing Requirement**

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

### **Capital Grants**

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

### **Capital Receipts**

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

### **Class of Property, Plant and Equipment (PPE)**

The classes of Property, Plant and Equipment (PPE) included in the accounting statements are:

Operational assets:

- Land and buildings
- Vehicles, plant and equipment

Non-operational assets:

- Assets under construction
- Assets held for sale

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

### **Code of Practice on Local Authority Accounting in the UK**

'The Code' specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of the Authority.

### **Consistency**

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

### **Constructive Obligation**

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

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

### **Contingent Asset**

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

### **Contingent Liability**

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

### **Contingencies**

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

### **Corporate Support Services**

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **Council Tax**

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

### **Credit Ceiling**

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

### **Creditors**

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

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

### **Debt Outstanding**

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

### **Debtors**

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

### **Defined Benefit Scheme**

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

### **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions, fixed as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of the PPE that have been consumed during the period.

Consumption includes the wearing out, consumption, or other reduction in the useful economic life of PPE, whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### **Discontinued Operations**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- The activities related to the operation have ceased permanently;
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting in either its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations; and
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

### **Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

### **Emoluments**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value

of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### **Estimation Techniques**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gain losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured: where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole, rather than individual balances.

### **Exceptional Items**

Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **Expected Rate of Return on Pension Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Expenditure**

Amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received, even if they have not yet been paid for (in which case the supplier is a creditor of the Authority).

### **Fees and Charges**

Income arising from the provision of services.

### **General Fund**

This accounts for the services of the Authority. The net cost is met by the Council Tax, Government Grants and National Non Domestic Rates.

### **Going Concern**

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

### **Government Grants**

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash transfers of assets to an authority in

return for past or future compliance with certain conditions relating to the activities of the Authority.

### **Impairment**

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

### **Income**

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

### **Intangible Assets**

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

### **Interest Cost (Pension)**

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

### **International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS)**

Standards issued by the International Accounting Standards Board (IASB) which present the Authority's accounts in a consistent and comparable format with other Fire and Rescue Services internationally.

### **Inventories**

The amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventory comprises the following categories:

- Goods or other assets purchased for resale;
- Consumable goods;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long term contract balances; and
- Finished goods.

### **Investments (Pension Fund)**

The investments of the pension fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.



### **Investments (Non Pension Fund)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

### **Leasing**

The method of financing the provision of capital assets to discharge the Authority's functions outside normal borrowing procedures but within criteria laid down in the Local Authorities (Capital Finance) Regulations 1990.

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

### **Liabilities**

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

### **Liquid Resources**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

### **Loans Outstanding**

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

### **Long Term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

### **Minimum Revenue Provision**

Is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government Act 1989.

### **National Non-Domestic Rate (NNDR)**

With effect from April 1990 all non-domestic properties were revalued and the Government determines a national rate poundage every year which is applicable to all local authorities. From 1<sup>st</sup> April 2013, only 50% of the proceeds are pooled and re-distributed by Central

Government. The remainder are retained locally, placing risk on the billing authority to collect the business rates income due and a passed on risk of this to the Authority. Appeals and avoidance tactics can also have a significant impact on the level of income collected each year. The Authority has a business rates appeal provision based on information provided from the billing authorities.

### **Net Book Value**

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

### **Net Current Replacement Cost**

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

### **Net Debt**

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

### **Net Realisable Value**

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Past Service Costs**

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

### **Post Balance Sheet Events**

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

### **Precept**

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

### **Prior Period Adjustments**

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

### **Projected Unit Method**

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

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

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

### **Provisions**

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

### **Private Finance Initiatives (PFI)**

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

### **Prudence**

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

### **Prudential Framework**

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

Under the prudential framework local authorities are free to borrow without specific Government consent if they can afford to service the debt without extra Government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves

setting various prudential limits and indicators that must be approved by the Authority before the start of the relevant financial year as part of their budget setting process.

### **Public Works Loan Board (PWLB)**

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

### **Related Parties**

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

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

### **Related Party Transaction**

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

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

### **Reserves**

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

### **Residual Value**

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

### **Retirement Benefits**

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

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

### **Revenue Balances**

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

### **Revenue Contributions**

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

### **Revenue Expenditure**

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

### **Revenue Support Grant (RSG)**

A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. The grant helps to bridge the gap between Council Tax and NNDR income on one hand and the total assessment of the Authority's need to spend on the other. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **Service Reporting Code of Practice (SeRCOP)**

The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP applies to all Local Authorities from the 1 April 2013 for the preparation of budgets, performance indicators and Statement of Accounts. The aim of SeRCOP is to establish proper practice with regard to consistent financial reporting for services.

### **Settlement**

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Specific Grants**

Government grants to Local Authorities in aid of particular services, e.g. community fire safety.

**Total Cost**

The total cost of a service or activity includes all costs, which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

**Unapportionable Central Overheads**

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

**Useful Life**

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

**Vested Rights**

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

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