Sunderland City Council

Statement of Accounts

2024/2025

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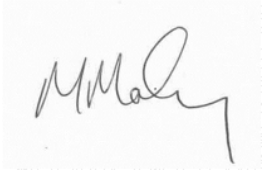
Introduction

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 Council's Accounts can only tell part of the story. The Council needs to continue to demonstrate that it is aiming to operate to the highest standards of conduct in accordance with the principles of corporate governance and has a robust system of internal control in place.

In line with guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA), the Council has a well-established Audit and Governance Committee which carries out the role of an Audit Committee. The role of this Committee involves approving the Statement of Accounts, as well as reviewing arrangements for areas such as treasury management, risk management, the wider internal control environment and consideration of internal and external audit plans, progress reports and annual reports.

With regard to corporate governance, the Council considers an annual review of its Corporate Government arrangements, including the Local Code. The 2024/2025 review has been completed and was considered by the Chair and members of the Audit and Governance Committee in April 2025. The Code follows the framework recommended by CIPFA / SOLACE. The review assesses the Council's arrangements for compliance with the Code, which identifies the underlying principles of corporate governance - openness and inclusivity, integrity, and accountability – across the various dimensions of the Council's business. The review found that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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, however, continue to ensure action is taken where necessary to maintain and develop the system of internal control in the future.



Councillor Michael Mordey
Leader of the Council

Paul Wilson CPFA
Director of Finance

Dated: 28 November 2025

Narrative Statement

Introduction to Narrative Statement

The Narrative Statement provides information about Sunderland, the Council's performance and its Accounts. The narrative provides:

- a summary of both the non-financial and financial performance of the Council during 2024/2025 and focuses on the key matters that are of relevance to the readers of the Accounts; and
- a forward look at issues that will affect the Council's operation in 2025/2026 and beyond.

Financial Statements presented within the Statement of Accounts 2024/2025

The financial highlights noted in the Narrative Statement are reflected in the Statement of Accounts and Notes to the Accounts for 2024/2025.

The Accounts set out the Council's income and expenditure for the year, and its financial position as at 31 March 2025. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025, which in turn is underpinned by International Financial Reporting Standards. Whilst the format of the accounts does not reflect the way we monitor and present information during the year, the accounts are fully reconciled to our in-year results.

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

1. **Statement of Responsibilities -** This discloses the respective responsibilities of the Council and the Director of Finance.

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

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

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

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

6. **Notes -** 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 their understanding.

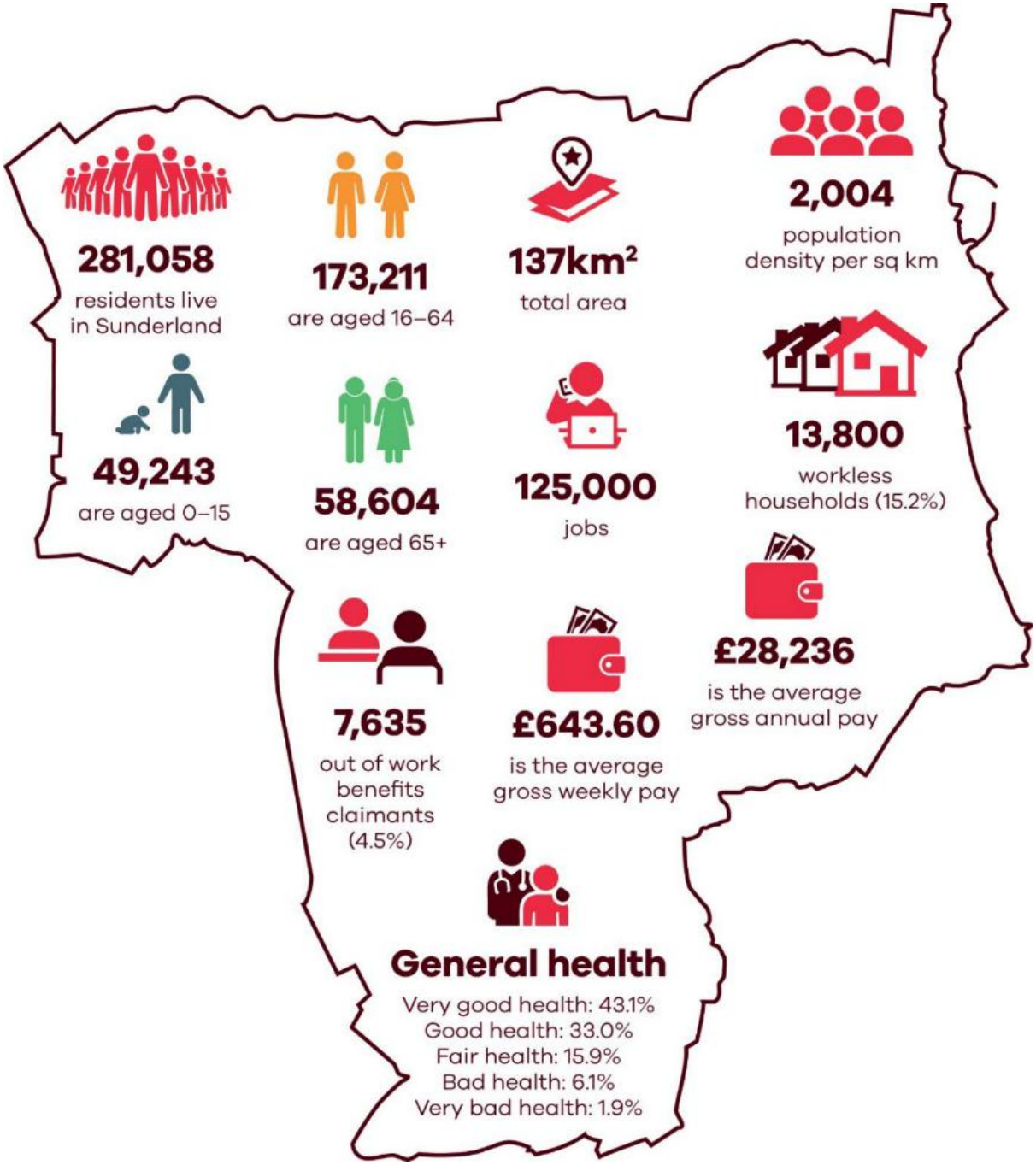
7. **Collection Fund Statement -** The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund for Council Tax and Business Rates. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution between the Council, its precepting bodies and the Government.

8. **Group Accounts -** The Group Accounts present the financial statements and associated notes for the Council together with its subsidiaries and joint ventures.

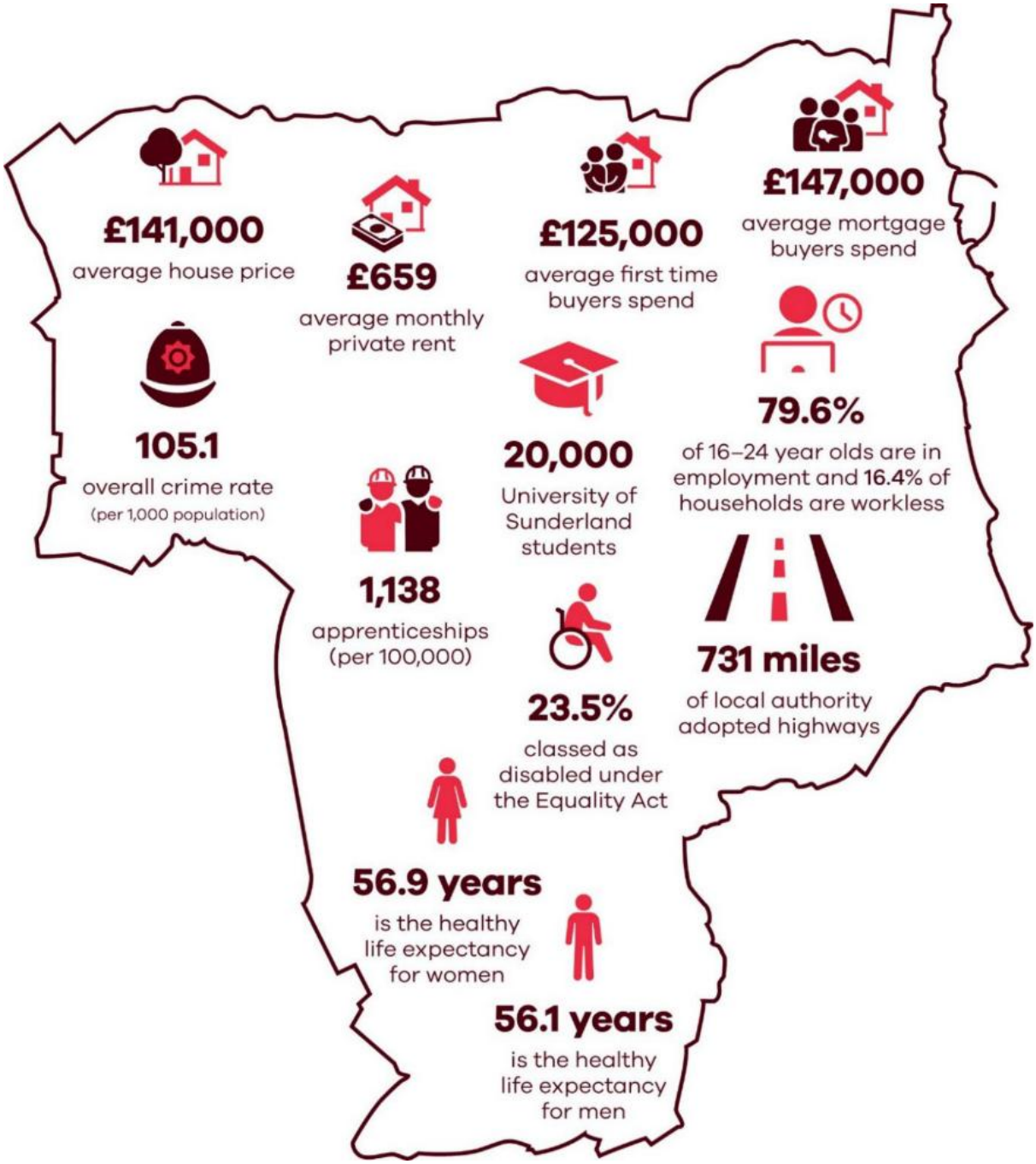
Narrative Statement

About Sunderland

Sunderland is a city by the sea with a coastline, river and Port. It has a city centre urban core of 180 hectares, along with two major sub-centres in Washington and Houghton. More than 50% of the city is greenfield land. Some key statistics for Sunderland are:



Narrative Statement



Our City Plan Vision:

"Sunderland will be a connected, international city with opportunities for all".

The City Plan articulates our ambitions to help achieve the vision for Sunderland, along with a timeline of planned activity. The performance achievements for 2024/2025 set out below, capture the progress we have already made in making Sunderland a great place to live, work, achieve and play, where people are proud to belong. Key performance achievements for 2024/2025 are based on latest available data.

Narrative Statement

Performance 2024/2025

Ambition: Everyone's talent is nurtured – our children and young people are achieving the best outcomes and whatever your aspiration you can achieve it in Sunderland.

100% of new birth visits and **97.2%** of 2-2½ year-old reviews were within timescale at the end of March 2025.

91.5% of early help cases referred to our Children's Services closed with successful outcomes (2024/2025).

68 apprenticeship starts (2024/2025).

847 enrolments by adults on the multiply numeracy programme with **99.6%** completion (2024/2025).

98.9% of adult learners achieving their learning aims on our Adult, Skills & Learning programmes (2024/2025).

12,007 workers employed by accredited real Living Wage employers as at the end of March 2025.

Ambition: Inward investment, job creation and high performing businesses and employers create opportunities for all residents of the city, with Sunderland making a significant contribution to the UK's economic growth.

34.2% of all council spend on suppliers and services spent in the local economy and **58.4%** in the regional economy (2024/2025).

£9,657,144 of social value secured through procurement (2024/2024).

Digital ambition being realised with digital (self-service) customer contact at **58.9%** and instances of access to public Wi-Fi up at **648,795** (2024/2025).

29 community Digital Hubs operating supporting digital inclusion for all (March 2025).

Narrative Statement

Ambition: People live healthier, longer lives – health and wellbeing outcomes are significantly improved, and life is better because we live in Sunderland, rather than any other place.

17 major planning applications approved for non-housing and **27** for housing (2024/2025).

More new homes built – **687** new homes built in 2024/2025.

6,179 homes with assisted technology supporting independent living (March 2025).

Links for Life Sunderland

102 partners signed up to the Links for Life Charter (delivering social prescribing and wellbeing support) and **1,230** website users accessing information / support (2024/2025).

90.6% of Youth Drug & Alcohol Programme cases closed with successful outcomes (March 2025).

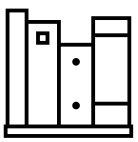
2,260 adults with personal health budgets / direct payments for adult social care services as at the end of March 2025 meaning more people have choice over their care.

Ambition: Sunderland is a place recognised for its natural assets; the city has an accessible, strong and growing offer for residents and visitors – it's easy to find something that captures the imagination in Sunderland.

353,030 visits to the Empire Theatre
161,521 visits to the Arts Centre
238,901 visits to the Museum and Winter Gardens (2024/2025).

98 Council supported play sites that are inspected weekly (March 2025).

7,982 attendances at Active Sunderland participation events and sports festivals (2024/2025).



194,775 physical library issues and **85,414** digital library issues (2024/2025).

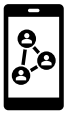
Narrative Statement

Ambition: Our people and communities thrive and feel pride; everyone is playing their part.

482 organisations engaged in the Heritage Partnership Practitioners Network (March 2025).

18,907 residents supported to access food banks (2024 / 2025).

13,105 residents supported to maximise their income through Council funded services (2024 / 2025).



Engagement with Sunderland UK social media increased with **38,378** Facebook followers (March 2025).

Ambition: Sunderland will play its role in tackling the global challenge of climate change, working together across the city to be carbon neutral by 2040.

11,042 transactions at electric vehicle rapid charging units in the city (2024/2025).

5,359 metres of new adopted footway / footpath (2024/2025).

Financial Performance 2024/2025

The original estimated net revenue expenditure for 2024/2025 to be met from Government grants and local taxpayers was approved at £258.706m. The Council's Band D Council Tax was set at £1,718.81 for 2024/2025, inclusive of the Adult Social Care Precept. This represented a 2.99% Council Tax increase from the 2023/2024 Band D Council Tax level and a 2% Adult Social Care Precept increase. The Council again set the lowest Council Tax level in the North East region for 2024/2025, continuing the trend since Council Tax was introduced in 1993/1994.

Comprehensive budget monitoring is carried out during the year and is scrutinised through monthly challenge sessions with Directors with subsequent reporting to the Chief Executive, and monthly briefing sessions with Portfolio holders. The process is supplemented by formal budget monitoring reports which are made quarterly to the Council's Cabinet. These detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and include a review of certain other key financial items including Treasury Management and Prudential Indicators. Reporting during the financial year reflects robust financial management, continuing the Council's strong track record in this regard.

In overall terms, the Council achieved a surplus of £0.500m for the financial year, which has been transferred to General Fund balances primarily to support the Council's financial resilience over the medium-term.

Narrative Statement

The table below summarises the financial position for the year 2024/2025.

Portfolio	Final Budget £'000	Outturn £'000	Variance Under / (Over) Spend £'000
Leader	(548)	(585)	37
Deputy Leader and Health, Wellbeing and Safer Communities	137,398	143,108	(5,710)
Corporate Services and Equalities	31,295	29,294	2,001
Children's Services, Child Poverty and Skills	89,426	93,856	(4,430)
Housing, Regeneration and Business	4,690	5,131	(441)
Communities, Culture and Tourism	14,308	13,421	887
Environment, Transport and Net Zero	70,687	69,428	1,259
Total Service (Delegated) Expenditure	**347,256**	**353,653**	**(6,397)**
Provision for General Contingencies	5,879	0	5,879
Energy (contingencies)	2,439	0	2,439
Provision for Doubtful Debts	1,003	1,003	0
Capital Financing	31,951	30,117	1,834
Transfer to / (from) Reserves	(8,411)	(5,322)	(3,089)
Technical Adjustments	(42,758)	(42,758)	0
Levies	17,399	17,428	(29)
Hetton Town Council Precept	75	75	0
Less Grants	(96,127)	(95,817)	(310)
Total Net Expenditure	**258,706**	**258,379**	**327**
Revenue Support Grant	(34,622)	(34,622)	0
National Non-Domestic Rates / Retained Business Rates	(46,399)	(46,572)	173
Top Up Grant	(49,598)	(49,598)	0
Council Tax Requirement	(128,087)	(128,087)	0
Final Outturn Position	**0**	**(500)**	**500**
Transfer to General Fund Balances	0	500	(500)
Final Outturn Position	**0**	**0**	**0**

The Council maintained a strong usable reserves position, the overall level of reserves being £199.511m at 31 March 2025 (£195.517m at 31 March 2024). Dependent on the future financial impact from inflationary and service demand pressures and the level of Government funding made available to support this, these reserves could come under greater strain than planned in the coming years.

Included within the usable reserves at 31 March 2025 is £9.330m of school balances (£7.758m at 31 March 2024). The Education Reform Act 1988 provides for the carry forward of individual school balances. These earmarked reserves are not for Council use and the level of the reserve, in accordance with the Code, forms part of the movement in General Fund Balances in the Movement in Reserves Statement.

Due to the strong financial outturn the General Fund balance was increased from £13.500m to £14.000m which supports the ongoing financial resilience of the Council as planned.

Further details can be found in the Council's Revenue Outturn report to Cabinet on 26 June 2025.

Narrative Statement

Balance Sheet Position

Net assets / total reserves have reduced by £41.809m. Unusable reserves have reduced by £45.803m, mainly due to re-measurement of the defined benefit pension asset / liability and movements on the capital adjustment account. Further details relating to unusable reserves and the net pension asset / liability can be found in Notes 24 and 42 respectively.

With the exception of the General Fund balance, all usable reserves are earmarked for specific purposes.

	Balance as at 31 March 2024 £m	Balance as at 31 March 2025 £m
Non-current assets	1,406	1,432
Net current assets	78	(4)
Long term liabilities and provisions	(680)	(688)
Net Assets	**804**	**740**
Represented by:		
Usable reserves	196	177
Unusable reserves	608	563
Total reserves	**804**	**740**

Financial Indicators

Financial indicators can be calculated to assess the efficiency of the Council and show whether it is delivering value for money.

Working Capital Ratio

The Working Capital Ratio indicates whether the Council has enough resources to cover its immediate liabilities (i.e. those liabilities to be met within the next year). A ratio of less than one indicates potential liquidity problems. The Council's ratio is currently 1.1 (1.4 at 31 March 2024) demonstrating a well-managed position.

Ratio of Long Term Borrowing to Long Term Assets

This ratio shows long term borrowing as a share of long-term assets. A ratio of more than one means that long term borrowing exceeds the value of long-term assets. The Council's ratio is 0.3 (0.4 at 31 March 2024), meaning that the Council has enough long-term assets to cover its long-term liabilities.

Usable Non-School Reserves to Gross Expenditure (Cost of Services)

This ratio shows the Council's reserves, which are available for use, as a proportion of gross revenue expenditure. A higher ratio indicates that the Council has a greater ability to fund unexpected pressures from available resources. The Council has non-school reserves equivalent to 21% of gross expenditure (23% at 31 March 2024), however, these are largely committed for specific purposes.

Narrative Statement

Group Accounts

The Council delivers some of its activities through a number of wholly owned subsidiaries and joint ventures. The financial performance of the Council presented earlier includes the outturn position of the Council and all group activities to reflect the full extent of the Council's economic activity and financial position. Group financial statements are produced to consolidate the results and balances of the Council with those organisations considered to be part of the group. The group and single entity accounts should be viewed with equal prominence.

The Group Balance Sheet position is:

	Balance as at 31 March 2024 £m	Balance as at 31 March 2025 £m
Non-current assets	1,446	1,475
Net current assets	107	22
Long term liabilities and provisions	(684)	(688)
Net Assets	**869**	**809**
Represented by:		
Usable reserves	196	177
Unusable reserves	648	608
Profit/(Loss) in subsidiaries and joint ventures	25	24
Total Reserves	**869**	**809**

Capital Expenditure & Income and Major Acquisitions, Capital Works and Disposals during 2024/2025

The Council's capital expenditure for 2024/2025 totalled £148.692m. Expenditure on non-current assets was £118.959m, whilst expenditure on intangible assets was £1.836m. The remainder of £27.897m represents loans, grants, and advances to other organisations for capital purposes, equity purchases and expenditure on property not owned by the Council.

Capital expenditure was financed as follows:

Project	Capital Financing £'000
Borrowing	42,742
Capital Receipts	82
Government Grants and other Contributions	89,683
Revenue Contributions from Reserves	16,185
Total	**148,692**

The Council is involved in several major capital projects. The main projects with spend in 2024/2025 are listed below for information, and shows the amounts of expenditure incurred during 2024/2025, the total estimated gross cost of each project, and the status of the project at the end of this financial year.

Narrative Statement

Project	Expenditure During 2024/2025 £'000	Total Estimated Gross Cost £'000	Physically Completed / On-going at 31 March 2025
Sunderland Eye Infirmary	19,310	70.595	Ongoing
Culture House	18,799	41,600	Ongoing
Riverside Sunderland Infrastructure	17,864	86,314	Ongoing
Housing Innovation Construction and Skills Academy	11.572	18,117	Ongoing
Highways Maintenance *	6,465	6,465	Complete
Disabled Facilities Grants *	5,265	5,265	Complete
Smart Cities (ICT Infrastructure)	4,901	21,093	Ongoing
Strategic Acquisitions and Developments *	4,385	4,385	Complete
IAMP (International Advanced Manufacturing Park)	4,378	57,754	Ongoing
Vaux Housing	3,842	56,468	Ongoing
Sunderland Central Station Redevelopment and Car Park	3,618	30,137	Complete
Flood and Extreme Weather Mitigation*	3,054	3,054	Complete
Vehicle, Plant and Equipment Replacement Programme *	2,631	2,631	Complete
Microgrid Backbone	2,614	14,951	Complete
UKSPF (UK shared Prosperity Fund) - External Grants	2,111	2,513	Complete
Leisure Facilities	2,059	6,477	Ongoing

* These projects are a rolling programme of works; therefore, the total cost is the 2024/2025 spend only.

Disposal of surplus properties and equipment generated capital receipts of £4.762m including £2.124m for sale of land at Chapelgarth to Siglion and £1.610m for sale of land at the former Usworth Comprehensive site.

Borrowing and Treasury Management Position

As part of the budget for 2024/2025, agreed at Council on 28 February 2024, borrowing limits were set for the year, with Prudential Indicators set as required by the Prudential Code. The limits for 2024/2025 were as follows:

- Authorised Limit for External Debt of £1,210.657m; and
- Operational Boundary for External Debt of £1,185.657m.

These limits have not been exceeded during 2024/2025.

The performance of the Council's treasury management function continues to make a positive contribution to the financial position of the Council. The average rate of interest payable on the Council's borrowing in 2024/2025 was 2.81%, which is low and the Council's treasury management advisor reports this compares favourably with their other local authority clients. During 2024/2025 the Council achieved a rate of return on its investments of 4.97% compared with the benchmark SONIA (Sterling Overnight Index Average) rate of 4.90%. This represents a good achievement, especially when short-term investment rates remained turbulent throughout the year due to global economic uncertainties.

Narrative Statement

Future Focus

Following the City Plan's publication in 2019, an annual review and assurance process has been undertaken each year, to ensure that delivery remains focused on achieving the plan's vision, whilst taking account of changing circumstances and conditions at a local, national and global level. The ambitions were revised for the 2025-2035 City Plan and we remain committed to working with our partners and communities to achieve success together.

For the Council's part, as we work alongside partners to deliver the City Plan, we have a set of outcomes that are everyone's business and responsibility across the organisation with all council services playing a role:

- As a Smart Council, services harness advanced technology to enrich the lives of residents, boost economic growth, and pave the way for a smarter, more connected future, leaving no one and nowhere behind.
- By ensuring health is at the heart of everything we do, the health and wellbeing of all the city's residents is significantly improved, inequalities are reduced and everyone has the opportunity to lead a healthy and happy life.
- An inclusive, cohesive city for everyone who calls Sunderland their home and those who visit, work, learn and invest in the city.
- Increased prosperity for the whole of the city's population with reduced poverty and greater financial resilience.
- By ensuring low carbon is embedded into decision-making and delivery, the council becomes carbon neutral by 2030, preparing for and adapting to the impacts of climate change and playing a key role in enabling Sunderland to make real progress towards its goal of becoming carbon neutral by 2040.
- A council that makes the best use of resources and delivers the best services possible for residents and businesses.

Funding Context and Financial Planning

Although the new Government's first funding settlement has been more positive with additional resources allocated to councils on the basis of need, the Council has had to deal with a prolonged period of underfunding. Difficult decisions have had to be taken, involving changes to the level and standard of services we deliver, transforming the way we deliver the remaining services, looking to increase income generation and ensuring our resources are focused on statutory and priority services.

There are still significant uncertainties relating to Government funding, economic factors and future cost pressures on Council services.

The Government has announced that a Comprehensive Spending Review will be undertaken in 2025. It is likely that following the Comprehensive Spending Review the local government sector will see a multi-year financial settlement covering as a minimum the two-year period for 2026/2027 and 2027/2028. The Government has also indicated that the new fair funding formula and revised system of business rates for Local Government will be developed and consulted upon during 2025/2026 with implementation planned for 2026/2027.

Significant demand and cost pressures remain within Adult and Children's Social Care as well as continued pressure on all areas of service delivery from increased levels of inflation.

The budget setting process for 2025/2026 provided for some additional investment in services. However, in order to set a balanced budget further revenue savings of £10.241m, utilisation of £9.0m of reserves, in addition to a 4.49% increase in Council Tax (including the Adult Social Care Precept) were still required. Full details of the budget for 2025/2026 are set out in the Budget Report to Council of 19 February 2025.

Economic factors and uncertainty regarding future funding arrangements pose a significant risk to the Council's financial position. The Council continues to plan as best it can through its Medium-Term Financial Plan covering 2025/2026 to 2028/2029, and this will be reviewed and refined as budget planning progresses, and Government funding becomes clearer.

Narrative Statement

Four Year Capital Programme

The Council's Capital programme supports a range of priorities in the City Plan but continues to have a focus on economic regeneration. The four-year programme from 2025/2026 to 2028/2029 totals £444m, including £24m of new start schemes. This will support the delivery of the key priorities in the City Plan.

The new starts proposals include some schemes which support the progress towards the 2030 carbon neutral and net zero target, support to front-line services to residents across the city with improvements to the Council's property portfolio, investment in the Port's infrastructure and subject to securing external funding, a planned extension to the Heritage Action Zone grant scheme to improve heritage assets along High Street West.

The funding of the Council's four-year Capital Programme is summarised in the table below:

Capital Expenditure and Funding	2025/2026 £m	2026/2027 £m	2027/2028 £m	2028/2029 £m	Total £m
Total Expenditure	**258**	**69**	**75**	**42**	**444**
Grants and Contributions	63	8	11	10	**92**
Capital Receipts	3	1	0	0	**4**
Reserves and Revenue	4	0	0	0	**4**
Borrowing	188	60	64	32	**344**
Total Funding	**258**	**69**	**75**	**42**	**444**

Full detail of the approved Capital Programme is set out in the Budget Report to Council of 6 February 2025.

Financial Risk Assessment

As part of the annual budget setting process, the Council undertakes an analysis of financial risks. Those risks deemed either likely or possible are:

- future available resources being less than notified. The MTFP is based on data as known, but this does not reflect any potential impact of the Government Fair Funding review and move to any alternative retained business rates system. This is likely to be a key impact on the level of funding available in the future;
- changes to Government policy;
- Dedicated Schools Grant (DSG) deficit and current statutory override which is due to end on 31 March 2028;
- pay awards and price inflation are higher than assumed;
- future spending plans are underestimated, including through increased social care demand;
- anticipated savings are not achieved;
- revenue implications of capital programme are not fully anticipated;
- income targets for Business Rates and Council Tax are not achieved;
- other miscellaneous income targets are not achieved;
- budget monitoring is not effective;
- exit strategies for external funding ceasing/tapering are not met;
- loss of principal deposit;
- investment interest rates are lower than expected / borrowing rates are higher than expected; and
- all MTFP risks are not adequately identified.

The Council carefully manages these risks to ensure any potential impact will be mitigated appropriately. Further details can be found in the Revenue Budget Report to Council of 19 February 2025.

Narrative Statement

Conclusion

Whilst the Council faces ongoing financial challenges, these accounts demonstrate the scale of services which the Council delivers and confirm that the Council's resources are being managed on a prudent basis. Working with our partners, aligned with the City Plan, this provides a strong base for the future, to ensure we can deliver the services that our residents, businesses and visitors need.

Paul Wilson CPFA
Director of Finance

28 November 2025

Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. For 2024/2025, that officer was the Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council'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 Director of Finance 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 Director of Finance 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.

Authorised for Issue Date

The unaudited accounts were certified on 23 June 2025 and the audited accounts are now authorised for issue on 28 November 2025.

Certification of the Statement of Accounts

Certification of Statement of Accounts (subject to audit) by the Director of Finance

As the Council's Section 151 officer, I hereby certify that, in accordance with The Accounts and Audit Regulations 2015, the Statement of Accounts for 2024/2025 (subject to audit) presents a true and fair view of the financial position of Sunderland City Council at 31 March 2025 and its income and expenditure for the year ended 31 March 2025.

Paul Wilson CPFA
Director of Finance

23 June 2025

Certification of Audited Statement of Accounts 2024/2025 on behalf of those charged with governance

As Chairman of the Audit and Governance Committee, I hereby acknowledge receipt of the audited Statement of Accounts for 2024/2025 by this Committee, in accordance with The Accounts and Audit Regulations 2015, and confirm that the Statement of Accounts was approved at the Audit and Governance Committee on 28 November 2025 in accordance with The Accounts and Audit Regulations 2015.

Mr. G. Cook
Chairman of the Audit and Governance Committee

28 November 2025

Certification of audited Statement of Accounts by the Director of Finance

As the Council's Section 151 officer, I hereby re-certify the audited Statement of Accounts for 2024/2025 in accordance with The Accounts and Audit Regulations 2015.

Paul Wilson CPFA
Director of Finance

28 November 2025

Independent Auditor's Report to the Members of Sunderland City Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Sunderland City Council ('the Council') and its subsidiary ('the Group') for the year ended 31 March 2025, which comprise the Council Movement in Reserves Statement, the Council Comprehensive Income and Expenditure Statement, the Council Balance Sheet, the Council Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2025 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material

misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council and Group will continue in operational existence for the foreseeable future. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Council and Group, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, data protection, environmental protection, corruption and anti-bribery, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- gaining an understanding of the legal and regulatory framework applicable to the Council and Group, the environment in which it operates, and the structure of the Council and Group, and considering the risk of acts by the Council and Group which were contrary to the applicable laws and regulations, including fraud;
- inquiring with management and the Audit and Governance Committee as to whether the Council and Group is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- reviewing relevant meeting minutes in the year;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and

- considering the risk of acts by the Council and Group which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015.

In addition, we evaluated Director of Finance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with both management and the Audit and Governance Committee.

As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, (Revised 2024) and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in this respect.

Responsibilities of the Council

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

Independent Auditor's Report to the Members of Sunderland City Council

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Sunderland City Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Mark Kirkham,
Partner
For and on behalf of Forvis Mazars LLP (Local Auditor)

Forvis Mazars
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Annual Governance Statement

Scope of Responsibility

The Council is responsible for ensuring that its business, and that of its owned companies, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We also have a duty to continually review and improve the way in which functions are exercised.

We have put in place a local Code of Corporate Governance and a framework intended to make sure we do the right things, in the right way, for the right people. The Code is in line with the 2016 Framework issued by CIPFA. This Statement explains how the Council has complied with its Code in 2024/2025.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values that direct and control our activities and through which we account to, engage with, and lead the community. The framework enables us to monitor the achievement of strategic objectives and priorities and to consider whether they have led to the achievement of appropriate, cost-effective outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

The Governance Framework

The City Plan sets out the vision for the City until 2035. The intentions of the vision are set out as part of a Dynamic Smart, Healthy Smart and Vibrant Smart City. The City Plan sets out explicitly the Council's planned key actions and performance targets for the future.

The annual strategic planning process, engagement and participation with residents, needs analysis and demographic information ensure the Council's vision remains relevant and meets the needs of local communities. There are annual reviews of the Local Code of Corporate Governance to ensure that it is up to date and effective.

Arrangements are in place to measure the quality of services, to ensure they are delivered in line with our objectives and priorities and for ensuring that they provide value for money. There are performance management arrangements in place including regular reporting to the Chief Officer's Group, Cabinet and Scrutiny Committees. Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job profiles / descriptions.

The roles and responsibilities of Council members and employees are clearly documented. The Council's Constitution sets out how the Council operates. It incorporates a delegation scheme, indicates responsibilities for functions and sets out how decisions are made. The Council's wholly owned companies have similar arrangements that set out how they will be governed.

The Constitution includes Rules of Procedure and a scheme of delegation which clearly define how decisions are taken and we have various Codes and Protocols that set out standards of behaviour for members and staff. Directorates have established delegation schemes, although these require regular updating to reflect ongoing organisational changes.

During the year a system of scrutiny was in place allowing the scrutiny function to:

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the executive and/or any joint or area committee in connection with the discharge of any functions;
- consider any matter affecting the area or its inhabitants;
- exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or area committees;
- consider Local Petitions and Councillor Calls for Action for matters within their terms of reference; and
- consider regular reports on the Council's performance against the City Plan.

Annual Governance Statement

A range of financial and people management policies and procedures are in place. Appropriate project management standards and Business Continuity Plans are in place. There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts. There are clearly defined capital expenditure guidelines and procedures are in place to ensure that the Dedicated Schools Grant is properly allocated to and used by schools in line with the terms of grant given by the Secretary of State under section 16 of the Education Act 2002.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The importance of compliance with this statement was also confirmed in Financial Management Code issued by CIPFA in 2019. The Director of Finance is the designated Chief Finance Officer and fulfils this role through the following:

- Attendance at meetings of the Chief Officer Group, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- Involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered;
- Alignment of medium-term business and financial planning processes;
- Leading the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded and used appropriately, economically, efficiently and effectively; and
- Ensuring that the finance function is resourced to be fit for purpose.

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

- consider the effectiveness of the Council's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- receive and consider (but not direct) internal audit's strategy, plan and monitor performance;
- receive and consider the external audit plan;
- review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;
- receive and consider the annual report of internal audit;
- consider the reports of external audit and inspection agencies, including the Annual Audit Letter;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit;
- review the adequacy of and compliance with, the Council's Treasury Management Policy; and
- make recommendations to Cabinet or Council as appropriate.

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Assistant Director of Law and Governance is the Council's designated Monitoring Officer and a protocol is in place with all Chief Officers to safeguard the legality of all Council activities. All Cabinet Reports are considered for legal issues before submission to members.

Arrangements for whistleblowing and for receiving and investigating complaints from the public are well publicised and subject to periodic review. We are committed to maintaining these arrangements to ensure that, where any individual has concerns regarding the conduct of any aspect of the Council's business, they can easily report their concerns. Monitoring records held by the Assistant Director of Law and Governance show that the whistle blowing arrangements are being used by both staff and the public, and that the Council is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a effective regime of internal control.

We have arrangements to identify the development needs of members and senior officers in relation to their strategic roles. The Council recognises that managing the performance of all of employees is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation of the extent to which employees understand and support the values of the Council.

Channels of communication have been established with the community to promote accountability and encourage open consultation. We are committed to listening to, and acting upon, the views of the local community and carry out consultation in order to make sure that services meet the needs of local people.

Annual Governance Statement

The Council has arrangements in place for the consistent management of partnerships through guidance and supporting documents for all Council employees to use when involved with partnerships and supporting arrangements have been in place throughout the year.

Contractual arrangements with our subsidiary companies set out challenging targets around use of resources and improved outcomes.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is carried out over the course of the year through the Integrated Assurance Framework. The review is informed by the Risk and Assurance Map which summarises assurances gathered from various sources in relation to the Council and its wholly owned companies, and in particular:

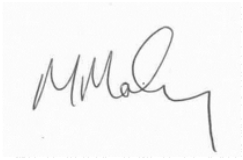
- Assurances from Directors / Assistant Directors who have carried out self-assessments relating to their areas of responsibility;
- assurances from Chief Officers through completion of controls assurance statements;
- assurances from senior officers responsible for relevant specialist areas; and
- internal audit planning processes which include consultation with all Chief Officers, and the results of audit activity as summarised in the Internal Audit Annual Report.

The Assistant Director of Assurance and Procurement, as the Council's head of internal audit, has directed, co-ordinated and overseen the review and its findings have been reported to the Chief Officers for their consideration and approval of the Annual Governance Statement.

The findings of the review have been reported to the Audit and Governance Committee in April 2025 to ensure that under their Terms of Reference the Committee has satisfied themselves that the Annual Governance Statement properly reflects the risk environment, and any actions required to improve it before formal approval of the Statement of Accounts.

The outcome of the review of effectiveness provided the necessary assurance and that no significant issues across the Council or its wholly owned companies were identified.

We have been advised of the outcome of the review of the effectiveness of the governance framework, and that the overall arrangements continue to be regarded as fit for purpose in accordance with the governance framework.



Councillor Michael Mordey	Patrick Melia CPFA	Paul Wilson CPFA
Leader of the Council	Chief Executive	Director of Finance

Dated: 28 November 2025

Financial Statements

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'.

The Statement shows how the movement in year of the Council's reserves is broken down between gains and losses incurred in accordance with generally accepted accounting practice, and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year.

The Increase / Decrease line shows the statutory General Fund Balance movement in the year following those adjustments. The table below shows the details for both 2023/2024 and 2024/2025.

	Notes	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
		£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2023		**19,188**	**178,043**	**10,743**	**5,701**	**213,675**	**574,816**	**788,491**
Movement in reserves during 2023/2024:								
Total Comprehensive Income and Expenditure		(29,569)	0	0	0	**(29,569)**	45,038	**15,469**
Adjustments between accounting basis and funding basis under regulations	7	12,387	0	2,005	(2,981)	**11,411**	(11,411)	**0**
Transfers to / (from) Earmarked Reserves		19,252	(19,252)	0	0	**0**	0	**0**
Increase / (Decrease) in 2023/2024		2,070	(19,252)	2,005	(2,981)	**(18,158)**	33,627	**15,469**
Balance at 31 March 2024		**21,258**	**158,791**	**12,748**	**2,720**	**195,517**	**608,443**	**803,960**
Movement in reserves during 2024/2025:								
Total Comprehensive Income and Expenditure		1,360	0	0	0	**1,360**	(65,384)	**(64,024)**
Adjustments between accounting basis and funding basis under regulations	7	(24,744)	0	5,018	145	**(19,581)**	19,581	**0**
Transfers to / (from) Earmarked Reserves		25,456	(25,456)	0	0	**0**	0	**0**
Increase / (Decrease) in 2024/2025		2,072	(25,456)	5,018	145	**(18,221)**	(45,803)	**(64,024)**
Balance at 31 March 2025		**23,330**	**133,335**	**17,766**	**2,865**	**177,296**	**562,640**	**739,936**

Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements, but 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.

The statement is presented in line with the Council's Portfolio responsibilities. The roles and responsibilities of each Portfolio are detailed in the Council's Constitution. Amendments were made to the Council's management reporting structure during 2024/2025, and Portfolio data has been restated for 2023/2024 to facilitate comparison with 2024/2025. Details of the impact of these changes is shown in Note 13.

2023/2024 (Restated)				Notes	2024/2025		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
2,049	(394)	1,655	Leader		**6,160**	**(4,590)**	**1,570**
217,248	(150,255)	66,993	Deputy Leader and Health, Wellbeing and Safer Communities		**231,995**	**(165,539)**	**66,456**
161,112	(109,030)	52,082	Corporate Services and Equalities		**171,175**	**(106,572)**	**64,603**
228,201	(137,295)	90,906	Children's Services, Child Poverty and Skills		**250,980**	**(146,662)**	**104,318**
44,341	(22,296)	22,045	Housing, Regeneration and Business		**41,060**	**(22,136)**	**18,924**
19,412	(7,138)	12,274	Communities, Culture and Tourism		**22,426**	**(7,042)**	**15,384**
92,748	(26,392)	66,356	Environment, Transport and Net Zero		**80,872**	**(16,805)**	**64,067**
765,111	(452,800)	312,311	**Cost of Services**	8	**804,668**	**(469,346)**	**335,322**
14,919	0	14,919	Other operating expenditure	10	**15,939**	**0**	**15,939**
20,768	(19,664)	1,104	Financing and investment income and expenditure	11	**24,762**	**(20,882)**	**3,880**
0	(298,765)	(298,765)	Taxation and non-specific grant income and expenditure	12	**0**	**(356,501)**	**(356,501)**
800,798	(771,229)	29,569	**(Surplus) or Deficit on Provision of Services**		**845,369**	**(846,729)**	**(1,360)**
		(10,968)	(Surplus) or deficit on revaluation of non-current assets	24a			**2,766**
		0	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income and expenditure	24b			**(7,672)**
		(34,070)	Re-measurements of the net defined benefit asset	24e			**70,290**
		(45,038)	**Other Comprehensive Income and Expenditure**				**65,384**
		(15,469)	**Total Comprehensive Income and Expenditure**				**64,024**

Financial Statements

Balance Sheet

The Balance Sheet shows the value at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves, unusable reserves, are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were 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 2024 £'000		Notes	**31 March 2025 £'000**
1,251,969	Property, Plant and Equipment	14	**1,245,605**
0	Right of Use Assets	15	**75,029**
13,133	Heritage Assets	16	**13,147**
3,709	Intangible Assets	17	**4,328**
50,620	Long Term Pensions Asset	18 / 42	**0**
29,376	Long Term Investments	18	**37,049**
57,151	Long Term Debtors	18	**56,579**
1,405,958	**Long Term Assets**		**1,431,737**
68,623	Short Term Investments	18	**11**
1,585	Inventories	-	**1,946**
92,510	Short Term Debtors	18 / 19	**114,834**
95,098	Cash and Cash Equivalents	18 / 21	**57,482**
257,816	**Current Assets**		**174,273**
(41,895)	Short Term Borrowing	18	**(38,168)**
(92,815)	Short Term Creditors	18 / 22	**(84,246)**
(8,140)	Short Term PFI and Finance Lease Liability	18	**(10,685)**
(1,250)	Short Term Provisions	23	**(1,042)**
(4,458)	Grant Receipts in Advance - Revenue	34	**(1,716)**
(31,024)	Grant Receipts in Advance - Capital	34	**(42,686)**
(179,582)	**Current Liabilities**		**(178,543)**
(521,443)	Long Term Borrowing	18	**(500,698)**
(3,520)	Long Term Pensions Liability	18 / 42	**(18,230)**
(146,195)	Long Term PFI and Finance Lease Liability	18	**(161,839)**
(8,934)	Long Term Provisions	23	**(6,764)**
(140)	Long Term Creditors	18	**0**
(680,232)	**Long Term Liabilities**		**(687,531)**
803,960	**Net Assets**		**739,936**
195,517	Usable Reserves	9	**177,296**
608,443	Unusable Reserves	24	**562,640**
803,960	**Total Reserves**		**739,936**

Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute towards the Council'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 Council.

2023/2024 £'000		Notes	**2024/2025** **£'000**
29,569	Net (surplus) or deficit on the provision of services		**(1,360)**
(81,977)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements		**(64,802)**
59,243	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		**93,708**
6,835	Net cash flows from operating activities	25	**27,546**
(60,002)	Investing activities	26	**(24,826)**
8,650	Financing activities	27/ 28	**34,896**
(44,517)	**Net (increase) or decrease in cash and cash equivalents**		**37,616**
50,581	Cash and cash equivalents at the beginning of the reporting period		**95,098**
95,098	**Cash and cash equivalents at the end of the reporting period**	21	**57,482**

Notes to the Financial Statements

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Notes to the Financial Statements

Note 1 – Significant Accounting Policies

The Council applies the following Accounting Policies:

1.1 General Principles
1.2 Accrual of Income and Expenditure
1.3 Cash and Cash Equivalents
1.4 Exceptional Items
1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors and Portfolio Restatements
1.6 Charges to Revenue for Non-Current Assets
1.7 Employee Benefits
1.8 Events after the Balance Sheet Date
1.9 Financial Instruments
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1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/2025 financial year and its position at the year end of 31 March 2025. The Council 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, under Section 21 of the Local Government Act 2003, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025 supported by International Financial Reporting Standards (IFRS).

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 Accrual of Income and Expenditure

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

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- supplies are recorded as expenditure when they are consumed – where there is a difference between the date supplies are received and the date of 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 based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- 12 months' costs are 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 and may include an element of estimation; and
- a de-minimis level of £10,000 is applied to accruals.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 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.

Due to the risk of lost income from reduced interest earned or the cost of penalties charged for early redemption of fixed-term investments, the Council does not consider fixed-term investments to be highly liquid. Fixed-term investments are shown on the Balance Sheet as either long or short-term investments depending on the remaining term to maturity of the investment.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Exceptional Items

When items of income and expenditure 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 Council's financial performance.

1.5 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors and Portfolio Restatements

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 Council's financial position or financial performance.

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. The reason and impact of any necessary adjustments are explained in more detail in the accounts as required.

Where Portfolio responsibilities have changed within the Council's reporting structure, the prior period disclosures relating to Portfolios have been restated to facilitate comparison with the current year.

1.6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

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

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly 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 Council. 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 charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accrual basis to the appropriate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council 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 Council 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 but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service (NHS) Pension Scheme; and
- the Local Government Pension Scheme administered by South Tyneside Council.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes and, as a result, no liability for future

payments of benefits is recognised in the Council's Balance Sheet. The appropriate Portfolios presented in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to Teachers' Pensions and NHS Pensions.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the Tyne and Wear Pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds;
- the assets of the Tyne and Wear Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities at current bid price;
    - unquoted securities based on professional estimate;
    - unitised securities at current bid price; and
    - property at market value.
- the change in the net defined benefit liability / (asset) is analysed into the following components:

a) Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – 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; and
    - net interest on the net defined benefit liability / (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability / (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of 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 into account any changes in the net defined benefit liability / (asset) during the period as a result of contribution and benefit payments.

b) Re-measurements comprising:
    - the 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; and
    - actuarial gains and losses – changes in the net defined benefit liability / (asset) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

c) contributions paid to the Tyne and Wear 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

Pensions Net (Liability) / Asset

IAS19 requires that where pensions assets exceed pension obligations, the net pension asset is measured as the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling being calculated as the net present value of future service costs less the net present value of future contributions.

Discretionary Benefits

The Council 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 (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as those applied to the Local Government Pension Scheme.

1.8 Events after the Balance Sheet Date

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

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

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

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and these 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 Council's borrowings, this means that 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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 cashflow 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 Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised costs, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

A number of exceptions have been made where the Council has provided loans to partners and community organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from these organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition 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 Council recognises expected credit losses on all its financial assets either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. As permitted by IFRS 9, the Council has applied the simplified approach to trade receivables (debtors) held by the Council and therefore recognises lifetime Expected Credit Loss on these assets.

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 a 12 month expected losses basis.

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 Council 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 arise in the Surplus or Deficit on the Provision of Services.

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

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council 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 derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council also holds a small number of investment bonds which are classified as 'financial assets at fair value through profit and loss', meaning that all movements in price are recognised within the Surplus or Deficit on the Provision of Services.

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council does not generally invest in equity shares but does have a shareholding in Newcastle Airport Ltd. Whilst this investment is not anticipated to be sold, the Council is consequently exposed to losses arising from movements in the value of the shares.

These shares have therefore been elected as 'fair value through other comprehensive income', meaning that all movements in value will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

The Council has long term investments in two companies which form part of the group accounts – Siglion LLP and Sunderland Lifestyle Partnership Ltd. In the Council's own single-entity accounts, the interests in these companies are recorded as financial assets at cost.

1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the Council 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 and Expenditure (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.

1.11 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

The only category of intangible assets for the Council is software licences; the asset life used for licences is between 5 and 10 years depending on licence conditions.

1.12 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost less any impairment allowances.

1.13 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and

- its expenses, including its share of any expenses incurred jointly.

1.14 Inventories

Inventories are included in the Balance Sheet at cost price, apart from inventories held by Highways Services and salt stock. These are valued at latest price, which is a departure from the Code but the values are not material. A de-minimis level of £10,000 is applied to inventories.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

The Council does not currently hold any investment properties.

1.16 Leases

(a) The Council as Lessee

The Council classifies contracts as leases based on their substance. Prior to 1 April 2024, contracts and parts of contracts, including those described as contracts for services, were analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. From 1 April 2024, under IFRS 16, a contract is classed as a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This period is defined by the term of the lease.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Council is reasonably certain to exercise;

- lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

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

Subsequent measurement

The right-of-use asset is subsequently measured using the cost model. The Council considers the cost model to be a reasonable proxy except for:

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

For these leases, the asset is carried at a cost model amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

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

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

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments

are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

(b) The Council as Lessor

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

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

Sub-Leases

The Council acts as an intermediate lessor in certain lease arrangements where it sub-leases assets to third parties. These sub-leases are assessed and classified as either finance leases or operating leases based on the terms and conditions of the sub-lease, in accordance with IFRS 16.

Where the sub-lease is classified as a finance lease, the authority derecognises the right-of-use asset relating to the head lease and recognises a lease receivable equal to the net investment in the sub-lease.

Where the sub-lease is classified as an operating lease, the right-of-use asset remains on the authority's balance sheet and lease income is recognised on a straight-line basis over the lease term. The classification of sub-leases is determined by reference to the right-of-use asset arising from the head lease, not the underlying asset.

The Council has no sub-lease arrangements classified as finance leases.

Sale and Leaseback Transactions

The Council did not enter into any sale and leaseback transactions during the year. Therefore, no accounting policy is disclosed for such arrangements.

1.17 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance. The charging method varies according to the service provision.

1.18 Delegated Budgets

As set out in the Local Management of Schools Scheme, schools may carry forward any under-spending on their budgets to the following financial year as provisions for specific future spending plans or as earmarked general balances. To ensure there is no impact on the General Fund balance, any deficit relating to school budgets is held in the Dedicated Schools Grant Adjustment Account.

1.19 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 accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Capital expenditure that 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 in the year 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

Capital projects that are still in progress are classed as 'non-current assets under construction' and are shown in the Balance Sheet under the relevant asset category. For material capital schemes that have been completed an assessment is undertaken by the Senior Manager – Property Services to determine any change the capital scheme has made to an asset's value.
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 Council). 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 Council.

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 and expenditure 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.

Property, Plant and Equipment assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure and vehicles, plant and equipment assets – depreciated historic cost (DHC);
- assets under construction and community assets – historic cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost (DRC) which is used as an estimate of current value;
- dwellings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value for social housing – EUV-SH); and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. To ensure that this takes place a rolling programme of valuations has been put in place by the Senior Manager – Property Services.

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 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.

Voluntary Aided Church schools and Foundation schools where the asset is not owned by the Council are not included on the Council's Balance Sheet. Assets for schools that transfer to Academy status are transferred on a long lease with peppercorn rental and the asset is in effect owned by the school and its asset value is not therefore included on the Council's Balance Sheet. Community school assets are included on the Council's Balance Sheet.

De-Minimis Levels

The use of a de-minimis level for valuations and for capital expenditure means that expenditure on assets below the de-minimis level are charged to the revenue account, i.e. the asset is not included in the Balance Sheet unless it is part of an overall project costing more than the established de-minimis level or the assessed gross book value is more than the established de-minimis level.

For all valuations and capital expenditure the de-minimis level is £20,000.

Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications of impairment exist, the overall estimated level of impairment is considered and, if material, the recoverable amounts of each of the affected assets are estimated. Where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the 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 assets 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 community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets has been calculated on a straight-line basis by taking the opening net asset value divided by the future life expectancy.

Depreciation is charged in the first full year following acquisition, revaluation and enhancement of buildings. This reflects the pattern of consumption of economic benefits of the assets.

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

Asset Category	Years
Land and buildings	5 – 60
Vehicles, plant and equipment	3 – 40
Infrastructure	20 – 100

A standardised life expectancy is used for each category of Infrastructure assets.

All land and buildings assets are componentised and recorded as separate assets on the Council's asset register.

A standard list of components is used by the Council:

- land;
- building structure; and
- mechanical and electrical.

The depreciation applied reflects the remaining life of each element of the asset held.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued 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 Assets 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. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). 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 Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Heritage Assets

Heritage assets over £10,000 are classified into the following categories:

- Museum Collection
  Items are held on the Balance Sheet at insurance valuation which is based on market values and is reviewed periodically. Acquisitions through purchase are recognised at cost and

acquisitions through donation are valued with reference to appropriate commercial markets and auction sale information.
- Public artwork
  Items are held on the Balance Sheet at historic cost.
- Other historic assets
  Other items are held on the Balance Sheet at historic cost, or insurance value where this is available.

Heritage assets held on the Balance Sheet are recorded in the Council's Asset Register.
As heritage assets are considered to have indeterminate lives and relatively high residual values, the Council does not consider it appropriate to charge depreciation on these assets.

The carrying amounts for heritage assets are reviewed where there is evidence of impairment such as where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's policies on impairment.

Disposal of heritage assets is rare but would be accounted for in accordance with the Council's policies for disposal of Property, Plant and Equipment.

1.20 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- **lifecycle replacement costs** - proportion of the amounts payable is either posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out or debited to the relevant service in the Comprehensive Income and Expenditure Statement.

From 1 April 2024 PFI schemes are now accounted in accordance with IFRS 16 Leases. Under IFRS 16, where indexation (or other changes in a rate) affects future lease payments, the lease liability requires to be remeasured. Instead of expensing the increased payment (contingent Rent), the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

1.21 Fair Value Measurement of non-financial assets

The Council measures some of its non-financial assets such as surplus assets and investment properties and, where material to the financial statements, some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.
When measuring the fair value of a non-financial asset, the Council considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which enough data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

1.22 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case which could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

1.23 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

1.24 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

1.25 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

1.26 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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 Council 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 to the Comprehensive Income and Expenditure Statement so that there is no impact on the level of Council Tax.

1.27 Value Added Tax (VAT)

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

1.28 Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority-maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

1.29 Council Tax and Business Rates

Billing authorities act as agents, collecting Council Tax and Business Rates on behalf of the major preceptors (including the Government for Business Rates) and, as principals, collecting Council Tax and Business Rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and Business Rates collected could be less or more than predicted.

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

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

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard which has been issued but has not yet been adopted by the Code.

The Council follows the requirements of the Code and retrospectively makes relevant changes to opening balances when a change in accounting policy is introduced unless the Code allows transitional provisions to be followed.

The new/amended standards that may affect the Statement of Accounts from 1 April 2025 are:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)
- IFRS 17 Insurance Contracts

These are not expected to have a significant impact on the Statement of Accounts and restatement of 2024/2025's accounts will not be required.

The Code of Practice for 2025/2026 incorporates some sector specific changes relating to the measurement of non-investment assets (IAS16 Property, Plant and Equipment, and IAS 38 Intangible Assets). The changes to the Code are effective from 1 April 2025 and therefore no restatement of 2024/2025 valuations will be required.

Note 3 – Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council 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 Council has determined that this uncertainty is not yet enough to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;

- Pension Fund Guarantor – Gentoo
  The Council acts as a guarantor to the Tyne and Wear Pension Fund in respect of pensions for employees who were originally employed by the Council but transferred to Gentoo in March 2001. Under this guarantee, only the basic level of pension would be funded (no added years). Although facing similar pressures to the Council, Gentoo's financial position does not indicate any likelihood of Gentoo ceasing to operate. It is very difficult to estimate the potential cost to the Council if that were to happen as the Council only has partial liability and that liability will have significantly diminished since 2001 as a result of staff turnover and some of the affected staff retiring. The Council's share of any potential deficit would need to be considered as part of the overall financial position of Gentoo at the point that it ceased operating and any liability relating to the Council would be repaid over an agreed repayment period. This guarantee has been judged

to be a guarantee against financial risk under IFRS 9, Financial Instruments, but as any value would not be material to the accounts, acquiring a Fair Value has not been considered necessary;

- Pension Fund Guarantor – other organisations
  The Council also acts as a joint guarantor (along with other councils) to the Tyne and Wear Pension Fund in respect of pensions for employees of several bodies such as the Association of North East Councils (ANEC) and the North East Regional Employers Organisation (NEREO). The councils involved have agreed with the Pension Fund administrators that, in the unlikely event of any of these bodies failing, any pension deficit would be repaid over an agreed repayment period. Independently, the Council has similar arrangements in place for possible pension deficits with several other organisations. These guarantees have been judged to be guarantees against financial risk under IFRS 9, Financial Instruments, but as any value would not be material to the accounts, acquiring a Fair Value has not been considered necessary;

- Guaranteed Minimum Pension (GMP) Indexation and Equalisation
  GMP is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. All public service schemes, including the LGPS, were contracted out.

  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 the State Pension Age (SPA) on or after 6 April 2016. The Government have subsequently committed to compensate all members of public sector pension schemes reaching SPA on or after 6 April 2016 by uprating GMPs in line with CPI inflation. This commitment is reflected in the actuarial assumptions used for the accounts.

  In October 2020 a second ruling in the Lloyds bank case clarified that compensation would be required to members who transferred benefits out since May 1990. The Government has not yet acknowledged a liability relating to public service schemes nor indicated an approach to rectifying this. It is therefore not yet clear what impact this may have so no allowance has been made for this in the accounts.

- McCloud Judgement
  Following a review of public service pension schemes in 2011, all schemes were reformed with the objective of reducing the overall cost to the taxpayer and putting schemes on a more sustainable footing.

  Transitional arrangements provided members within 10 years of normal retirement age on 1 April 2012 with an underpin promise that benefits earned after 1 April 2014 would be at least as valuable, in terms of amount and when they could be drawn, as if they had remained in the 2008 Scheme.

  In 2018 the Government lost a Court of Appeal case (the 'McCloud/Sargeant' judgement) which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory.

  Given the similarity between all public sector pension schemes, it was considered likely that protection granted to those LGPS members who were closest to retirement would also be considered age discriminatory and would lead to other LGPS members being compensated.

  In light of this, an additional liability of £17.21m was accounted for as a past service cost in 2018/2019 and, in subsequent years, an allowance has been made for estimated liabilities relating to potential remedies for age discrimination within the LGPS arrangements.

  The Government published its McCloud consultation for the LGPS on 16 July 2020, setting out proposed changes aimed at removing the unlawful age discrimination in the LGPS. In a written ministerial statement on 13 May 2021 the Government confirmed they would be proceeding with the key principles set out in the consultation. The approach adopted by the Council's Actuary is

closely aligned with the remedy proposed by the Government and considered by the Council to be appropriate.

Since 1 October 2023 the McCloud age discrimination has been removed and qualifying younger members now receive underpin protection. As this underpin protection only applied to pension built up during the remedy period, between 1 April 2014 and 31 March 2022, the impact of this is already accounted for in the Actuary's past service cost estimate and the underpin protection therefore has had no impact since 31 March 2023.

- Virgin Media Limited v NTL Pension Trustees II Limited
  In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees II Limited. The ruling was that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. The High Court ruling was subsequently appealed and, in a judgment delivered on 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court. The ruling will form part of case law and is therefore expected to apply across other pension schemes, potentially having an impact on the LGPS net asset / liability.

  In September 2025 the Government published new provisions to the Pension Schemes Bill designed to address this issue. The amendments create a pragmatic, statutory process for trustees to obtain actuarial confirmation of past scheme alterations made while the scheme was contracted out. Where retrospective confirmation is provided, the amendments should be treated as valid. The position will continue to be monitored to assess any potential impact on the LGPS net asset / liability.

Note 4 – Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering 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 Council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Assets / Right of Use Assets – valuations	Assets and Right of Use Assets are valued, in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards and involve the use of a number of estimation techniques including various property indices. See notes 14 and 15 for more details on Property, Plant and Equipment and Right of Use Assets.	The gross book value (GBV) of the Council's land and buildings and surplus assets (including Right of Use Assets) is £649.695m at 31 March 2025. A 1% change in asset valuations would equate to a £6.497m change in the GBV.
Pension net asset / liability - valuation	Estimation of the net asset / 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. For funded benefits, the asset must be measured at the lower of the surplus in the defined benefit plan and the asset ceiling. As	For funded LGPS benefits, the effects on the net pension asset / liability of changes in individual assumptions can be measured. The asset ceiling calculation is based on the full triennial valuation undertaken at 31 March 2023. As a result of the full valuation at 31 March 2026 the asset ceiling position may change in the future.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	the asset ceiling has been calculated as nil, no actuarial surplus has been recognised. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied and the valuation to be accounted for. Further information regarding pension assets / liabilities can be found in note 42.	Details relating to the asset ceiling and the sensitivity of each assumption can be found in note 42.
Fair Value measurements – surplus assets and equity investments	When the fair values of financial assets cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for *similar* assets in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example, for surplus assets, the Council's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets is disclosed in notes 14, 15 and 18.	The Council uses the market approach that compares the asset to be valued with the prices obtained for other similar assets and the income approach that capitalises the potential income of the asset to measure the fair value of its surplus assets. For the Council's equity investments, significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value. As the equity investments relating to the Airport have been elected as 'fair value through other comprehensive income', all movements in fair value will impact on gains and losses recognised in the Council's unusable reserves.

Note 5 – Material items of income and expenditure

All significant income and expenditure transactions are disclosed within the Notes to the financial statements.

The Comprehensive Income and Expenditure Statement reflects accounting entries which the Council must include in its financial statements in order to comply with proper accounting practice.

Some of these accounting entries are then reversed via a statutory override to ensure that technical accounting entries do not impact on the council tax payer. Note 7, adjustments between accounting basis and funding basis under regulations, details the items covered by the statutory override.

The Comprehensive Income and Expenditure Statement also reflects funding received and expenditure incurred during the year. Note 8, Expenditure and Funding Analysis, provides details of the actual income and expenditure relating to the Cost of Services delivered by the Council's Portfolios.

Notes 10, 11 and 12 detail the corporate activity supporting the Cost of Services for the year.

Also shown in the Comprehensive Income and Expenditure Statement is movement in unusable reserves relating to asset revaluations and pension remeasurement. Note 24, Unusable Reserves details movement relating to asset revaluations and pension remeasurement with further detail

available in Note 14, Property, Plant and Equipment, Note 15, Right of Use Assets and Note 42, Defined Benefit Pension Schemes.

Note 6 – Events after the Balance Sheet date

Adjusting Events after the Balance Sheet date

Where events take place after 31 March which provide information about conditions existing at 31 March, the financial statements and notes are adjusted to reflect the impact of this information. At the time of publishing the accounts no such events have taken place.

Non-adjusting Events after the Balance Sheet date

Where events take place after 31 March which do not relate to conditions at 31 March, but which provide information that is relevant to an understanding of the Council's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed. At the time of publishing the accounts no such events have taken place.

Note 7 – Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

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

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Financial Statements

Note 7 – Adjustments between accounting basis and funding basis under regulations

2023/2024 Usable				2024/2025 Usable		
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		**General Fund Balance £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**
			Adjustments to Revenue Resources			
			Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
(1,520)	0	0	Pensions costs - transferred to (or from) the Pensions Reserve	**(4,960)**	**0**	**0**
(260)	0	0	Financial instruments - transferred to the Financial Instruments Adjustment Account	**(1,392)**	**0**	**0**
3,917	0	0	Council Tax and Business Rates - transfers to or from the Collection Fund Adjustment Account	**862**	**0**	**0**
(59)	0	0	Holiday pay - transferred to the Accumulated Absences Reserve	**(91)**	**0**	**0**
54,245	0	4,622	Reversal of items 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)	**15,862**	**0**	**7,317**
0	0	0	Deferred Capital Receipts Reserve - sale proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/(loss) on disposal	**0**	**0**	**0**
4,643	0	0	Transfer of Dedicated Schools Grant overspend / (underspend) to the DSG Adjustment Account	**6,979**	**0**	**0**
60,966	0	4,622	Total adjustments to Revenue Resources	**17,260**	**0**	**7,317**

Notes to the Financial Statements

Note 7 – Adjustments between accounting basis and funding basis under regulations

2023/2024				2024/2025		
Usable				Usable		
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		**General Fund Balance £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**
			Adjustments between Revenue and Capital Resources			
(2,913)	2,913	0	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	**(4,802)**	**4,802**	**0**
171	(171)	0	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	**19**	**(19)**	**0**
(18,408)	0	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	**(21,036)**	**0**	**0**
(27,429)	0	0	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	**(16,185)**	**0**	**0**
(48,579)	2,742	0	Total adjustments between Revenue and Capital Resources	**(42,004)**	**4,783**	**0**
			Adjustments to Capital Resources			
0	(1,131)	0	Use of the Capital Receipts Reserve to finance capital expenditure	**0**	**(82)**	**0**
0	0	(7,603)	Application of capital grants to finance capital expenditure	**0**	**0**	**(7,172)**
0	111	0	Writing down of long term debtor to Capital Adjustment Account	**0**	**112**	**0**
0	283	0	Cash payments in relation to deferred capital receipts	**0**	**205**	**0**
0	(737)	(7,603)	Total adjustments to Capital Resources	**0**	**235**	**(7,172)**
12,387	2,005	(2,981)	**Total Adjustments**	**(24,744)**	**5,018**	**145**

Notes to the Financial Statements

Note 8 – Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and Business Rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practice. It also shows how this expenditure is allocated for decision making purposes between the Council's Portfolios. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

As with the Comprehensive Income and Expenditure Statement, this analysis is presented in line with the Council's Portfolio responsibilities. Amendments were made to the Council's management reporting structure during 2024/2025, and Portfolio data has been restated for 2023/2024 to facilitate comparison with 2024/2025. Details of the impact of these changes is shown in Note 13.

2023/2024 (Restated)				**2024/2025**		
Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure Chargeable to the General Fund Balance £'000		**Net Expenditure in the Comprehensive Income and Expenditure Statement £'000**	**Adjustments between the Funding and Accounting Basis £'000**	**Net Expenditure Chargeable to the General Fund Balance £'000**
1,655	(27)	1,628	Leader	**1,570**	**(4,354)**	**(2,784)**
66,993	(9,089)	57,904	Deputy Leader and Health, Wellbeing and Safer Communities	**66,456**	**(6,234)**	**60,222**
52,082	(16,050)	36,032	Corporate Services and Equalities	**64,603**	**(29,938)**	**34,665**
90,906	(14,812)	76,094	Children's Services, Child Poverty and Skills	**104,318**	**(13,624)**	**90,694**
22,045	(37,468)	(15,423)	Housing, Regeneration and Business	**18,924**	**(25,801)**	**(6,877)**
12,274	(3,192)	9,082	Communities, Culture and Tourism	**15,384**	**(5,330)**	**10,054**
66,356	(39,008)	27,348	Environment, Transport and Net Zero	**64,067**	**(28,007)**	**36,060**
312,311	(119,646)	192,665	**Net Cost of Services**	**335,322**	**(113,288)**	**222,034**
(282,742)	107,259	(175,483)	Other Income and Expenditure	**(336,682)**	**138,032**	**(198,650)**
29,569	(12,387)	17,182	**(Surplus) or Deficit**	**(1,360)**	**24,744**	**23,384**
		(197,231)	Opening General Fund Balance / Earmarked Reserves			**(180,049)**
		17,182	(Surplus) or deficit in year			**23,384**
		(180,049)	Closing General Fund Balance / Earmarked Reserves			**(156,665)**

Notes to the Financial Statements

Note 8 – Expenditure and Funding Analysis

The adjustments between the funding and accounting basis can be further analysed between:

- adjustments for Capital Purposes;
- the net change relating to Pension Adjustments; and
- other differences and adjustments.

2024/2025	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustment £'000	Other Statutory Differences £'000	Total Statutory Adjustments £'000	Other (non-statutory) Adjustments £'000	Total Adjustments £'000
Leader	**4,351**	**3**	**0**	**4,354**	**0**	**4,354**
Deputy Leader and Health, Wellbeing and Safer Communities	**6,106**	**84**	**34**	**6,224**	**10**	**6,234**
Corporate Services and Equalities	**31,247**	**(1,923)**	**22**	**29,346**	**592**	**29,938**
Children's Services, Child Poverty and Skills	**7,158**	**(463)**	**6,891**	**13,586**	**38**	**13,624**
Housing, Regeneration and Business	**20,209**	**13**	**(60)**	**20,162**	**5,639**	**25,801**
Communities, Culture and Tourism	**5,310**	**(14)**	**(16)**	**5,280**	**50**	**5,330**
Environment, Transport and Net Zero	**26,897**	**(29)**	**17**	**26,885**	**1,122**	**28,007**
Net Cost of Services	**101,278**	**(2,329)**	**6,888**	**105,837**	**7,451**	**113,288**
Other income and expenditure	**(127,420)**	**(2,631)**	**(530)**	**(130,581)**	**(7,451)**	**(138,032)**
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus/deficit on the Provision of Services	**(26,142)**	**(4,960)**	**6,358**	**(24,744)**	**0**	**(24,744)**

Notes to the Financial Statements

Note 8 – Expenditure and Funding Analysis

The adjustments between the funding and accounting basis can be further analysed between:

- adjustments for Capital Purposes;
- the net change relating to Pension Adjustments; and
- other differences and adjustments.

2023/2024 (Restated)	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustment £'000	Other Statutory Differences £'000	Total Statutory Adjustments £'000	Other (non-statutory) Adjustments £'000	Total Adjustments £'000
Leader	**18**	**9**	**0**	**27**	**0**	**27**
Deputy Leader and Health, Wellbeing and Safer Communities	**7,993**	**1,091**	**(3)**	**9,081**	**8**	**9,089**
Corporate Services and Equalities	**17,566**	**(1,750)**	**(1)**	**15,815**	**235**	**16,050**
Childrens Services, Child Poverty and Skills	**10,463**	**(289)**	**4,593**	**14,767**	**45**	**14,812**
Housing, Regeneration and Business	**31,444**	**48**	**(3)**	**31,489**	**5,979**	**37,468**
Communities, Culture and Tourism	**3,140**	**28**	**(1)**	**3,167**	**25**	**3,192**
Envrionment, Transport and Net Zero	**37,992**	**175**	**(1)**	**38,166**	**842**	**39,008**
Net Cost of Services	**108,616**	**(688)**	**4,584**	**112,512**	**7,134**	**119,646**
Other income and expenditure	**(102,950)**	**(832)**	**3,657**	**(100,125)**	**(7,134)**	**(107,259)**
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus/deficit on the Provision of Services	**5,666**	**(1,520)**	**8,241**	**12,387**	**0**	**12,387**

Notes to the Financial Statements

Note 8 – Expenditure and Funding Analysis

Adjustments for Capital Purposes

This column adds depreciation, impairment and revaluation gains and losses to the Portfolio activity, and for:

- **Other Operating Expenditure**
  adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- **Financing and investment income and expenditure**
  the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practice; and
- **Taxation and non-specific grant income and expenditure**
  capital grants are adjusted for income not chargeable under generally accepted accounting practice. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19, Employee Benefits, pension related expenditure and income:

- **For Portfolios**
  This represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs; and
- **For Financing and investment income and expenditure**
  The net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure**
  The other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts; and
- **For Taxation and non-specific grant income and expenditure**
  The charge represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practice in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against 'Other Income and Expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement.

The other non-statutory adjustments column recognises adjustments to service segments for interest and investment income and expenditure, trading operation activity and disposal of subsidiaries.

Notes to the Financial Statements

Note 8 – Expenditure and Funding Analysis

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

2024/2025	Leader £'000	Deputy Leader and Health, Wellbeing and Safer Communities £'000	Corporate Services and Equalities £'000	Children's Services, Child Poverty and Skills £'000	Housing, Regeneration and Business £'000	Communities, Culture and Tourism £'000	Environment, Transport and Net Zero £'000	Total £'000
Fees, charges and other service income	(198)	(32,478)	(11,124)	998	(11,968)	392	(10,385)	(64,763)
Government grants	(3,673)	(108,534)	(78,708)	(143,775)	(15,105)	(6,579)	(5,486)	(361,860)
Other Grants, reimbursements and contributions	(719)	(24,537)	(17,332)	(4,143)	(702)	(905)	(2,056)	(50,394)
Total Income	(4,590)	(165,549)	(107,164)	(146,920)	(27,775)	(7,092)	(17,927)	(477,017)
Employee expenses	1,348	21,740	36,940	58,799	4,250	3,654	22,806	149,537
Other service expenditure	458	204,031	104,889	178,815	16,648	13,492	31,181	549,514
Total Expenditure	1,806	225,771	141,829	237,614	20,898	17,146	53,987	699,051
(Surplus) or deficit on Cost of Services	(2,784)	60,222	34,665	90,694	(6,877)	10,054	36,060	222,034

Notes to the Financial Statements

Note 8 – Expenditure and Funding Analysis

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

2023/2024 (Restated)	Leader	Deputy Leader and Health, Wellbeing and Safer Communities	Corporate Services and Equalities	Childrens Services, Child Poverty and Skills	Housing, Regeneration and Business	Communities, Culture and Tourism	Envrionment, Transport and Net Zero	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(241)	(30,318)	(11,742)	(6,358)	(16,634)	(600)	(15,346)	(81,239)
Government grants	(134)	(95,694)	(85,337)	(126,286)	(10,926)	(5,507)	(10,822)	(334,706)
Other Grants, reimbursements and contributions	(18)	(24,265)	(13,936)	(4,873)	(886)	(1,056)	(1,072)	(46,106)
Total Income	(393)	(150,277)	(111,015)	(137,517)	(28,446)	(7,163)	(27,240)	(462,051)
Employee expenses	1,129	20,095	35,383	57,578	4,170	3,298	20,035	141,688
Other service expenditure	892	188,086	111,664	156,033	8,853	12,947	34,553	513,028
Total Expenditure	2,021	208,181	147,047	213,611	13,023	16,245	54,588	654,716
(Surplus) or deficit on Cost of Services	1,628	57,904	36,032	76,094	(15,423)	9,082	27,348	192,665

Notes to the Financial Statements

Note 9 – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2024/2025.

	Balance at 31 March 2023 £'000	Transfers Out 2023/2024 £'000	Transfers In 2023/2024 £'000	Balance at 31 March 2024 £'000	Transfers Out 2024/2025 £'000	Transfers In 2024/2025 £'000	**Balance at 31 March 2025 £'000**
General Fund:							
General Fund Balance	12,000	0	1,500	13,500	0	500	**14,000**
Balances held by schools under a scheme of delegation	7,188	(957)	1,527	7,758	(344)	1,916	**9,330**
	19,188	(957)	3,027	21,258	(344)	2,416	**23,330**
Earmarked General Fund Reserves - Capital:							
Section 106 Reserves	11,672	(3,038)	5,077	13,711	(13,711)	0	**0**
HIF HE Recycling Strategy Reserve	889	0	1,385	2,274	(2,274)	0	**0**
Strategic Investment Reserve (Capital)	1,437	(273)	0	1,164	0	2,996	**4,160**
Culture Development Reserve	3,000	0	0	3,000	0	0	**3,000**
Riverside Transfer Reserve	9,033	(8,549)	0	484	0	0	**484**
Other Earmarked Capital Reserves	1,918	(593)	338	1,663	(389)	0	**1,274**
Capital Priorities Reserve	5,642	(2,835)	0	2,807	(3,177)	370	**0**
	33,591	(15,288)	6,800	25,103	(19,551)	3,366	**8,918**
Earmarked General Fund Reserves - Revenue:							
Medium Term Planning Smoothing Reserve	34,601	(4,567)	0	30,034	(5,912)	0	**24,122**
General Inflation and Risk Reserve	9,371	0	0	9,371	0	1,641	**11,012**
Strategic Regeneration Reserve	10,557	0	0	10,557	(1,181)	1,398	**10,774**
Health and Social Care Reserve	10,520	(1,564)	635	9,591	(2,587)	118	**7,122**
Public Health Reserve	5,321	0	0	5,321	0	0	**5,321**
Insurance Reserve	6,236	(1,270)	196	5,162	(180)	25	**5,007**
Strategic Investment Reserve (Revenue)	5,558	(273)	0	5,285	(330)	0	**4,955**
Streetscene and Open Space Reserves	6,762	(1,112)	0	5,650	(1,655)	0	**3,995**
Strategic Initiatives Budget Reserve	4,499	(121)	0	4,378	(1,125)	558	**3,811**
Street Lighting PFI Smoothing Reserve	4,120	0	0	4,120	(445)	41	**3,716**

Notes to the Financial Statements

Note 9 – Transfers to/from Earmarked Reserves

	Balance at 31 March 2023 £'000	Transfers Out 2023/2024 £'000	Transfers In 2023/2024 £'000	Balance at 31 March 2024 £'000	Transfers Out 2024/2025 £'000	Transfers In 2024/2025 £'000	**Balance at 31 March 2025 £'000**
Smart Cities Reserve	3,894	(85)	0	3,809	(419)	0	**3,390**
HCA Stadium Park Reserve	3,109	0	0	3,109	0	154	**3,263**
Low Level Family Support Reserve	3,496	(613)	0	2,883	(568)	0	**2,315**
Education Redundancies Reserve	2,353	(141)	0	2,212	(59)	0	**2,153**
Sandhill Centre PFI Smoothing Reserve	2,151	0	0	2,151	0	0	**2,151**
House Sales Income Reserve	1,390	0	922	2,312	(177)	0	**2,135**
Carbon Reduction Reserve	1,384	(60)	326	1,650	0	420	**2,070**
Culture House Reserve	0	0	329	329	0	755	**1,084**
Housing Benefit Smoothing Reserve	1,296	(185)	0	1,111	(51)	0	**1,060**
Other Earmarked Revenue Reserves	26,581	(6,685)	3,504	23,400	(3,053)	4,614	**24,961**
Airport Smoothing Reserve	1,253	0	0	1,253	(1,253)	0	**0**
	144,452	(16,676)	5,912	133,688	(18,995)	9,724	**124,417**
Total General Fund Reserves	**197,231**	**(32,921)**	**15,739**	**180,049**	**(38,890)**	**15,506**	**156,665**
Capital Receipts Reserve	**10,743**	**(1,130)**	**3,135**	**12,748**	**(82)**	**5,100**	**17,766**
Capital Grants Unapplied	**5,701**	**(7,603)**	**4,622**	**2,720**	**(7,172)**	**7,317**	**2,865**
Total Usable Reserves	**213,675**	**(41,654)**	**23,496**	**195,517**	**(46,144)**	**27,923**	**177,296**

Notes to the Financial Statements

Purpose of Earmarked Reserves

Capital Reserves:	Purpose of the Reserve
Section 106 Reserve	Under Section 106 of the Town and Country Planning Act 1990, developers make financial contributions to the Council relating to affordable housing, public open spaces including allotments and locally equipped play parks, educational facilities, highways and public transport improvements, sports and recreational facilities and environmental improvements. These contributions are now held as Receipts in Advance.
HIF HE Recycling Strategy Reserve	A reserve established to manage the recycled Homes England grant relating to Housing Infrastructure Fund investment. These contributions are now held as Receipts in Advance.
Strategic Investment Reserve (Capital)	A reserve established to address some of the Council's key developments, strategic priorities and address other major liabilities.
Culture Development Reserve	A reserve to support a range of cultural developments in the city centre, using smart cities technology and immersive technologies.
Riverside Transfer Reserve	Reserve established to fund capital works associated with the Homes and Communities Agency land transferred to the Council.
Other Earmarked Capital Reserve	Funding set aside to fund future capital projects previously approved.

Revenue Reserves:	Purpose of the Reserve
Medium-Term Planning Smoothing Reserve	This reserve has been established to address any potential impact arising from increased risk and uncertainty with the Business Rate Retention Scheme. It is being used to smooth the impact of government funding uncertainties.
General Inflation and Risk Reserve	Reserve established in response to significant inflationary and trading pressures and risks that may impact council services in the short to medium-term.
Strategic Regeneration Reserve	A reserve to support the Council's regeneration ambitions, specifically to smooth any revenue impact of projects until they become self-sustaining.
Health and Social Care Reserve	Additional external income from in-year Health funding to support health and social care services in Sunderland in the short to medium-term.
Public Health Reserve	Ringfenced Public Health grant funding, to deliver future public health initiatives.
Insurance Reserve	This reserve has been established to provide for potential future claims or claim increases.
Strategic Investment Reserve (Revenue)	A reserve established to address some of the Council's key developments, strategic priorities and address other major liabilities.
Streetscene and Open Spaces Reserve	A reserve to enhance the city's recovery from the Covid-19 pandemic and ensure that the full benefit can be made of the regeneration activities across the City. This reserve will fund a range of streetscene and open space projects.
Strategic Initiatives Budget Reserve	A reserve held to fund future allocations through the Strategic Initiatives Budget.
Street Lighting PFI Smoothing Reserve	The reserve was established to smooth the financial impact to the Council across the 25 years of the contract life.
Smart Cities Reserve	This reserve was established to set aside revenue funding to cover 8-10 years, to support 5G and Wireless technology within the City.
Homes and Communities Agency Stadium Park Reserve	Reserve established to fund ongoing maintenance of Homes and Communities Agency land transferred to the Council.

Revenue Reserves:	Purpose of the Reserve
Low Level Family Support Reserve	Reserve to support activities with families and individuals to address the challenges of recovering from the pandemic.
Education Redundancy Reserve	The reserve was established to meet the anticipated costs of redundancies as a result of falling pupil rolls within maintained schools.
Sandhill Centre PFI Smoothing Reserve	The reserve was established to smooth the financial impact to the Council across the 25 years of the contract life.
House Sale Income Reserve	The reserve relates to the sale of client's homes that will be utilised to support future support needs of those clients.
Carbon Reduction Reserve	This reserve has been established to deliver a range of activities that will support progress against carbon reduction targets.
Culture House Reserve	A reserve to support the cultural programme in the city centre.
Housing Benefit Smoothing Reserve	This reserve has been established to smooth any potential impact of outstanding debtors as Housing Benefit is subsumed within Universal Credit.
Other Earmarked Revenue Reserves	Numerous revenue reserves excluding those over £1m set up for specific purposes.

Note 10 – Other operating expenditure

2023/2024 £'000		2024/2025 £'000
72	Parish Council Precept	**75**
16,847	Levies	**17,428**
(2,000)	(Gain) / losses on the disposal of non current assets	**(1,564)**
14,919	**Total**	**15,939**

Note 11 – Financing and investment income and expenditure

2023/2024 £'000		2024/2025 £'000
20,457	Interest payable and similar charges	**24,554**
(970)	Net interest on the net defined benefit liability	**(2,770)**
(14,079)	Interest receivable and similar income	**(13,528)**
(3,000)	Other Investment Income	**(3,100)**
(645)	(Surplus)/deficit on Trading Undertakings	**(1,483)**
0	Net income and expenditure in relation to financial instruments and changes in their fair value	**(1)**
(659)	Disposals and impairments	**208**
1,104	**Total**	**3,880**

Notes to the Financial Statements

Note 12 – Taxation and non-specific grant income and expenditure

2023/2024 £'000		2024/2025 £'000
(121,427)	Council tax income	**(127,722)**
(41,797)	Business rates income and expenditure	**(45,485)**
(104,985)	Non-ringfenced government grants *	**(111,796)**
(30,556)	Capital grants and contributions *	**(71,498)**
(298,765)	**Total**	**(356,501)**

* Further analysis of grants is shown in Note 34.

Note 13 – Prior Period Adjustments/Restatements

The table below shows the impact of the changes between Portfolios as presented in the Comprehensive Income and Expenditure Statement.

Portfolio	**2023/2024**		
	As per 2023/2024 accounts £'000	**Portfolio changes £'000**	**Restated position £'000**
Leader	3,011	(3,011)	0
Deputy Leader and Clean Green City	41,833	(41,833)	0
Cabinet Secretary	50,813	(50,813)	0
Children, Learning and Skills	90,903	(90,903)	0
Vibrant City	13,531	(13,531)	0
Healthy City	65,700	(65,700)	0
Dynamic City	46,520	(46,520)	0
Leader	0	1,655	1,655
Deputy Leader and Health, Wellbeing and Safer Communities	0	66,993	66,993
Corporate Services and Equalities	0	52,082	52,082
Childrens Services, Child Poverty and Skills	0	90,906	90,906
Housing, Regeneration and Business	0	22,045	22,045
Communities, Culture and Tourism	0	12,274	12,274
Environment, Transport and Net Zero	0	66,356	66,356
Cost of Services	**312,311**	**0**	**312,311**

Notes to the Financial Statements

Note 14 – Property, Plant and Equipment

Movement on Balances 2024/2025	Land and Buildings £'000	Dwellings* £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation:								
At 1 April 2024	624,909	7,680	63,796	685,964	4,685	83,753	20,508	**1,491,295**
Assets reclassified as Right of Use Assets	(77,983)	0	(5,534)	0	0	0	(645)	**(84,162)**
Additions	18,897	441	6,412	17,277	974	73,865	176	**118,042**
Donated Assets	0	0	903	0	0	0	0	**903**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(14,152)	53	0	0	0	0	34	**(14,065)**
Revaluation increases / (decreases) recognised in the Provision of Services	(23,969)	(1,616)	0	0	0	0	(289)	**(25,874)**
Derecognition recognised in the Provision of Services	0	0	(7,832)	(1,913)	0	0	0	**(9,745)**
Disposals	(3,002)	0	(832)	0	0	0	(507)	**(4,341)**
Other movements in Cost or Valuation	2,804	2,540	63	709	0	(6,522)	406	**0**
Remeasurements of Lease Liabilities	18,463	0	0	3,103	0	0	0	**21,566**
At 31 March 2025	**545,967**	**9,098**	**56,976**	**705,140**	**5,659**	**151,096**	**19,683**	**1,493,619**
Accumulated Depreciation:								
At 1 April 2024	16,737	161	23,634	198,774	0	0	20	**239,326**
Assets reclassified as Right of Use Assets	(2,864)	0	(2,343)	0	0	0	0	**(5,207)**
Depreciation Charge	17,480	146	6,984	16,708	0	0	27	**41,345**
Depreciation written out to the Revaluation Reserve	(10,450)	(18)	0	0	0	0	(4)	**(10,472)**
Depreciation written out to the Provision of Services	(5,943)	(164)	0	0	0	0	(4)	**(6,111)**
Derecognition recognised in the Provision of Services	0	0	(7,832)	(1,913)	0	0	0	**(9,745)**
Disposals	(433)	0	(687)	0	0	0	(2)	**(1,122)**
At 31 March 2025	**14,527**	**125**	**19,756**	**213,569**	**0**	**0**	**37**	**248,014**
Net Book Value								
At 31 March 2024	608,172	7,519	40,162	487,190	4,685	83,753	20,488	**1,251,969**
At 31 March 2025	**531,440**	**8,973**	**37,220**	**491,571**	**5,659**	**151,096**	**19,646**	**1,245,605**

*Whilst the Council does not meet the threshold for a Housing Revenue Account, Dwellings are shown separately based on valuation basis.

Notes to the Financial Statements

Note 14 – Property, Plant and Equipment

Movement on Balances 2023/2024	Land and Buildings £'000	Dwellings* £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation:								
At 1 April 2023	579,811	5,773	62,339	664,926	3,842	54,190	30,026	**1,400,907**
Additions	24,655	1,382	8,016	21,050	843	48,890	183	**105,019**
Recognition of PFI assets and Embedded Leases	33,477	0	27	417	0	0	0	**33,921**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(3,472)	11	0	0	0	0	(230)	**(3,691)**
Revaluation increases / (decreases) recognised in the Provision of Services	(24,588)	(3,295)	0	0	0	0	(9,258)	**(37,141)**
Derecognition recognised in the Provision of Services	0	0	(6,060)	(455)	0	0	0	**(6,515)**
Disposals	(184)	0	(526)	0	0	0	(495)	**(1,205)**
Other movements in Cost or Valuation	15,210	3,809	0	26	0	(19,327)	282	**0**
At 31 March 2024	**624,909**	**7,680**	**63,796**	**685,964**	**4,685**	**83,753**	**20,508**	**1,491,295**
Accumulated Depreciation:								
At 1 April 2023	14,465	62	23,089	183,031	0	0	257	**220,904**
Depreciation Charge	19,563	108	7,060	16,198	0	0	157	**43,086**
Depreciation written out to the Revaluation Reserve	(14,551)	0	0	0	0	0	(109)	**(14,660)**
Depreciation written out to the Provision of Services	(2,739)	(9)	0	0	0	0	(279)	**(3,027)**
Derecognition recognised in the Provision of Services	0	0	(6,059)	(455)	0	0	0	**(6,514)**
Disposals	(1)	0	(456)	0	0	0	(6)	**(463)**
At 31 March 2024	**16,737**	**161**	**23,634**	**198,774**	**0**	**0**	**20**	**239,326**
Net Book Value								
At 31 March 2023	565,346	5,711	39,250	481,895	3,842	54,190	29,769	**1,180,003**
At 31 March 2024	**608,172**	**7,519**	**40,162**	**487,190**	**4,685**	**83,753**	**20,488**	**1,251,969**

*Whilst the Council does not meet the threshold for a Housing Revenue Account, Dwellings are shown separately based on valuation basis.

Depreciation

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

- Land and buildings – 5 to 60 years;
- Vehicles, plant and equipment – 3 to 40 years; and
- Infrastructure – 20 to 100 years

Capital Commitments

At 31 March 2025 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/2025 and future years forecast to cost £117.792m (similar commitments at 31 March 2024 were £170.557m). The commitments are:

- Vaux Housing - £37.131m;
- Sunderland Eye Infirmary - £34.355m;
- Riverside Sunderland Infrastructure - £15.679m;
- Culture House - £9.550m;
- Crown Works Studios Phase 2 - £4.192m;
- Unit 6 IAMP Renovation Works - £3.695m;
- Vehicle, Plant and Equipment Replacement - £3.401m;
- Sunniside Regeneration (Nile Street and Villiers Street) - £2.718m; and
- various other schemes - £7.071m.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued with enough 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 Council's valuation experts. 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 Institution of Chartered Surveyors (RICS). 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.

The significant assumptions applied in estimating the values are:

- Depreciated Replacement Cost (DRC) method has been used where the asset is used by the Council to deliver services, but the property is of a specialist nature in that there is little or no market evidence to support value;
- Existing Use Value (EUV) has been used where the asset is used by the Council to deliver services but is not specialised and there is market evidence to support value;
- Existing Use Value – Social Housing (EUV-SH) has been used to measure the value of Council Dwellings;
- the condition and state of repair of the assets is acceptable for the purpose for which they are used. Given that the Council has a regular maintenance programme for its assets, there will be no significant deterioration within the estimated life expectancy of each asset;
- the Council has good title to each asset with no adverse or restrictive covenants which could affect the use or the asset;
- the assets are fit for the purpose for which they are used and will continue to remain so physically, complying with fire, health and safety or any other statutory regulation;
- the current use will continue for the foreseeable future and the use will remain viable;
- the existing use has planning permission;
- the assets are not affected by any ground conditions / stability or contamination which would materially prejudice the valuation;
- the assets are free from contamination and deleterious or hazardous substances;
- no allowance has been made for taxation, acquisition, realisation or disposal costs or other expenses;

- the assets provided by PFI contracts will be effectively maintained by the contractor up to the end of the contract with each being fit for purpose; and
- an assumption that the transaction takes place in the principal market, or in the absence of the principal market, the most advantageous market for the asset is used for assets valued at fair value.

Valuation Techniques – there has been no change in the valuation techniques used during the year for valuing Surplus Assets. The fair value of the Council's surplus assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. All valuations are carried out by the Council's valuation experts, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Director of Finance on a regular basis regarding all valuation matters.

	Land and Buildings	Dwellings *	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historic cost			**56,976**	**705,140**	**5,659**	**151,096**		**918,871**
Valued at:								
31 March 2025	174,650	4,858					2,094	181,602
31 March 2024	145,331	1,866					9,117	156,314
31 March 2023	225,986	2,374					8,472	236,832
Total Cost or Valuation	**545,967**	**9,098**	**56,976**	**705,140**	**5,659**	**151,096**	**19,683**	**1,493,619**

*Whilst the Council does not meet the threshold for a Housing Revenue Account, Dwellings are shown separately based on valuation basis.

Non-operational Property, Plant and Equipment (Surplus Assets)

Market conditions are such that similar properties are actively purchased and sold and therefore there is a significant level of observable inputs allowing the Council to categorise these properties as Level 2 in the fair value hierarchy. The fair value for the surplus assets (at market rents) has been based on the market approach using current market conditions, recent sales prices and other relevant information for similar assets in the local authority area. The income approach has also been used, where appropriate, which capitalises the potential income of the asset.

There were no transfers between levels during the year.

Highest and Best Use of Surplus Assets – In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is for residential or commercial use. The assets have become surplus to requirement and will become part of the Council's disposals programme or used to deliver further regeneration projects within the City.

Notes to the Financial Statements

Note 15 – Right of Use Assets

The Council recognises right-of-use assets in accordance with IFRS 16 for leases where it controls the right to use an underlying asset for a period of time in exchange for consideration.

Movement on Balances 2024/2025	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation:				
At 1 April 2024	0	0	0	**0**
Assets reclassified as Right of Use Assets	77,983	5,534	645	**84,162**
Recognition of PFI assets and Leases	1,039	278	0	**1,317**
Donated Assets	360	0	0	**360**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	719	**719**
Revaluation increases / (decreases) recognised in the Provision of Services	(13,568)	0	407	**(13,161)**
Impairment recognised in the Provision of Services	0	0	0	**0**
Remeasurements of Lease Liabilities	7,362	(1,183)	0	**6,179**
At 31 March 2025	**73,176**	**4,629**	**1,771**	**79,576**
Accumulated Depreciation:				
At 1 April 2024	0	0	0	**0**
Assets reclassified as Right of Use Assets	2,864	2,343	0	**5,207**
Depreciation Charge	1,716	654	108	**2,478**
Depreciation written out to the Revaluation Reserve	0	0	(108)	**(108)**
Depreciation written out to the Provision of Services	(3,030)	0	0	**(3,030)**
At 31 March 2025	**1,550**	**2,997**	**0**	**4,547**
Net Book Value				
At 31 March 2024	0	0	0	**0**
At 31 March 2025	**71,626**	**1,632**	**1,771**	**75,029**

Revaluations

Right of Use assets are initially measured at cost and subsequently measured in accordance with the Code, which adapts the IFRS 16 cost model to reflect the current value measurement basis used in the public sector.

Where the underlying asset is classified as property, plant and equipment, the Right of Use asset is subject to revaluation in line with the Council's revaluation policy for that class of asset (see Note 14).

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historic cost		4,629		4,629
Valued at:				
31 March 2025	35,769		1,771	37,540
31 March 2024	37,407		0	37,407
Total Cost or Valuation	**73,176**	**4,629**	**1,771**	**79,576**

Note 16 – Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council

	Collections Held by Tyne & Wear Museums £'000	Statues, Monuments and Public Art £'000	Other Historic Assets £'000	Total Assets £'000
Cost or Valuation				
1 April 2023	9,974	1,238	1,774	12,986
Additions	0	147	0	147
Donations	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
31 March 2024	**9,974**	**1,385**	**1,774**	**13,133**
Cost or Valuation				
1 April 2024	9,974	1,385	1,774	13,133
Additions	0	14	0	14
Donations	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
31 March 2025	**9,974**	**1,399**	**1,774**	**13,147**

Collections maintained by Tyne & Wear Museums
These assets are managed on the Council's behalf by the Tyne & Wear Archives & Museums Joint Committee 'principally for their contribution to knowledge or culture'. A full list of exhibition listings and the Tyne and Wear Museums' access policy is available on their website.

There have been no revaluations to these assets during 2024/2025.

Statues, Monuments and Public Art
Where their value can be separately identified statues, monuments and public art have been classified as heritage assets.

A small number of repairs and maintenance schemes have been carried out on public art pieces during 2024/2025.

Other Historic Assets
Other historic objects held by the Council include the Book of Remembrance, a copy of the Lindisfarne Gospels and miners' banners.

Note 17 – Intangible Assets

The movement in intangible assets during the year is shown in the table below.

2023/2024 £'000		2024/2025 £'000
	At 1 April	
5,089	Gross carrying amounts	**5,068**
(1,299)	Accumulated Amortisation	**(1,359)**
3,790	**Net carrying amount at 1 April**	**3,709**
1,248	Additions	**1,836**
(1,329)	Amortisation for the period	**(1,217)**
(1,269)	Derecognition Gross carrying amount	**(303)**
1,269	Derecognition Amortisation	**303**
3,709	**Net carrying amount at 31 March**	**4,328**
	Comprising	
5,068	Gross carrying amounts	**6,601**
(1,359)	Accumulated amortisation	**(2,273)**
3,709		**4,328**

Notes to the Financial Statements

Note 18 – Financial Instruments

The following categories of financial assets are carried in the Balance Sheet.

Financial Assets	Non Current				Current				Total	
	Investments / Pension Asset		Debtors		Investments / Cash and Cash Equivalents		Debtors			
	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000
Fair Value through profit or loss	18	19	0	0	0	0	0	0	18	19
Amortised Cost - Soft Loans	0	0	6,415	6,596	0	0	0	0	6,415	6,596
Amortised Cost - Other	0	0	50,736	49,870	163,721	57,493	47,711	64,323	262,168	171,686
Fair Value through other comprehensive income - designated equity instruments	16,508	24,180	0	0	0	0	0	0	16,508	24,180
Unquoted Equity Instruments in subsidiaries and joint ventures at cost	12,850	12,850	0	0	0	0	0	0	12,850	12,850
Total Financial Assets	**29,376**	**37,049**	**57,151**	**56,466**	**163,721**	**57,493**	**47,711**	**64,323**	**297,959**	**215,331**
Non Financial Instruments	**50,620**	**0**	**0**	**113**	**0**	**0**	**44,799**	**50,511**	**95,419**	**50,624**
Total	**79,996**	**37,049**	**57,151**	**56,579**	**163,721**	**57,493**	**92,510**	**114,834**	**393,378**	**265,955**

Notes to the Financial Statements

Note 18 – Financial Instruments

The following categories of financial liabilities are carried in the Balance Sheet.

Financial Liabilities	Non Current				Current				Total	
	Borrowings and Other Liabilities		Creditors		Borrowings and Other Liabilities		Creditors			
	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000
Amortised Cost - borrowings	(521,443)	(500,698)	0	0	(41,895)	(38,168)	(70,809)	(63,264)	(634,147)	(602,130)
Amortised Cost - PFI and finance lease liabilities	(146,195)	(161,839)	0	0	(8,140)	(10,685)	0	0	(154,335)	(172,524)
Total Financial Liabilities	**(667,638)**	**(662,537)**	**0**	**0**	**(50,035)**	**(48,853)**	**(70,809)**	**(63,264)**	**(788,482)**	**(774,654)**
Non Financial Instruments	**(3,520)**	**(18,230)**	**(140)**	**0**	**0**	**0**	**(22,006)**	**(20,982)**	**(25,666)**	**(39,212)**
Total	**(671,158)**	**(680,767)**	**(140)**	**0**	**(50,035)**	**(48,853)**	**(92,815)**	**(84,246)**	**(814,148)**	**(813,866)**

Investments in Equity Instruments designated at Fair Value through Other Comprehensive Income

Newcastle Airport

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. On 4 May 2001, the seven local authority shareholders of NIAL (the "LA7") created NIAL Holdings Limited, which is 51% owned by the LA7 and 49% owned by InfraBridge (previously known as AMP Capital Investors Limited) following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited (NALAHCL), a company wholly owned by the seven authorities. NALAHCL has a called-up share capital of 10,000 shares with a nominal value of £1 each. The Council holds an 18.87% interest in NALAHCL valued at £24.180m at 31 March 2025 (£16.508m at 31 March 2024). The shares are not held for trading outside of the LA7.

The last full external valuation was at 31 March 2022. This was based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors.

Subsequent management reviews have considered earnings before interest, tax and depreciation (EBITDA) to assess whether any upward revaluation is required. This has resulted in an increase to the share value at 31 March 2025 of £7.672m.

The upper and lower limits for the fair value, established at the last full valuation, have been increased at 31 March 2025 based on actual EBITDA performance and the value reflected on the Balance Sheet is within the revised parameters. Sensitivity analysis shows that the current value would still be within these revised parameters if it was to either increase or decrease by 5%. The estimation of these upper and lower limits relies on the assumption that there is a correlation between EBITDA and fair value.

Trading of shares only takes place when one or more of the LA7 or InfraBridge wishes to sell their shareholding.

The Council has chosen to designate its Newcastle Airport equity instrument at fair value through other comprehensive income under IFRS9 classifications. This decision protects council tax payers from any future movements in the value of these shareholdings until such time as the shares are sold or released. Valuation changes in respect of the Council's investment in Newcastle Airport are therefore reflected in the Financial Instruments Revaluation Reserve.

Additional details on the relationship between the Council and Newcastle Airport can be found in Note 35, Related Parties.

Investments in Equity Instruments held at Cost

Siglion LLP

The Council has a 100% equity share in its subsidiary, Siglion LLP. The company was formed in November 2014 with the primary purpose being to assist in the delivery of economic and regeneration benefits to Sunderland, and primarily holds non-current assets in relation to land development and where possible, these assets are disclosed in subsidiary accounts at fair value.

The Council has no current intention to dispose of the equity share which is non-interest bearing and is not anticipated to be repaid until Siglion LLP is wound up.

The Council has exercised its right to hold equity shares in subsidiaries at cost. Investment in Siglion LLP is presented on the Balance Sheet as a Long-Term Investment valued at cost of £12.350m.

The draft accounts for Siglion LLP for the period 1 April 2024 to 31 March 2025, show a net loss before taxation of £3.578m (£8.366m profit for 2023/2024). The overall current net worth of the group is £43.182m (£40.760m at 31 March 2024).

Additional details on the relationship between the Council and Siglion LLP can be found in Note 35, Related Parties.

Sunderland Lifestyle Partnership Ltd

The Council has a 50% equity share in its leisure joint venture partnership, Sunderland Lifestyle Partnership, with Sports and Leisure Management Ltd.

The Council has exercised its right to hold equity shares in joint ventures at cost. Investment in Sunderland Lifestyle Partnership Ltd is presented on the Balance Sheet as a Long-Term Investment valued at cost of £0.500m.

Additional details on the relationship between the Council and Sunderland Lifestyle Partnership Ltd can be found in Note 35, Related Parties.

Fair Values of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

31 March 2024	Financial assets measured at fair value			**31 March 2025**
£'000	Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	**£'000**
16,508	Equity Shareholding in Newcastle International Airport Limited	Level 3	The fair value for Newcastle Airport has been assessed at 31 March 2025 based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors.	**24,180**
18	Other financial instruments classified as fair value through profit and loss	Level 1	Unadjusted quoted prices in active markets for identical shares	**19**
16,526	**Total**			**24,199**

Transfers between Levels of the Fair Value Hierarchy

There have been no transfers between levels of the fair value hierarchy.

Changes in the Valuation Technique

The last full external valuation for Newcastle Airport was at 31 March 2022. This was based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors.

There has been no change to the valuation technique, but a management review has updated this for significant observable inputs identified since 31 March 2022.

Other Financial Instruments Classified at Fair Value through Profit and Loss

The Council holds a small number of investment bonds. The market value of these holdings as at 31 March 2025 was £0.019m (£0.018m at 31 March 2024). These financial instruments have been

classified at fair value through profit and loss and therefore the gain has been credited to Provision of Services on the Comprehensive Income and Expenditure Account.

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:

2023/2024			2024/2025	
Surplus or (Deficit) on the Provision of Services (restated *) £'000	Other Comprehensive Income and Expenditure £'000		**Surplus or (Deficit) on the Provision of Services £'000**	**Other Comprehensive Income and Expenditure £'000**
		Net gains / (losses) on:		
0	0	Financial assets measured at fair value through profit and loss	1	0
(2,057)	0	Financial assets measured at amortised costs	(311)	0
0	0	Investments in equity instruments designated at fair value through other comprehensive income	0	7,672
(2,057)	0	**Total net gains / (losses)**	**(310)**	**7,672**
		Interest Revenue		
14,079	0	Financial assets measured at amortised costs	13,528	0
14,079	0	**Total interest revenue**	**13,528**	**0**
(20,457)	0	**Interest expense**	**(24,554)**	**0**
(8,435)	**0**	**Total**	**(11,336)**	**7,672**

* 2023/2024 restated to present correct gains and losses.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the earlier table) and subsidiaries and joint ventures included in group accounts and carried at cost, all other financial liabilities and financial assets held by the Council are carried on the Balance Sheet at amortised cost. The fair value of financial assets and liabilities assets is shown in the tables below. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

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

The financial assets in the tables below classed as Deposits with Money Market Funds, Banks and Building Societies and the financial liabilities held with PWLB and Non PWLB were 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 we have used a financial model valuation provided by MUFG Corporate Markets. 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. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

31 March 2024		**Financial Liabilities**	**31 March 2025**	
Carrying Amount £'000	Fair Value £'000		**Carrying Amount £'000**	**Fair Value £'000**
41,895	41,755	Short Term Borrowing	**38,168**	**38,195**
70,807	70,807	Short Term Creditors	**63,264**	**63,264**
146,196	146,196	Long Term PFI and Finance Lease Liability	**161,839**	**161,839**
8,140	8,140	Short Term PFI and Finance Lease Liability	**10,685**	**10,685**
41,927	36,488	Non PWLB Debt	**21,198**	**16,062**
479,517	274,292	PWLB Debt	**479,500**	**244,728**
788,482	577,678	**Financial Liabilities**	**774,654**	**534,773**

Short-term creditors are carried at cost as this is a fair approximation of their value.

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 non PWLB debt is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders below current market rates.

As with non PWLB debt, the fair value of PWLB debt of £244.728m includes the notional future gain arising from the current debt being fixed at below market rates. This future gain can only be realised by retaining the existing fixed rate debt.

If the Council no longer required this level of debt and wished to repay these loans, the PWLB would raise a penalty charge for early redemption, as well as applying a discount for the interest avoided. The exit price for the existing PWLB loans, including the penalty charge and interest discount, would be £285.542m.

The fair values calculated are as follows:

31 March 2024		**Financial Assets**	**31 March 2025**	
Carrying Amount £'000	Fair Value £'000		**Carrying Amount £'000**	**Fair Value £'000**
173,589	173,589	Deposits with Money Market Funds, Banks & Building Societies	**71,176**	**71,176**
(9,867)	(9,867)	Cash in Hand	**(13,683)**	**(13,683)**
47,711	47,711	Short Term Debtors	**64,323**	**64,323**
57,151	57,151	Long Term Debtors	**56,466**	**56,466**
16,508	16,508	Financial assets at fair value through other comprehensive income - designated equity	**24,180**	**24,180**
18	18	Financial assets at fair value through profit and loss	**19**	**19**
12,850	12,850	Unquoted equity investment at cost	**12,850**	**12,850**
297,960	297,960	**Financial Assets**	**215,331**	**215,331**

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.

Long Term Debtors

Long Term Debtors included in the table below are predominately in respect of organisations linked to the Council with a very high degree of certainty regarding payment. Except for the Loan to IAMP LLP all financial instruments are at a market rate of interest, no early repayment is recognised and therefore the values of these long-term debtors reflect the fair value of the debt.

31 March 2024 £'000	**Long Term Debtors**	**31 March 2025 £'000**
14,251	Long Term Loan Note to Newcastle Airport	**14,263**
17,933	Long Term Loan Notes to Siglion LLP	**17,933**
6,241	Long Term Loan Note to IAMP LLP	**6,428**
9,539	Advances to Tyne and Wear Fire and Rescue Authority	**9,157**
1,100	Loan to Sunderland Lifestyle Partnership	**1,000**
618	Property Lease Debtors	**0**
7,469	Other Long Term Debtors	**7,798**
57,151	**Total**	**56,579**

Soft Loans Made by the Council

Included within Long Term Debtors above are Loan Notes which have been issued to IAMP LLP, a Joint Venture with South Tyneside Council.

2023/2024 £'000	**Movement on Loan Notes**	**2024/2025 £'000**
6,059	Balance at start of year	**6,241**
0	Nominal value of new loans granted in the year	**0**
0	Fair Value adjustment on initial recognition	**0**
0	Loans Repaid	**0**
182	Increase in Discounted Amount	**187**
6,241	**Balance at end of year**	**6,428**

Valuation Assumptions

Loan notes have been issued to IAMP LLP for £7.474m. These are soft loans as they are interest free and have therefore been made at a rate lower than the market rate at the time of issue. The fair value of these loans has been arrived at by taking the cost to the Council if it had borrowed over similar terms, plus an allowance for the risk that the loan might not be repaid, in order to identify an appropriate interest rate to apply. Using this interest rate the present value of all future cash flows in respect of the IAMP loan notes results in a fair value of £6.428m.

Additional details on the relationship between the Council and IAMP LLP can be found in Note 35, Related Parties.

The Council has issued a small number of other, low value, soft loans to partners and community organisations which have been made at less than market rates.

Notes to the Financial Statements

Note 19 – Short Term Debtors

31 March 2024 £'000		31 March 2025 £'000
3,610	Payments in Advance	**3,283**
19,653	Central government bodies	**29,776**
8,171	Other local authorities and public bodies	**9,545**
4,905	NHS bodies	**10,094**
2,818	Council subsidiaries	**5,812**
53,353	Other entities and individuals	**56,324**
92,510	**Total**	**114,834**

Note 20 – Assets Held for Sale

Where Council assets are available for immediate sale, there is a commitment to sell the asset and where the asset has been actively marketed and a sale is expected within one year, they are transferred from Property, Plant and Equipment to Assets Held for Sale. The carrying value of these assets is measured at fair value less costs to sell.

The Council has no Assets Held for Sale.

Note 21 – Cash and Cash Equivalents

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

31 March 2024 £'000		31 March 2025 £'000
(9,867)	Cash held by the Council	**(13,683)**
104,965	Bank current accounts and Money Market Funds	**71,165**
95,098	**Total Cash and Cash Equivalents**	**57,482**

Note 22 – Short-Term Creditors

31 March 2024 £'000		31 March 2025 £'000
(7,600)	Receipts in Advance	**(7,768)**
(17,017)	Central government bodies	**(10,468)**
(7,085)	Other local authorities and public bodies	**(10,334)**
(1,825)	NHS bodies	**(1,225)**
(16,529)	Council subsidiaries	**(10,993)**
(42,759)	Other entities and individuals	**(43,458)**
(92,815)	**Total**	**(84,246)**

Notes to the Financial Statements

Note 23 – Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will probably require settlement by a transfer of economic benefits or service potential at some point in the future, and a reliable estimate can be made of the amount of the obligation.

The estimated cost is charged as an expense to the appropriate service in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation.

When payments are eventually made, they are charged to the provision in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and any provisions which are no longer required are credited back to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

31 March 2024 £'000	Nature of provision	Additional provisions £'000	Amounts used £'000	Amounts reversed £'000	**31 March 2025 £'000**
(276)	Potential costs of successful business rates appeals	(103)	199	0	**(180)**
(974)	Insurance	(614)	644	82	**(862)**
(1,250)	**Short Term Provisions**	**(717)**	**843**	**82**	**(1,042)**
(5,604)	Potential costs of successful business rates appeals	(2,089)	4,028	0	**(3,665)**
(2,922)	Insurance	(1,840)	1,933	245	**(2,584)**
(408)	Other provisions	(342)	23	212	**(515)**
(8,934)	**Long Term Provisions**	**(4,271)**	**5,984**	**457**	**(6,764)**
(10,184)	**Total Provisions**	**(4,988)**	**6,827**	**539**	**(7,806)**

Business Rates Appeals

Local Authorities are liable for successful appeals against Business Rates charged to businesses. A provision has been recognised for the best estimate of the amount that will be successfully appealed (i.e. that businesses have been overcharged) in relation to 2024/2025 and previous years, regardless of when that appeal is raised or settled. The provision has been calculated using estimated successful appeals raised relating to the 2017 and 2023 lists, less actual successful appeals from these lists, which have been settled from the provision.

Insurance

Provisions relating to insurance are based on the estimated value of potential claims, some of which are likely to result in a cost to the Council. Some claims are expected to be settled during 2025/2026 with others likely to take several years before they are concluded.

Other provisions

Other provisions relate to guarantee bonds and deposits held by the Council which will be held for several years.

Notes to the Financial Statements

Note 24 – Unusable Reserves

31 March 2024 £'000		Note	**31 March 2025 £'000**
204,647	Revaluation Reserve	24a	**195,285**
16,141	Financial Instruments Revaluation Reserve	24b	**23,813**
326,312	Capital Adjustment Account	24c	**354,092**
(1,809)	Financial Instruments Adjustment Account	24d	**(417)**
47,100	Pensions Reserve	24e	**(18,230)**
26,104	Deferred Capital Receipts Reserve	24f	**25,899**
686	Collection Fund Adjustment Account	24g	**(176)**
(1,668)	Accumulated Absences Account	24h	**(1,577)**
(9,070)	Dedicated Schools Grant Adjustment Account	24i	**(16,049)**
608,443	**Total Unusable Reserves**		**562,640**

24a) Revaluation Reserve

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

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

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

2023/2024 £'000		**2024/2025 £'000**
199,713	**Balance at 1 April**	**204,647**
17,940	Upward revaluation of assets	**2,776**
(6,972)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	**(5,542)**
210,681	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**201,881**
5,852	Difference between fair value depreciation and historical cost depreciation	**5,991**
182	Accumulated gains on assets sold or scrapped	**605**
6,034	Amount written off to the Capital Adjustment Account	**6,596**
204,647	**Balance at 31 March**	**195,285**

24b) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

2023/2024 £'000		2024/2025 £'000
16,141	**Balance at 1 April**	**16,141**
0	Upward revaluation of investments	**7,672**
0	Downwards revaluation of investments	**0**
16,141	**Balance at 31 March**	**23,813**

24c) 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 additions to those assets under statutory provisions. The Account is adjusted for the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2023/2024 £'000		2024/2025 £'000
324,686	**Balance at 1 April**	**326,312**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(43,086)	Charges for depreciation and impairment of non-current assets	**(43,823)**
(34,114)	Revaluation losses and reversal of prior year revaluation losses on Property, Plant and Equipment	**(29,894)**
(1,329)	Amortisation of intangible assets	**(1,218)**
(31,425)	Revenue expenditure funded from capital under statute	**(27,897)**
0	Donated Assets	**1,263**
(742)	Amount of non current assets written off on disposal or sale as part of the gain / (loss) on disposal to the Comprehensive Income and Expenditure Statement	**(3,219)**
(110,696)		**(104,788)**
6,034	Adjusting amounts written out of the Revaluation Reserve	**6,596**
(104,662)	Net written out amount of the cost of non current assets consumed in the year	**(98,192)**
	Capital financing applied in the year:	
1,131	Use of Capital Receipts to finance new capital expenditure	**82**
51,829	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**81,609**
7,603	Application of grants to capital financing from the Capital Grants Unapplied Account	**7,172**
18,408	Statutory provision for the financing of capital investment charged against the General Fund balance	**21,036**
27,429	Capital expenditure charged against the General Fund balance	**16,185**
106,400		**126,084**
(112)	Writing down of Long Term Debtor	**(112)**
326,312	**Balance at 31 March**	**354,092**

24d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2023/2024 £'000		**2024/2025 £'000**
(2,069)	**Balance at 1 April**	**(1,809)**
0	Premiums incurred in the year charged to the Comprehensive Income and Expenditure Account	**0**
260	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**1,392**
260	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**1,392**
(1,809)	**Balance at 31 March**	**(417)**

24e) 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 Council 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve shows a notional surplus relating to the benefits earned by past and current employees. This is an indication of money which may potentially become available in the future and is restricted by statutory arrangements to ensure that appropriate funding is available at the point when benefits become due.

IAS19 requires that where pensions assets exceed pension obligations, the net pension asset is measured as the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling being calculated as the net present value of future service costs less the net present value of future contributions.

Although pension assets exceed the funded pension obligation, the asset ceiling has been calculated as nil, therefore, none of the actuarial surplus relating to funded obligations has been recognised at 31 March 2025 (£68.160m was recognised at 31 March 2024). Unfunded obligations are £18.230m at 31 March 2025 (£21.060m at 31 March 2024).

2023/2024 £'000		2024/2025 £'000
11,510	**Balance at 1 April**	**47,100**
91,780	Remeasurement of the net defined benefit asset	**234,150**
(57,710)	Surplus not recognised	**(304,440)**
(17,160)	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	**(16,750)**
18,680	Employer's pensions contributions and direct payments to pensioners payable in the year	**21,710**
47,100	**Balance at 31 March**	**(18,230)**

24f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2023/2024 £'000		2024/2025 £'000
26,386	**Balance at 1 April**	**26,104**
0	Transfer of deferred sale proceeds credited as part of the gain / (loss) on disposal to the Comprehensive Income and Expenditure Statement	**0**
(282)	Transfer to the Capital Receipts Reserve upon receipt of cash	**(205)**
26,104	**Balance at 31 March**	**25,899**

24g) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2023/2024 £'000		2024/2025 £'000
4,603	**Balance at 1 April**	**686**
(3,917)	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and business rates income calculated for the year in accordance with statutory requirements	**(862)**
686	**Balance at 31 March**	**(176)**

24h) Accumulated Absences Account

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

2023/2024 £'000		£'000	2024/2025 £'000
(1,727)	**Balance at 1 April**		**(1,668)**
1,727	Settlement or cancellation of accrual made at the end of the preceding year	**1,668**	
(1,668)	Amounts accrued at the end of the current year	**(1,577)**	
59	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements		**91**
(1,668)	**Balance at 31 March**		**(1,577)**

24i) Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account was established 1 April 2020 and absorbs the differences that would otherwise arise on the General Fund Balance from a deficit position on school budgets. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2023/2024 £'000		2024/2025 £'000
(4,427)	**Balance at 1 April**	**(9,070)**
(4,643)	DSG Deficit	**(6,979)**
(9,070)	**Balance at 31 March**	**(16,049)**

Notes to the Financial Statements

Note 25 – Cash Flow Statement – Operating Activities

The net cash flows for operating activities include the following items:

2023/2024 £'000		2024/2025 £'000
15,617	Interest received	**15,341**
(20,439)	Interest paid	**(25,310)**
4,000	Dividends received	**3,100**

Note 26 – Cash Flow Statement – Investing Activities

2023/2024 £'000		2024/2025 £'000
(96,143)	Purchase of property, plant and equipment, investment property and intangible assets	**(122,106)**
(300,500)	Purchase of short-term and long-term investments	**(55,001)**
(947)	Other payments for investing activities	**(375)**
3,205	Net Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**4,176**
397,500	Proceeds from short-term and long-term investments	**123,000**
56,887	Other receipts from investing activities	**75,132**
60,002	**Net cash flows from investing activities**	**24,826**

Note 27 – Cash Flow Statement – Financing Activities

2023/2024 £'000		2024/2025 £'000
7,203	Cash receipts of short and long-term borrowing	**0**
(7,877)	Cash payments for the reduction of the outstanding liabilities relating to leases and on-balance sheet PFI contracts	**(10,254)**
(1,951)	Repayments of short and long term borrowing	**(23,718)**
(6,025)	Other payments for/receipts from financing activities	**(924)**
(8,650)	**Net cash flows from financing activities**	**(34,896)**

Note 28 – Reconciliation of Liabilities arising from Financing Activities

2024/2025	1 April 2024	Financing cash flows	Non-cash changes		31 March 2025
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(521,443)	23,718	(3,445)	472	**(500,698)**
Short-term borrowings	(41,895)	0	3,445	282	**(38,168)**
Lease liabilities	(103,142)	3,143	(1,677)	(26,766)	**(128,442)**
On balance sheet PFI liabilities	(51,193)	7,111	0	0	**(44,082)**
Total liabilities from financing activities	**(717,673)**	**33,972**	**(1,677)**	**(26,012)**	**(711,390)**

2023/2024	1 April 2023	Financing cash flows	Non-cash changes		31 March 2024
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(525,533)	(7,203)	11,283	10	**(521,443)**
Short-term borrowings	(32,525)	1,951	(11,283)	(38)	**(41,895)**
Lease liabilities	(75,451)	2,878	(33,504)	2,935	**(103,142)**
On balance sheet PFI liabilities	(56,003)	4,810	0	0	**(51,193)**
Total liabilities from financing activities	**(689,512)**	**2,436**	**(33,504)**	**2,907**	**(717,673)**

Note 29 – Partnership Arrangements with National Health Service Bodies

Section 75 of the NHS Act 2006 allows partnership arrangements between National Health Service (NHS) bodies, Local Authorities to contribute to a common fund which can be used to commission health or social care related services. This power allows a local authority to commission health services and NHS commissioners to commission social care. It enables joint commissioning and commissioning of integrated services.

Better Care Fund (BCF)

The Better Care Fund (BCF) represents a collaboration between NHS England, the Integrated Care Board (ICB) for the North East and North Cumbria and Local Government and was introduced on 1 April 2015. The BCF has been established by the Government to provide funding to local areas to support the integration of health and social care. The BCF enables the Council and the Integrated Care Board (ICB) to establish a joint budget arrangement that supports effective collaboration in delivering on the NHS Long-Term Plan, alongside local strategies to improve population health and reduce inequalities.

The Council has entered into a Pooled Budget arrangement with the ICB under which each partner organisation makes an agreed contribution.

The Council and the ICB agreed BCF schemes and funding allocations to be pooled into the 2024/2025 BCF. This included high-level proposals for securing cost effective health and care investment that would:

- Address local health and care priorities aligned to two overarching policy objectives (i.e. 'enabling people to stay well, safe and independent at home for longer' and 'right care, right time, right place'), alongside the strategic objectives of the Healthy City Plan and emerging Integrated Care Strategy; and
- Build effective place-based governance arrangements, including a comprehensive s75 partnership arrangement to provide the mechanisms to support a pooled budget arrangement, alongside joint decision-making and appropriate delegations of powers.

In addition to meeting national BCF conditions, the s75 partnership agreement has the potential to include wider elements of health and care integration that will support achievement of strategic objectives within the Healthy City Plan and emerging Integrated Care Strategy. As such, an approved decision to develop a comprehensive s75 partnership arrangement between the ICB and Council, was agreed on the basis that it will:

- Lead to improved patient and population health and care outcomes, including delivery of the strategic objectives of the Healthy City Plan and emerging Integrated Care Strategy;
- Enable better use of scarce system resource to deliver improved cost effectiveness, increased efficiencies and achieve economies of scale;
- Support shared approaches to risk management to support continuity of care and build system resilience; and

- Create new opportunities to leverage the benefits of shared system capacity and powers to deliver innovation, improved market confidence and coordinated sustainable development activities, including community wealth building.

Within Sunderland, a significant amount of work has been progressed to create the conditions for integration and alignment of resources at various spatial levels across the City. There is a strong track record of aligning resources towards certain targeted client groups, key outcomes and at an area or neighbourhood level to better meet local needs (both formally and informally) and developing local responsive services.

Transactions during 2023/2024 and 2024/2025 are set out below:

2023/2024 (Restated) £'000		**2024/2025 £'000**
	Funding Provided to the Pooled Budget	
(551)	Sunderland City Council DFG b/f from Prior Year	(138)
(26,788)	Sunderland City Council	(28,292)
(30,811)	Sunderland Place Integrated Care Board	(34,139)
(58,150)	**Total Funding**	**(62,569)**
	Expenditure met from the Pooled Budget	
551	Sunderland City Council DFG b/f from Prior Year	138
45,416	Sunderland City Council	47,990
14,023	Sunderland Place Integrated Care Board	14,761
59,990	**Total Expenditure**	**62,889**
1,840	**Net (Surplus)/Deficit arising on the Pooled Budget**	**320**
(138)	**Sunderland City Council Share of (Surplus)/Deficit**	**(5)**
1,978	**Integrated Care Board Share of (Surplus)/Deficit**	**325**

The Council's surplus of £0.005m relates to Disabled Facilities Grant (DFG) which has been re-profiled into 2025/2026 to pay for essential housing adaptations to help disabled people stay in their own homes (£0.138m surplus in 2023/2024).
2023/2024 has been restated to reflect that a £0.516m overspend on the Community Equipment Service (referenced in 23/24's accounts) was met by additional funding in 2023/2024. Sunderland City Council's funding to the pooled budget has therefore been restated to 26.788m.

Children's Services Agreement

The Council has also entered into a smaller Section 75 Agreement with the Integrated Care Board to jointly fund key services for its children.

Under this Agreement the Integrated Care Board has provided funds of £2.789m to the Council (£2.180m in 2023/2024) and the Council has provided funds of £0 to the Integrated Care Board (£0.525m in 2023/2024).

The services will be delivered largely by Together for Children Sunderland Ltd, the Council's wholly owned subsidiary created to focus specifically on Children's Services across the City.
A key initiative for Together for Children Sunderland Ltd is the development of an Integrated Children's Commissioning programme wherein partnership working, co-commissioning and co-production is central.

Notes to the Financial Statements

Note 30 – Members' Allowances and Expenses

The Council paid the following amounts to members of the Council during the year.

2023/2024 £'000		**2024/2025 £'000**
1,015	Allowances	**969**
1	Expenses	**1**
1,016	**Total**	**970**

Notes to the Financial Statements

Note 31 – Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Post Holder Information 2024/2025	Salary (Including Fees and Allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Senior Officer Emoluments exceeding £150,000 per year								
Chief Executive - Patrick Melia	**208,355**	**-**	**-**	**-**	**2,796**	**211,151**	**35,642**	**246,793**
Executive Director of City Development - Peter McIntyre	**165,170**	**-**	**-**	**-**	**3,237**	**168,407**	**27,202**	**195,609**
Executive Director of Public Health & Wellbeing - Gerry Taylor	**153,372**	**-**	**-**	**-**	**-**	**153,372**	**20,188**	**173,560**
Director of Children's Services - Jill Colbert (1)	**73,126**	**-**	**-**	**-**	**-**	**73,126**	**13,528**	**86,654**
Senior Officer Emoluments exceeding £50,000 but less than £150,000								
Director of Smart Cities and Enabling Services	**135,558**	**-**	**-**	**-**	**1,040**	**136,598**	**23,131**	**159,729**
Director of Finance	**135,288**	**-**	**-**	**-**	**-**	**135,288**	**25,028**	**160,316**
Director of Adult Services (2)	**134,373**	**-**	**-**	**-**	**1,720**	**136,093**	**22,972**	**159,065**
Director of Strategy and Corporate Affairs	**119,288**	**-**	**-**	**-**	**1,218**	**120,506**	**20,777**	**141,283**
Director of Environmental Services	**115,427**	**-**	**-**	**-**	**-**	**115,427**	**21,354**	**136,781**
Assistant Director of Law and Governance	**104,810**	**-**	**-**	**-**	**-**	**104,810**	**19,390**	**124,200**
Director of Children's Services (3)	**62,083**	**-**	**-**	**-**	**-**	**62,083**	**11,485**	**73,568**

(1) £69,324 has been recharged to Together for Children in respect of this position. This employee left the organisation in September 2024
(2) £77,836 has been recharged to Sunderland Care and Support in respect of this position.
(3) £58,855 has been recharged to Together for Children in respect of this position. This employee commenced in November 2024.

Notes to the Financial Statements

Note 31 – Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Post Holder Information 2023/2024	Salary (Including Fees and Allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Senior Officer Emoluments exceeding £150,000 per year								
Chief Executive - Patrick Melia	**203,273**	**-**	**-**	**-**	**3,443**	**206,716**	**34,018**	**240,734**
Executive Director of City Development - Peter McIntyre	**161,482**	**-**	**-**	**-**	**3,284**	**164,766**	**26,866**	**191,632**
Senior Officer Emoluments exceeding £50,000 but less than £150,000								
Executive Director of Health, Housing and Communities	**149,809**	**-**	**-**	**-**	**-**	**149,809**	**23,277**	**173,086**
Director of Children's Services (1)	**149,809**	**-**	**-**	**-**	**1,024**	**150,833**	**26,316**	**177,149**
Director of Adult Services (2)	**125,229**	**-**	**-**	**-**	**1,287**	**126,516**	**21,702**	**148,218**
Director of Finance	**126,051**	**-**	**-**	**-**	**-**	**126,051**	**23,320**	**149,371**
Director of Smart Cities and Enabling Services	**126,270**	**-**	**-**	**-**	**1,048**	**127,318**	**21,563**	**148,881**
Director of Strategy and Corporate Affairs	**111,643**	**-**	**-**	**-**	**1,218**	**112,861**	**19,363**	**132,224**
Director of Environmental Services	**106,743**	**-**	**-**	**-**	**-**	**106,743**	**19,747**	**126,490**
Assistant Director of Law and Governance	**102,254**	**-**	**-**	**-**	**-**	**102,254**	**18,917**	**121,171**

(1) £140,900 has been recharged to Together for Children in respect of this position.
(2) £68,565 has been recharged to Sunderland Care and Support in respect of this position.

Notes to the Financial Statements

Note 31 – Officers' Remuneration

The Council's employees (other than Senior Officers in preceding tables) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions but including termination payments) are shown below:

2023/2024		Remuneration	2024/2025	
Non-Teaching Staff	Teaching Staff		Non-Teaching Staff	Teaching Staff
92	33	£50,000 - £54,999	118	75
40	24	£55,000 - £59,999	71	21
32	15	£60,000 - £64,999 (1)	36	21
15	9	£65,000 - £69,999 (2)	18	13
6	10	£70,000 - £74,999	6	7
11	17	£75,000 - £79,999 (3)	5	10
5	3	£80,000 - £84,999 (4)	16	17
1	2	£85,000 - £89,999	1	3
6	1	£90,000 - £94,999	4	1
0	1	£95,000 - £99,999	2	1
4	0	£100,000 - £104,999	3	1
0	0	£105,000 - £109,999	1	1
3	0	£110,000 - £114,999	0	0
0	1	£115,000 - £119,999	2	0
1	0	£140,000 - £144,999	0	0

(1) One Officer in this band has been seconded to an external organisation in 2024/2025 and 67% of their cost has been recovered
(2) One officer in this band was seconded to an external organisation in 2023/2024 and 100% of their cost has been recovered
(3) One officer in this band was seconded to an external organisation in 2023/2024 and 50% of their costs have been recovered
(4) One officer in this band was seconded to an external organisation in 2023/2024 and 50% of their cost has been recovered
(4) Two officers in this band have been seconded to an external organisation in 2024/2025 and 50% of their cost has been recovered
(4) One officer in this band has been seconded to an external organisation in 2024/2025 and 30% of their cost has been recovered

Note 32 – External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and for non-audit services provided by the Council's external auditors.

2023/2024 £'000		**2024/2025 £'000**
365	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year (Forvis Mazars LLP)	**388**
18	Fees payable in respect of other services provided by Forvis Mazars LLP during the year	**25**
383	Total Costs	**413**

The table above represents fees agreed between the Council and PSAA, however, additional work on specific issues may subsequently be required.

Since the 2023/2024 Statement of Accounts were audited, an additional £0.016m has been incurred relating to 2023/2024 which has been included in the 2024/2025 fees payable to external auditors (£0.021m was incurred in 2023/2024 relating to 2022/2023). It is possible that additional costs will be incurred relating to 2024/2025.

Notes to the Financial Statements

Note 33 – Dedicated Schools' Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2022. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2024/2025 are as follows:

	Schools' Budget Funded by DSG		
	Central Expenditure	Individual Schools' Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2024/2025 before Academy and High Needs recoupment			295,126
Academy and High Needs figure recouped for 2024/2025			182,275
Total DSG after Academy and High Needs recoupment for 2024/2025			112,851
Plus: brought forward from 2023/2024			0
Less: carry forward to 2025/2026 agreed in advance			0
Agreed initial budgeted distribution in 2024/2025	68,112	44,739	112,851
In year adjustments	(18)	34	16
Final budgeted distribution in 2024/2025	**68,094**	**44,773**	**112,867**
Less: Actual central expenditure	75,073		75,073
Less: Actual ISB deployed to schools		44,773	44,773
In year carry forward to 2024/2025	**(6,979)**	**0**	**(6,979)**
Plus/Minus: Carry-forward to 2025/2026 agreed in advance			0
Carry-forward to 2025/2026			0
DSG unusable reserve at the end of 2023/2024			(9,070)
Addition to DSG unusable reserve at the end of 2024/2025			(6,979)
Total of DSG unusable reserve at the end of 2024/2025			(16,049)
Net DSG position at the end of 2024/2025			**(16,049)**

Note: Actual Individual Schools Budgets deployed to schools is reflected at the same level as the ISB budget distribution in line with DSG disclosure note guidance.

Notes to the Financial Statements

Details of the deployment of DSG receivable for 2023/2024 are as follows:

	Schools' Budget Funded by DSG		
	Central Expenditure	Individual Schools' Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2023/2024 before Academy and High Needs recoupment			268,581
Academy and High Needs figure recouped for 2023/2024			170,532
Total DSG after Academy and High Needs recoupment for 2023/2024			98,049
Plus: brought forward from 2022/2023			0
Less: carry forward to 2024/2025 agreed in advance			0
Agreed initial budgeted distribution in 2023/2024	55,657	42,392	98,049
In year adjustments	(99)	108	9
Final budgeted distribution in 2023/2024	**55,558**	**42,500**	**98,058**
Less: Actual central expenditure	60,201		60,201
Less: Actual ISB deployed to schools		42,500	42,500
In year carry forward to 2023/2024	**(4,643)**	**0**	**(4,643)**
Plus/Minus: Carry-forward to 2024/2025 agreed in advance			0
Carry-forward to 2024/2025			0
DSG unusable reserve at the end of 2022/2023			(4,427)
Addition to DSG unusable reserve at the end of 2023/2024			(4,643)
Total of DSG unusable reserve at the end of 2023/2024			(9,070)
Net DSG position at the end of 2023/2024			**(9,070)**

Notes to the Financial Statements

Note 34 – Grant Income

The Council has received a number of capital grants and contributions 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 provider.

The balances at the year-end are as follows:

31 March 2024 £'000	**Grant Receipts in Advance**	**31 March 2025 £'000**
	Revenue Grant Receipts in Advance	
(3,872)	Ministry of Housing, Communities and Local Government	**(1,230)**
(96)	Department of Health and Social Care	**(265)**
(21)	Department for Transport	**(65)**
(99)	Department for Education	**(60)**
0	North East Combined Authority	**(30)**
(60)	Home Office	**0**
(12)	Department for Environment Food and Rural Affairs	**0**
(298)	Other Revenue Grants and Contributions	**(66)**
(4,458)		**(1,716)**
	Capital Grant Receipts in Advance	
0	Section 106 Developer Contributions	**(22,215)**
(15,349)	Ministry of Housing, Communities and Local Government	**(8,509)**
(7,634)	Department for Education	**(7,795)**
(2,828)	Environment Agency	**(2,291)**
(4,444)	Department for Energy Security and Net Zero	**(1,576)**
(769)	Other Capital Grants and Contributions	**(300)**
(31,024)		**(42,686)**

The Council has credited grants, contributions, and donations of £183.294m (£135.541m in 2023/2024) to the Provision of Services in the Comprehensive Income and Expenditure Statement:

2023/2024 £'000	**Credited to Taxation and Non Specific Grant Income and Expenditure**	**2024/2025 £'000**
	Revenue Grants:	
(47,412)	Top Up Grant	**(49,598)**
(32,471)	Revenue Support Grant	**(34,622)**
(19,712)	Section 31 Business Rates Grant	**(25,223)**
(1,183)	New Homes Bonus	**(1,019)**
(720)	Business Rates Levy Surplus Distribution Grant	**(720)**
(3,473)	Services Grant	**(600)**
(14)	Local Services Support Grant	**(14)**
(104,985)		**(111,796)**
	Capital Grants, Contributions and Donations:	
(816)	Homes England	**(30,814)**
(16,375)	Ministry of Housing, Communities and Local Government	**(19,717)**
(9,378)	Department for Transport	**(11,557)**
(1,003)	Environment Agency	**(2,904)**
(2,198)	Department for Education	**(2,633)**
(786)	Other Capital Grants and Contributions	**(3,873)**
(30,556)		**(71,498)**
(135,541)		**(183,294)**

Notes to the Financial Statements

The Council has credited grants of £360.787m (£331.687m in 2023/2024) to the Cost of Services in the Comprehensive Income and Expenditure Statement:

2023/2024 £'000	**Revenue Grants Credited to Services:**	**2024/2025 £'000**
	Ministry of Housing, Communities and Local Government	
(29,337)	Social Care Grant	**(38,332)**
(18,684)	Improved Better Care Fund	**(18,684)**
(1,659)	UKSPF	**(9,323)**
(5,538)	PFI	**(5,538)**
(1,417)	Strengthening Families / Tackling Troubled Families	**(1,697)**
(704)	Homelessness Prevention Grant	**(992)**
(682)	Domestic Abuse Support Grant	**(695)**
(452)	Rough Sleeping Initative	**(461)**
(692)	Homes for Ukraine	**(419)**
(2,257)	Other Grants	**(547)**
	Department for Work and Pensions:	
(78,189)	Housing and Council Tax Benefit	**(75,158)**
(5,347)	Household Support Fund	**(5,347)**
(80)	Welfare Reform Additional Burdens	**(59)**
(607)	European Grants	**0**
	Department of Health and Social Care:	
(27,497)	Public Health Grant	**(29,768)**
(3,671)	Fair Cost of Care	**(6,859)**
(2,619)	Adult Social Care Discharge Grant	**(4,366)**
(225)	Local Reform and Community Voices	**(225)**
(2,384)	Market Sustainability Grant	**0**
	Department for Education	
(98,058)	Dedicated Schools Grant	**(112,867)**
(5,739)	Pupil Premium	**(5,769)**
0	Core Schools Budget	**(1,680)**
0	Teachers Pension Employer Contribution Grant	**(1,610)**
(717)	Short Breaks Innovation Fund	**(1,478)**
(1,495)	Adult Skills Fund	**(1,426)**
(916)	Teachers Pay Grant	**(1,355)**
(1,156)	Holiday Activities & Food Programme	**(1,288)**
(17)	Wraparound Childcare Programme	**(1,117)**
(1,369)	Family Hubs & Start for Life	**(1,114)**
(1,050)	Universal Free School Meals	**(1,026)**
0	Delivering Better Value in SEND	**(1,000)**
(1,463)	Fostering Recruitment and Retention	**(742)**
(657)	PE and Sport Grant	**(644)**
(524)	Multiply Grant	**(551)**
(147)	Supported Accomodation Reforms	**(481)**
(367)	Apprenticeship Credits	**(423)**
0	Early Years Budget Grant	**(345)**
(900)	Family Network Pilot	**(270)**
(164)	Adoption Support Fund	**(259)**
0	Virtual School Head Role	**(196)**
(686)	Recovery Premium	**(174)**
(3,125)	Other Grants	**(915)**
(2,821)	Home Office	**(3,941)**
(608)	Department for Transport	**(955)**
(997)	Youth Justice Board	**(789)**
(775)	Other Grants	**(1,212)**
(305,792)		**(342,097)**

2023/2024 £'000	Capital Grants Credited to Services:	2024/2025 £'000
	Grants applied to revenue expenditure funded from capital under statute:	
(10,295)	Ministry of Housing, Communities and Local Government	**(10,232)**
(2,253)	Department for Science, Innovation and Technology	**(3,660)**
799	Department for Energy Security and Net Zero	**(2,614)**
(10,720)	Homes England	**(673)**
(3,426)	Other Capital Grants	**(1,511)**
(25,895)		**(18,690)**

Note 35 – Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax and Housing Benefits). Grants received from government departments are set out in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2024/2025 is shown in Note 30. During 2024/2025, works and services to the value of £0.895m (£0.724m for 2023/2024) were commissioned from companies in which members had an interest. Contracts were entered into in full compliance with the Council's Constitution and standing orders. In addition, grants and contributions totalling £1.741m (£1.025m for 2023/2024) were paid to voluntary organisations.

The figures stated above do not include transactions with Sunderland Care and Support Ltd, Together for Children Sunderland Ltd or Siglion LLP as transactions between these companies and the Council have been separately identified as part of the production of Group Accounts for 2024/2025.

It should be noted that all Council members' pecuniary and non-financial interests which could conflict with those of the Council are open to public inspection as required by the Local Authority (Members' Interests) Regulation (SI 1992/618) laid under Section 19 of the Local Government and Housing Act 1989. The relevant members must therefore declare an interest (which is minuted) and they do not take part in any discussion or decision relating to the transactions concerned.

Officers

During 2024/2025 there were no Chief Officers who had a controlling interest in a company, partnership, trust or entity which is considered to have generated a related party transaction with the Council (£0.000m in 2023/2024).

The figures stated above do not include transactions with Sunderland Care and Support Ltd, Together for Children Sunderland Ltd or Siglion LLP as transactions between these companies and the Council have been separately identified as part of the production of Group Accounts for 2024/2025.

Other Public Bodies

The Council has entered into partnership arrangements with the Integrated Care Board for the provision of services to support reduced hospital admissions and length of stay and also to deliver key children's services. Transactions and balances outstanding are detailed in Note 29.

Subsidiaries and Joint Ventures Controlled or Significantly Influenced by the Council

The Council delivers some of its activities through a number of wholly owned subsidiaries and joint ventures. The Council prepares Group Accounts which consolidate the results and balances of the Council with these organisations in order to reflect the full extent of the Council's economic activity and financial position.

The Council's Group Accounts are presented after the single entity accounts.

Sunderland Care and Support (Holding Company) Ltd (subsidiary)

Sunderland Care and Support (Holding Company) Ltd with its subsidiary Sunderland Care and Support Ltd commenced trading on 1 December 2013 for the provision of Adult Social Care Services for the Council and was set up as a Local Authority Trading Company (LATC).

Sunderland Care and Support (Holding Company) Ltd is 100% owned by Sunderland City Council, with Sunderland Care and Support Ltd being owned fully by the Holding Company. Sunderland City Council contracts with Sunderland Care and Support (Holding Company) Ltd for the provision of Adult Social Care Services, the holding company then subcontracts to Sunderland Care and Support Ltd who deliver the following Adult Social Care Services:

- Assistive Technology Solutions, including a Telecare Response Service
- Community Equipment Services
- Home Improvement Agency (delivery of Disabled Facilities Grant funded works)
- Intermediate Care Hub (Single Point of Contact)
- Building Based Reablement Service
- Reablement at Home Service
- Planned Care and Support at Home Service
- Care and Support within Supported Living Accommodation
- Building Based Assessment Service
- Shared Lives Scheme
- Building Based Day Care
- Building Based Short Break Services
- Supported Employment Service
- Evening Opportunities
- Cash Drop Service

Both companies have a common board of directors appointed by Sunderland City Council (as the shareholder of the holding company).

The value of the contract for the period was £58.274m (£55.976m in 2023/2024), this included agency costs which were reimbursed to the Council by health partners of £9.381m (£9.607m in 2023/2024).

In addition to contract related activity, the following transactions have occurred between the Council and Sunderland Care and Support Ltd:

- Equipment and services were bought from Sunderland Care and Support Ltd of £0.125m (£0.119m in 2023/2024);
- Sunderland Care and Support Ltd bought back support services from the Council, totalling £1.777m (£1.640m in 2023/2024);
- Sunderland Care and Support Ltd also bought back other services including rent, other services and equipment purchases of £1.925m (£2.150m in 2023/2024);

At the year end, Sunderland Care and Support Ltd owed the Council £0.475m (£0.791m in 2023/2024) and the Council owed Sunderland Care and Support Ltd £2.611m (£2.271m in 2023/2024).

The operational loss attributable to this subsidiary for 2024/2025 was £1.209m (£5.750m operational loss in 2023/2024).

The Council has confirmed it remains committed to working with Sunderland Care and Support Ltd to ensure it remains a going concern.

Sunderland Care and Support's registered office is: City Hall, Plater Way, Sunderland, SR1 3AA.

Together for Children Sunderland Ltd (subsidiary)

Operational from 1 April 2017 as a company limited by guarantee, Together for Children Sunderland Ltd delivers Early Help, Social Care and Education services for children and aims to develop an effective and responsive service that makes a difference for children and families in Sunderland.

Whilst Together for Children Sunderland Ltd is a 100% council-owned company, the board of directors has day to day operational independence in respect of management of the company's business and operations.

The governance arrangements for the company are set out in the company's Articles of Association and its Scheme of Governance. A Service Contract details how Together for Children Sunderland Ltd will work with the Council to ensure the priorities and objectives specified within the contract are delivered, how decisions are made and how Together for Children Sunderland Ltd is held to account.

No assets or liabilities have been transferred to Together for Children Sunderland Ltd.

The initial value of the contract for the period was £86.022m, with the final contract value being £107.914m which includes £21.982m of grants received by the Council that have been included within the contract sum (£95.828m in 2023/2024).

In addition to contract related activity, the following transactions have occurred between the Council and Together for Children Sunderland Ltd:

- Grants received by the Council of £47.103m, which are not part of the contract, have been passed on to Together for Children Sunderland Ltd (£37.256m in 2023/2024). This excludes £20.037m which has been received by the Council and passed on to maintained schools via Together for Children Sunderland Ltd (£18.194m in 2023/2024);
- Partnership agreement funding received by the Council of £2.729m has been passed on to Together for Children Sunderland Ltd (£2.120m in 2023/2024). Together for Children Sunderland Ltd has paid partnership agreement funding to the Council of £0.000m (£0.525m in 2023/2024);
- Together for Children Sunderland Ltd bought back support, rent and other services from the Council, totalling £6.048m (£5.626m in 2023/2024), including agency costs of £0.202m relating to utility, telephone charges and purchase cards;
- Schools have bought services from Together for Children, totalling £1.271m (£1.286m in 2023/2024); and
- Council departments have bought services from Together for Children, totalling £1.539m (£1.859m in 2023/2024).

At the year end, Together for Children Sunderland Ltd owed the Council £5.227m (£1.292m in 2023/2024) and the Council owed Together for Children Sunderland Ltd £7.716m (£9.540m in 2023/2024).

The operational profit attributable to this subsidiary for 2024/2025 was £2.531m (£2.464m in 2023/2024).

The Council has confirmed it remains committed to working with Together for Children Sunderland Ltd to ensure it remains a going concern.

Together for Children Sunderland Ltd's registered office is: City Hall, Plater Way, Sunderland, SR1 3AA.

Siglion LLP (subsidiary)

The Council owns 100% of Siglion LLP whch has a wholly owned subsidiary (Siglion Nominee Limited). Siglion LLP and Siglion Nominee Limited formed two further LLPs. These are Siglion Investments LLP and Siglion Developments LLP.

The Council transferred a number of investment properties including ground leases, retail properties, industrial properties and managed workspaces, strategic asset management into Siglion. In consideration of this transaction, the Council received loan notes totalling £23.500m. These are split between Loan Note A (£5.000m) which is non-interest bearing and Loan Note B (£18.500m), which is interest bearing, with interest payable quarterly. The Council acquired Carillion (Maple Oak) Limited's member interest in March 2019 thus increasing its Loan Note A to £10.000m. Loan Note A is not anticipated to be repaid until Siglion is wound up. Loan Note B may be repaid and hence the value reduces over time as investment properties are disposed of. The current value of Loan Note B is £17.933m.

Siglion's primary purpose is to assist in the delivery of economic and regeneration benefits to Sunderland through its objectives of:

- improving the concentration of new economic activity in the city centre;
- creating a city centre that supports such higher value job creation;
- bringing dormant sites back into use;
- offering a wider choice of housing to the market; and
- positioning Sunderland as a place to invest.

A £3.100m distribution was received for the year ended 31 December 2024 (£3.000m for the year ended 31 December 2023).

In addition to the distribution, the following transactions have occurred between the Council and Siglion LLP:

- Loan interest was paid to the Council, totalling £0.717m (£0.719m in 2023/2024);
- Salary recharges totalling £0.590m were paid to the Council (£0.541m in 2023/2024);
- A Service Level Agreement (SLA) was paid to the Council, totalling £0.202m (£0.157m in 2023/2024);
- Services were bought from the Council, totalling £0.020m (£0.000m in 2023/2024);

Siglion's year end is 31 December. The information presented in the Council's accounts has therefore had to be restated to 31 March and includes three months of management accounts (January 2025 to March 2025).

At the year end, Siglion LLP owed the Council £0.111m (£0.474m in 2023/2024) and the Council owed Siglion LLP £2.817m (£9.121m in 2023/2024).

The operational loss attributable to this subsidiary for 2024/2025 was £3.578m (£8.366m operational profit in 2023/2024).

Siglion's registered office is: City Hall, Plater Way, Sunderland, SR1 3AA.

Sunderland Lifestyle Partnership Ltd (joint venture)

In June 2015 the Council entered into a joint venture partnership, known as Sunderland Lifestyle Partnership (SLP), with Sports and Leisure Management Ltd (SLM), who operate under the brand Everyone Active, to manage and operate the City's leisure facilities. SLM (as operator) have entered into sub-contracting arrangements with SLM Fitness and Health Limited, SLM Food and Beverage Ltd and SLM Community Leisure Charitable Trust in order to sub-contract specific elements of the service.

The joint venture is a private company limited by shares and is owned by the Council and SLM in equal shares (50:50) and is managed by a board of directors with an equal number of representatives from each party.

The purpose of the joint venture is to:

- oversee SLM's (as the operator) delivery of the operating contract;
- act as landlord of the leisure facilities;
- provide strategic direction to further develop sports and leisure facilities and opportunities in the city; and
- to set an annual business plan for the joint venture and monitor performance of SLM (as operator) against that plan.

The key objectives in forming this partnership are:

- to contribute to the better physical and mental health and wellbeing, skill development and levels of attainment of Sunderland's citizens through increased participation in physical activity, sport and leisure;
- to develop a sport and leisure service that is self-sustaining (that requires no subsidy beyond the short term);
- to provide universal access to high quality sport and leisure facilities;
- to support sporting excellence; and
- to identify and develop additional commercial opportunities which contribute to the achievement of any of the above objectives.

In recognition of cost of living pressures and increase in utilities on the trading and operating performance of the contractor, payments by the Council were made in 2024/2025 of £1.230m (£1.039m in 2023/2024). Financial support arrangements are also in place for 2025/2026 to deal with the financial implications arising during this year, thus ensuring that SLP has adequate resources to continue to trade, operate and meet its obligations.

The total operational loss attributable to this joint venture for 2024/2025 was £0.000m (£0.030m operational loss in 2023/2024).

In order to help the joint venture to fund initial capital works, both the Council and SLM have provided interest bearing loans to the joint venture (£2.000m and £0.700m respectively), and SLM has also provided a cash equity investment of £0.500m. The Council's loan is repayable over 20 years with the first principal repayment occurring during 2016/2017. The final principal repayment is payable during 2035/2036. £1.100m is outstanding at 31 March 2025 (£1.200m at 31 March 2024).

The draft accounts for Sunderland Lifestyle Partnership Ltd for 2024/2025 show a net profit before taxation of £0.030m and indicates that no dividend is proposed (net loss before taxation of £0.060m with no dividends for 2023/2024).

Sunderland Lifestyle Partnership's registered office is: Sunderland Aquatic and Wellness Centre, Stadium Park, Sunderland.

IAMP LLP (Joint Venture)

IAMP LLP was jointly established with South Tyneside Council in order to deliver the International Advanced Manufacturing Park to the north of Nissan. Both parties own 50% of the LLP.

Sunderland Council and South Tyneside Council participate as members of the LLP to (amongst other things) carry on the business of the joint acquisition, promotion, development and delivery of an International Advanced Manufacturing Park on the site which comprises land in South Tyneside and Sunderland, together with the provision of all necessary infrastructure required for the delivery of the site.

The total operational profit attributable to this joint venture for 2024/2025 was £0.010m (£0.003m operational profit in 2023/2024).

The draft accounts for IAMP LLP for 2024/2025 show a net profit before taxation of £0.271m and indicates that no dividend is proposed (net profit before taxation of £0.242m with no dividends for 2023/2024).

IAMP's registered office is: Town Hall And Civic Offices, Westoe Road, South Shields, NE33 2RL.

Other Entities Influenced by the Council

Newcastle Airport

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. On 4 May 2001, the seven local authority shareholders of NIAL (the "LA7") entered into a strategic partnership with Copenhagen Airports A/S for the latter to purchase a 49% share of Newcastle International Airport. This involved the creation of a new company, NIAL Holdings Limited, which is 51% owned by the LA7 and 49% owned by InfraBridge (previously known as AMP Capital Investors Limited) following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited (NALAHCL), a company wholly owned by the seven authorities. The NALAHCL has a called-up share capital of 10,000 shares with a nominal value of £1 each. The Council originally held a shareholding of 1,845 shares representing an 18.45% interest in this company.

On 16 November 2012, Copenhagen Airports A/S sold its 49% holding to AMP Capital Investors Ltd. At the same time an internal sale of shares also took place within the LA7 group. The Council as a result acquired an additional 42 shares and now holds an 18.87% interest in NALAHCL, valued at £24.180m (£16.508m in 2023/2024). These shares are not held for trading outside of the LA7.

The last full external valuation was at 31 March 2022. This was based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors.

Subsequent management reviews have considered earnings before interest, tax and depreciation (EBITDA) to assess whether any upward revaluation is required. This has resulted in an increase to the share value at 31 March 2025 of £7.672m.

Through its shares in NALAHCL the Council now has a revised effective shareholding of 9.62% in NIAL (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of NIAL (Registered Number 2077766) is the provision of landing services for both commercial and freight operators. No dividend was received for the year ended 31 December 2024 (nil for the year ended 31 December 2023).

Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012/2013, issuing £67.665m shareholder loan notes of which £14.263m is held by the Council at 31 March 2025, £14.575m loan note value less £0.312m expected credit loss (£14.575m less £0.324m at 31 March 2024). The loan notes will be repayable in 2032 with interest normally being received up to that date on a 6-monthly basis.

Due to major curtailments in the Airport's operations as a result of the Covid-19 pandemic, the Council agreed to modify the terms of these loans and allowed the Airport to defer interest repayments for three years (three years deferred in 2022/2023) with catch up payments to be made in instalments over a later period. Under the loan agreement the Council is entitled to compound interest for any late payments and this has been factored into the repayments the Airport will make. Interest payments resumed in 2023/2024 and catch-up payments commenced in the same year, which is earlier than previously forecast. The Council has looked at several observable factors regarding the robustness of the Airport's operations going forward resulting in a decrease in the expected lifetime loss provision of £0.012m (a decrease of £0.029m was made at 31 March 2024) in the event all repayments are not made or are further delayed at some point in the future.

Other than these loan notes there are no outstanding balances owed to or from NIAL at the end of the year.

NIAL Group Limited made a profit before tax of £10.515m and a profit after tax of £5.685m for the year ended 31 December 2024. In the previous year, the Group made a profit before tax of £10.245m and a profit after tax of £6.104m.

Notes to the Financial Statements

Other Relevant Information

The Council provides support services (including financial support services) to the following organisations:

Tyne and Wear Fire and Rescue Authority, Sunderland Empire Theatre Trust, Sunderland Care and Support Ltd, Together for Children Sunderland Ltd, Siglion LLP, a number of Academies, Voluntary Aided Schools, IAMP LLP and Pooled Budget arrangements with the Integrated Care Board.

Note 36 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2023/2024 £'000		**2024/2025 £'000**
689,692	Opening Capital Financing Requirement	**755,051**
33,504	Recognition and Derecognition of Leased Assets	**1,677**
417	Recognition and Derecognition of PFI Assets	**0**
0	Remeasurement of Leases	**6,180**
0	Remeasurement of PFI Assets	**21,565**
	Capital Investment	
105,019	Property, Plant and Equipment	**118,945**
1,248	Intangible Assets	**1,836**
146	Heritage Assets	**15**
31,425	Revenue Expenditure Funded from Capital under Statute	**27,897**
	Sources of Finance	
(1,131)	Capital Receipts	**(82)**
(59,432)	Government grants and other contributions	**(90,044)**
	Sums set aside from revenue	
(27,429)	Direct revenue contributions	**(16,185)**
(18,408)	MRP	**(21,036)**
755,051	Closing Capital Financing Requirement	**805,819**
	Explanation of movements in year	
(823)	(Decrease) in underlying need to borrow (supported by government financial assistance)	**(925)**
43,404	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance)	**33,036**
27,699	Increase / (decrease) in underlying need to borrow (finance leases)	**4,354**
(4,921)	Increase / (decrease) in underlying need to borrow (PFI contracts)	**14,303**
65,359	Increase / (decrease) in Capital Financing Requirement	**50,768**

Notes to the Financial Statements

Note 37 – Leases

The Council has adopted IFRS 16 Leases with effect from 1 April 2024, in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025.

Background

IFRS 16 replaces IAS 17 and removes the distinction between operating and finance leases for lessees. Under the new standard, the Council is required to recognise most leases on the balance sheet as a right-of-use (ROU) asset and a corresponding lease liability. Leases for items of low value and leases that expire on or before 31/03/2025 are exempt from the new arrangements.

Transition Approach

The Council has applied the modified retrospective approach, as permitted by the Code. Under this approach:

- Comparative figures have not been restated; and
- The cumulative effect of initial application has been recognised as an adjustment to the opening balance of the General Fund via the Capital Adjustment Account.

On transition to IFRS 16, the Council elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease.

The Council decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases previously classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Council's incremental borrowing rate. Right-of-use assets are measured at either

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Council's incremental borrowing rate at the date of initial application or;
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

For right-of-use assets for peppercorn or nominal lease payments a right-of use asset shall be recognised at fair value, with any gain, being the difference between that fair value and the lease liability, recognised as a donated asset as an adjustment to opening balances.

The Council used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Lease liabilities are measured at the present value of the remaining lease payments at 01/04/2024, discounted by the incremental borrowing rate.
- The weighted average of the incremental borrowing rates used to discount liabilities was 5.37%
- Right-of use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet – any initial direct costs have been excluded.

Leases previously classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 01/04/2024 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Reconciliation of Lease Commitments to Lease Liabilities

The table below reconciles the operating lease commitments previously disclosed under IAS 17 (at 31 March 2024) to the lease liabilities now recognised under IFRS 16 (at 1 April 2024):

	£'000
Operating lease commitments disclosed under IAS 17 (31 March 2024)	**467**
Adjustments for lease term reassessments	**1,054**
Discounting using the incremental borrowing rate	**(481)**
Short-term and low-value leases	**(1)**
Lease liabilities recognised at 1 April 2024	**1,039**

a) Council as Lessee

The Council has acquired a number of administrative buildings and vehicles under lease contracts.

Right-of-use assets

This table shows the change in the value of right-of-use assets held under leases by the Council:

	31 March 2025 £'000
Cost or Valuation:	
At 1 April	**84,162**
Opening balance adjustment in respect of Remeasurements of Lease Liabilities	**6,179**
Additions	**1,317**
Donated Assets	**360**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	**719**
Revaluation increases / (decreases) recognised in the Provision of Services	**(13,161)**
At 31 March	**79,576**
Accumulated Depreciation:	
At 1 April	**5,207**
Depreciation charge	**2,478**
Depreciation written out to the Revaluation Reserve	**(108)**
Depreciation written out to the Provision of Services	**(3,030)**
At 31 March	**4,547**
Net Book Value:	
At 1 April	**78,955**
At 31 March	**75,029**

The material balance of the transactions above relate to Land and Buildings. A small element relates to Vehicles, Plant and Equipment.

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

	31 March 2025 £'000
Comprehensive Income and Expenditure Statement	
Interest expense on lease liabilities	**2,727**
Expense relating to short-term and exempt leases of low-value items	**1**
Income from subletting Right of Use Assets	**(2,661)**
Cash Flow Statement	
Minimum lease payments	**3,143**

Maturity analysis of leases

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payment):

31 March 2024 £'000		31 March 2025 £'000
	Finance Lease Liabilities (net present value of minimum lease payments)	
3,100	Not later than one year	**3,146**
11,115	Later than one year and not later than five years	**10,837**
88,938	Later than five years	**92,893**
45,649	Finance costs payable in future years	**47,870**
148,802	Minimum lease payments	**154,746**

The Council has sub-let some of the assets held under these finance leases. At 31 March 2025 the minimum payments expected to be received under non-cancellable sub-leases was £32.112m (£8.474m at 31 March 2024).

b) Council as Lessor

The Council leases out under operating leases for the following purposes:

- for the provision of community services; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The assets which the Council leases out are carried as Property, Plant and Equipment and Right-of-Use Assets in the Balance Sheet, and all relate to Land and Buildings. The Council experienced the following changes in the carrying amount of assets leased out:

31 March 2024 £'000		31 March 2025 £'000
	Cost or Valuation:	
85,160	At 1 April	**86,035**
0	Assets reclassified as leased-out assets	**51,123**
8,557	Additions	**1,574**
952	Revaluation increases / (decreases) recognised in the Revaluation Reserve	**565**
(8,600)	Revaluation increases / (decreases) recognised in the Provision of Services	**(4,951)**
(34)	Disposals / reclassification to other asset category	**(91)**
0	Remeasurements of Lease Liabilities	**1,460**
86,035	**At 31 March**	**135,715**
	Accumulated Depreciation:	
2,550	At 1 April	**3,451**
0	Assets reclassified as leased-out assets	**968**
3,034	Depreciation charge	**4,024**
(1,372)	Depreciation written out to the Revaluation Reserve	**(1,590)**
(760)	Depreciation written out to the Provision of Services	**(2,420)**
(1)	Disposals	**0**
3,451	**At 31 March**	**4,433**
	Net Book Value:	
82,610	At 1 April	**82,584**
82,584	**At 31 March**	**131,282**

Maturity analysis of lease receivables

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

31 March 2024 £'000		31 March 2025 £'000
9,994	Not later than one year	**8,596**
20,340	Later than one year but not later than five years	**13,910**
94,061	Later than five years	**85,702**
124,395		**108,208**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 38 – Private Finance Initiatives and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the PFI contracts on its Balance Sheet as Right of Use Assets. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operator each year are analysed into the following elements:

- fair value of the services received during the year;
- finance cost;
- contingent rent;
- payment towards liability; and
- lifecycle replacement costs.

Current PFI Schemes

- Sandhill View

  The Council entered into Sandhill PFI Contract in September 2001 and the Sandhill View Academy and Community Learning Centre subsequently became operational as a multi community use facility in September 2002. The Council receives annual grant of £1.549m towards the cost of this 25-year scheme. Sandhill View school transferred to Academy status on 1 July 2015 and part of the asset operated by the Academy on a long-term lease transferred from the Council's Balance Sheet. The Council still retains the overall liability to the PFI contractor to pay the unitary charge for the entire facility with the cost relating to the school being subsequently recovered from the Academy.

- Replacement Street Lighting and Highway Signs

  The Council entered into a PFI contract, on 12 August 2003, to provide replacement street lighting and highway signs, this includes ongoing maintenance, over a period of 25 years. The contract began on 1 September 2003 and will end 31 August 2028. The Council receives annual grant of £2.185m towards the cost of this scheme.
- Waste Management Partnership

  The South Tyne and Wear Waste Management Partnership was established to enable the three partner authorities (Gateshead, Sunderland and South Tyneside Councils) to jointly procure a service for the treatment and disposal of residual municipal waste. In April 2014, a 25-year Energy from Waste facility became operational under a PFI contract, led by Gateshead Council. The Council receives annual grant of £1.805m towards the cost of this scheme.

PFI Property, Plant and Equipment

The assets used to provide services under these PFI schemes are recognised on the Council's Balance Sheet as Property, Plant and Equipment. Movements in their value over the year are detailed below (also included in Note 15):

2023/2024				2024/2025		
Sandhill View £'000	Street Lighting £'000	Waste Partnershi £'000		**Sandhill View £'000**	**Street Lighting £'000**	**Waste Partnership £'000**
			Cost or Valuation:			
1,712	36,975	54,878	At 1 April	**1,591**	**37,392**	**55,538**
0	0	0	Opening balance adjustment in respect of Remeasurements of Lease Liabilities	**6,009**	**3,102**	**12,454**
0	417	0	Additions	**0**	**0**	**0**
(121)	0	660	Revaluation increases / (decreases) recognised in the Revaluation Reserve	**(19)**	**0**	**(13,222)**
0	0	0	Revaluation increases / (decreases) recognised in the Provision of Services	**(5,592)**	**0**	**0**
1,591	37,392	55,538	**At 31 March**	**1,989**	**40,494**	**54,770**
			Accumulated Depreciation:			
93	22,218	3,118	At 1 April	**0**	**23,716**	**0**
47	1,498	3,118	Depreciation charge	**47**	**1,473**	**3,118**
(140)	0	(6,236)	Depreciation written out to the Revaluation Reserve	**0**	**0**	**(3,118)**
0	0	0	Depreciation written out to the Provision of Services	**(47)**	**0**	**0**
0	23,716	0	**At 31 March**	**0**	**25,189**	**0**
			Net Book Value:			
1,619	14,757	51,760	At 1 April	**1,591**	**13,676**	**55,538**
1,591	13,676	55,538	**At 31 March**	**1,989**	**15,305**	**54,770**

Payments

The following transactions were processed during 2023/2024 and 2024/2025:

2023/2024				2024/2025		
Sandhill View £'000	Street Lighting £'000	Waste Partnership £'000		**Sandhill View £'000**	**Street Lighting £'000**	**Waste Partnership £'000**
1,873	3,811	5,540	Provision of Services	**1,902**	**4,010**	**5,205**
0	528	1,827	Lifecycle costs	**0**	**151**	**1,827**
852	1,690	2,268	Repayment of Capital	**2,091**	**2,075**	**2,945**
390	855	810	Interest	**900**	**1,026**	**1,012**
650	27	544	Contingent rent	**0**	**0**	**0**
3,765	6,911	10,989	Total payment	**4,893**	**7,262**	**10,989**
(1,549)	(2,185)	(1,805)	PFI grant receivable	**(1,549)**	**(2,185)**	**(1,805)**
2,216	4,726	9,184	Net payment	**3,344**	**5,077**	**9,184**

From 1 April 2024 PFI schemes are now accounted in accordance with IFRS 16 Leases. Under IFRS 16, where indexation (or other changes in a rate) affects future lease payments, the lease liability

requires to be remeasured. Instead of expensing the increased payment (Contingent Rent), the net present value of future payments that comprise the liability is recalculated based on the revised level of payments. Therefore there are no Contingent rent payments in 2024/2025.

Future Payments

The unitary charge payments are subject to annual indexation in line with inflation and can be reduced if the contractor fails to meet prescribed availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the three PFI contracts at 31 March 2025 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Payment for Services £'000	Repayment of Liability £'000	Lifecycle costs £'000	Interest £'000	Total £'000
Payable in 2025/2026	11,117	7,539	1,977	2,510	23,143
Payable within 2 to 5 years	36,655	25,797	7,758	5,315	75,525
Payable within 6 to 10 years	26,025	17,242	9,133	2,542	54,941
Payable within 11 to 15 years	20,820	15,070	7,306	757	43,953
Total	94,616	65,648	26,174	11,124	197,562

Although the payments made to each 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.

Outstanding Liability

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

2023/2024 £'000		**2024/2025 £'000**
56,003	Balance outstanding at the start of the year	**51,193**
0	Additions	**0**
0	Remeasurements of Lease Liabilities	**21,566**
(4,810)	Repayment of capital	**(7,111)**
51,193	Balance outstanding at the year end	**65,648**

Significant contractual information – terms of the arrangement

- Sandhill View

  Refinancing gains: should the PFI Contractor choose to refinance the contract, the Council would be entitled to a share of any savings arising of between 25% and 50% depending upon the value. The Council is required to provide consent where any proposed refinancing increases Senior Debt to more than 110% of Senior Debt shown in the Financial Model at the date of the proposed refinancing.

  Market testing: every five years the contractor is required to carry out a Facilities Management (FM) benchmarking process to establish the revised price in respect of each FM service on an open book basis.

- Replacement Street Lighting and Highway Signs

  Refinancing gains: should the contractor choose to refinance its debts (subject to the Council's prior written consent), the Council would be entitled receive a 50% share of any Refinancing Gain arising from a Qualifying Refinancing.

Market testing: The electricity contract is subject to market testing every two years. Market testing is the responsibility of the contractor. Following each market test, the unitary payment is adjusted to reflect the up to date electricity costs.

- Waste Management Partnership

  Refinancing gains: should the contractor choose to refinance its debts (subject to the Councils' consent), the Councils would be entitled to a share of any gains of between 50%-70% depending upon the value.

  Market testing: from service commencement, air pollution control residue (APCR) disposal and haulage costs are subject to market testing and benchmarking exercise every five years and the unitary charge must be adjusted accordingly.

Significant contractual information – rights to use specified assets

- Sandhill View

  The Council (and the Academy) has the priority right to use the facility during the core hours as specified in the contract (up to maximum annual usage levels).

- Replacement Street Lighting and Highway Signs

  The Council as the highway authority is the principal beneficiary of the services and assets.

- Waste Management Partnership

  The Council has full rights to use the asset within the Contract for the treatment of residual municipal waste up to the maximum tonnage level set out within the Contract. An additional fee is payable to the contractor for the use of the Waste Transfer Station or the Education and Visitor Centre outside normal operating hours.

Significant contractual information – rights to expect provision of services

- Sandhill View

  The Council has rights to expect the provision of the services in accordance with the terms and conditions of the contract for a 25-year period up to 2027.

- Replacement Street Lighting and Highway Signs

  The Council has rights to expect the provision of the services in accordance with the terms and conditions of the contract for a 25-year period up to 2028.

- Waste Management Partnership

  The Council has rights to expect the provision of residual waste treatment services for the duration of the contract.

Significant contractual information – rights to receive specified assets at the end of the concession period

- Sandhill View

  The PFI contractor holds a head lease over the land and buildings for the duration of this agreement. The Council (and in turn the Academy) each hold an underlease over the relevant parts of the site from which they each occupy/operate.

  At the end of the contract the PFI Contractor's head-lease will terminate and at this point the Academy will be granted a new head lease for the entire site for the remainder of the 125-year Academy lease term. The Council will simultaneously take an underlease back from the Academy for the office, library and crèche areas.

- Replacement Street Lighting and Highway Signs

  The Council retains title in all pre-existing apparatus. Title in new, accrued and additional apparatus passes to the Council during the PFI upon acceptance under the terms set out in the contract.

- Waste Management Partnership

  The Energy from Waste facility and waste transfer station is under the operational control of the contractor during the contract. The Council retains legal title to the land relating to its Waste Transfer Station and the asset will revert to the Council at the end of the contract period.

  The Energy from Waste facility is constructed on land owned by the contractor. At the end of the contract there are a number of options around the asset whereby the agreement could be extended, or the asset would revert to the councils to operate along with a lease of the underlying land.

Significant contractual information – renewal and termination options

- Sandhill View

  The contract expires in September 2027. The Council has the right to terminate the contract early for contractor default (subject to the funder's step-in rights) or for convenience (i.e. no contractor default but subject to an early termination payment).

- Replacement Street Lighting and Highway Signs

  The contract expires in August 2028. The Council has the right to terminate the contract early for contractor default (subject to the funder's step-in rights) or for convenience (i.e. no contractor default but subject to an early termination payment).

- Waste Management Partnership

  The contract expires in April 2039. The councils can exercise an option to extend for a period of 5 years beyond the contractual expiry date. It allows the councils to terminate the contract with 20 business days' notice or either party to terminate on the other party's default or in the event of a force majeure (for example, natural disaster). There are provisions within the contract allowing for compensation to be paid by the defaulting party to the other in the event of termination.

Note 39 – Impairment Losses

An impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount. Examples of events or circumstances that indicate an impairment may have incurred include:

- A significant decline in an asset's carrying amount during the period; and
- Evidence of obsolescence or physical damage of an asset.

During 2024/2025 the Council recognised no impairment losses (£0.00m in 2023/2024).

Notes to the Financial Statements

Note 40 – Termination Benefits

All costs relating to workforce planning are reflected within the Cost of Service on the Comprehensive Income and Expenditure Statement; however, it should be noted that this also includes technical accounting adjustments required by Accounting Standards with regard to past service pension costs.

The Council terminated the contracts of a number of employees in 2024/2025, incurring liabilities of £0.468m (£0.935m in 2023/2024). All exit packages with the total cost per band and the total cost of these packages are set out in the tables below:

2024/2025 Exit Packages:

Exit package cost band £'000	Number of agreed departures (Non-Schools)	Cost of Exit Packages in each band (Non-Schools)			Number of agreed departures (Schools)	Cost of Exit Packages in each band (Schools)			Total Cost of Exit Packages in each band		
		Employee Costs £'000	Pension Costs £'000	Total Cost £'000		Employee Costs £'000	Pension Costs £'000	Total Cost £'000	Employee Costs £'000	Pension Costs £'000	Total Cost £'000
Compulsory											
0 - 20	24	119	3	122	11	23	0	23	142	3	145
20 - 40	1	30	0	30	0	0	0	0	30	0	30
	25	149	3	152	11	23	0	23	172	3	175
Voluntary											
0 - 20	6	38	0	38	4	35	0	35	73	0	73
20 - 40	1	36	0	36	2	14	45	59	50	45	95
100 - 150	1	35	90	125	0	0	0	0	35	90	125
	8	109	90	199	6	49	45	94	158	135	293
Total	33	258	93	351	17	72	45	117	330	138	468

Exit costs payable to the employee are treated as remuneration and are included in Note 31 Officers' Remuneration for those staff whose remuneration exceeds £50,000.

Notes to the Financial Statements

Note 40 – Termination Benefits

2023/2024 Exit Packages:

Exit package cost band £'000	Number of agreed departures (Non-Schools)	Cost of Exit Packages in each band (Non-Schools)			Number of agreed departures (Schools)	Cost of Exit Packages in each band (Schools)			Total Cost of Exit Packages in each band		
		Employee Costs £'000	Pension Costs £'000	Total Cost £'000		Employee Costs £'000	Pension Costs £'000	Total Cost £'000	Employee Costs £'000	Pension Costs £'000	Total Cost £'000
Compulsory											
0 - 20	20	94	0	94	17	94	0	94	188	0	188
20 - 40	1	27	0	27	0	0	0	0	27	0	27
40 - 60	2	59	42	101	0	0	0	0	59	42	101
80 - 100	1	20	67	87	0	0	0	0	20	67	87
100 - 150	1	23	84	107	0	0	0	0	23	84	107
150 - 200	1	27	144	171	0	0	0	0	27	144	171
	26	250	337	587	17	94	0	94	344	337	681
Voluntary											
0 - 20	5	38	0	38	7	56	0	56	94	0	94
20 - 40	2	57	0	57	0	0	0	0	57	0	57
100 - 150	1	26	77	103	0	0	0	0	26	77	103
	8	121	77	198	7	56	0	56	177	77	254
Total	34	371	414	785	24	150	0	150	521	414	935

Exit costs payable to the employee are treated as remuneration and are included in Note 31 Officers' Remuneration for those staff whose remuneration exceeds £50,000.

Notes to the Financial Statements

Note 41 – Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the Scheme with enough reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teacher's Pension Scheme, the Council's own contributions equated to approximately 75.5% for 2024/2025 (71.8% for 2023/2024).

In 2024/2025, the Council paid £7.088m to Teachers' Pensions in respect of teachers' retirement benefits, representing 28.7% of pensionable pay. The figures for 2023/2024 were £5.603m and 23.7%. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £7.330m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42.

The Council is not liable to the scheme for any other entities' obligations.

NHS Staff Pension Scheme

During 2013/2014, a number of Public Health functions transferred from the NHS to the Council. The staff who transferred to the Council maintained their membership in the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the cost of these benefits by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the scheme with enough reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contribution into the NHS Pension Scheme for staff employed by the Council, the Council's own contributions equated to approximately 62.0% for 2024/2025 (60.0% for 2023/2024).

In 2024/2025, the Council paid £0.162m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 19.5% of pensionable pay. The figures for 2023/2024 were £0.169m and 16.9%. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £0.152m

No additional benefits have been awarded upon early retirement outside of the terms of the NHS scheme and the Council is not liable to the scheme for any other entities' obligations.

Notes to the Financial Statements

Note 42 – Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two types of post-employment schemes:

- the Local Government Pension Scheme, administered locally by South Tyneside Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets; and
- arrangements for the award of discretionary post-retirement benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash must be generated to meet actual pension payments as they eventually fall due. These arrangements apply to both the Local Government Pension Scheme and the Teachers' Pension Scheme.

The Tyne and Wear pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of South Tyneside Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-Retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council 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 that is 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.

Following legal rulings relating to the Guaranteed Minimum Payment (GMP), the accounts include an allowance for full increases on GMP pensions for individuals reaching state pension age on or after 6 April 2016. This assumes that the Government will legislate to continue with interim arrangements which are currently in place. Additional details can be found in Note 3, Critical judgements in applying accounting policies.

In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees. The ruling related to the validity of pension scheme rule amendments where they were not supported by the correct actuarial confirmation. On appeal, the Court of Appeal upheld the decision of the High Court. At 31 March 2025, the impact of the case and its applicability to the LGPS was too uncertain to recognise. In September 2025 the Government amended the Pension Schemes Bill to allow actuarial confirmation to be obtained retrospectively. The position will continue to be monitored. Additional details can be found in Note 3, Critical judgements in applying accounting policies.

Notes to the Financial Statements

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2023/2024 £m	**2024/2025 £m**	2023/2024 £m	**2024/2025 £m**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
Current service cost	17.74	**19.52**	0.00	**0.00**
Past service costs	0.39	**0.00**	0.00	**0.00**
Financing and Investment Income and Expenditure:				
Net interest expense	(2.03)	**(3.73)**	1.06	**0.96**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	16.10	**15.79**	1.06	**0.96**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(41.57)	**32.12**	0.00	**0.00**
Actuarial (gains) and losses arising on changes in demographic assumptions	(21.29)	**(8.85)**	(0.63)	**(0.13)**
Actuarial (gains) and losses arising on changes in financial assumptions	(40.38)	**(197.18)**	(0.25)	**(1.23)**
Actuarial (gains) and losses arising from liability experience	12.73	**(1.21)**	(0.39)	**0.04**
Surplus not recognised	57.71	**304.44**	0.00	**0.00**
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(16.70)	**145.11**	(0.21)	**(0.36)**
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	(0.10)	**(3.45)**	(1.42)	**(1.51)**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	16.20	**19.24**	2.48	**2.47**
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	16.10	**15.79**	1.06	**0.96**

Notes to the Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance Sheet in respect of the Council's defined benefit plans are as follows:

	31 March 2024 £m	**31 March 2025 £m**
Net Assets		
Local Government Pension Scheme (funded and discretionary benefits)	50.62	0.00
	50.62	**0.00**
Net Liabilities		
Local Government Pension Scheme (funded and discretionary benefits)	0.00	(15.22)
Teachers Pension Scheme (discretionary benefits)	(3.52)	(3.01)
	(3.52)	**(18.23)**

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	31 March 2024 £m	**31 March 2025 £m**	31 March 2024 £m	**31 March 2025 £m**
Present value of the defined benefit obligation	1,312.42	**1,134.79**	21.06	**18.23**
Fair value of plan assets	1,438.29	**1,439.23**	0.00	**0.00**
Sub-total	125.87	**304.44**	(21.06)	**(18.23)**
Surplus not recognised	(57.71)	**(304.44)**	0.00	**0.00**
Net (liability) / asset arising from defined benefit obligation	68.16	**0.00**	(21.06)	**(18.23)**

Pensions Net (Liability) / Asset

Following the pensions triennial valuation, the Council's actuary determined that, for funded benefits, the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2023. 2022/2023 was the first year that the Council's net position was determined to be an asset rather than an obligation.

IAS19 requires that the asset is measured as the lower of the surplus in the defined benefit plan and the asset ceiling, the asset ceiling being calculated as the net present value of future service costs less the net present value of future contributions. Although pension assets exceed the pension obligation at 31 March 2025, the asset ceiling has been calculated as nil, therefore, none of the actuarial surplus can been recognised.

Although it cannot be recognised in the Accounts for 2024/2025, if the position remains favourable, it may result in reduced pension contributions in the future.

The liability of the discretionary (unfunded) pensions obligation shows the underlying commitment by the Council to pay future retirement benefits. Statutory regulations for funding the deficit means that the deficit will be made good by increased contributions as assessed by the scheme actuary.

Reconciliation of the effect of the Asset Ceiling

	31 March 2024 £m	**31 March 2025 £m**
Effect of asset ceiling at 1 April	0.000	**(57.710)**
Interest on the effect of the asset ceiling	0.000	**(2.770)**
Change in the effect of the asset ceiling	(57.710)	**(246.730)**
Effect of asset ceiling at 31 March	(57.710)	**(307.210)**

Notes to the Financial Statements

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2023/2024 £m	**2024/2025 £m**	2023/2024 £m	**2024/2025 £m**
Opening fair value of scheme assets	1,367.47	**1,438.29**	0.00	**0.00**
Interest income	63.48	**65.51**	0.00	**0.00**
Remeasurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	41.57	**(32.12)**	0.00	**0.00**
Net increase in liabilities arising from disposals	0.00	**0.00**	0.00	**0.00**
Contributions from employer	16.20	**19.24**	2.48	**2.47**
Contributions from employees into the scheme	5.51	**6.69**	0.00	**0.00**
Benefits paid	(55.94)	**(58.38)**	(2.48)	**(2.47)**
Closing balance at 31 March	1,438.29	**1,439.23**	0.00	**0.00**

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefit Arrangements	
	2023/2024 £m	**2024/2025 £m**	2023/2024 £m	**2024/2025 £m**
Opening balance at 1 April	1,332.21	**1,312.42**	23.75	**21.06**
Current service cost	17.74	**19.52**	0.00	**0.00**
Interest cost	61.45	**61.78**	1.06	**0.96**
Contributions from scheme participants	5.51	**6.69**	0.00	**0.00**
Remeasurement (gains) and losses:				
Actuarial (gains)/losses arising from changes in demographic assumptions	(21.29)	**(8.85)**	(0.63)	**(0.13)**
Actuarial (gains)/losses arising from changes in financial assumptions	(40.38)	**(197.18)**	(0.25)	**(1.23)**
Actuarial (gains)/losses arising from liability experience	12.73	**(1.21)**	(0.39)	**0.04**
Net increase in liabilities arising from disposals	0.00	**0.00**	0.00	**0.00**
Past service costs (including curtailments)	0.39	**0.00**	0.00	**0.00**
Benefits paid	(55.94)	**(58.38)**	(2.48)	**(2.47)**
Closing balance at 31 March	1,312.42	**1,134.79**	21.06	**18.23**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets					
	31 March 2024			**31 March 2025**		
	Quoted %	Unquoted %	Total %	**Quoted %**	**Unquoted %**	**Total %**
Equities	39.5	11.1	50.6	**36.3**	**11.8**	**48.1**
Property	0.0	10.4	10.4	**0.0**	**11.1**	**11.1**
Government Bonds	1.3	0.0	1.3	**1.1**	**0.0**	**1.1**
Corporate Bonds	19.5	0.0	19.5	**18.1**	**0.0**	**18.1**
Multi Asset Credit	4.6	0.0	4.6	**4.5**	**0.0**	**4.5**
Cash	0.7	0.0	0.7	**1.8**	**0.0**	**1.8**
Other	0	12.9	12.9	**0**	**15.3**	**15.3**
Total assets	65.6	34.4	100.0	**61.8**	**38.2**	**100.0**

Basis for Estimating Assets and Liabilities

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 dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefit liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries. Estimates for the Council fund have been based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2023/2024	**2024/2025**	2023/2024	**2024/2025**
Mortality assumptions:				
Longevity at 65 for current pensioners				
Males	21.0 years	**20.9 years**	21.0 years	**20.9 years**
Females	24.2 years	**24.1 years**	24.2 years	**24.1 years**
Longevity at 65 for future pensioners				
Males	22.3 years	**21.8 years**	n/a	**n/a**
Females	25.6 years	**25.2 years**	n/a	**n/a**
CPI	2.6%	**2.5%**	2.6%	**2.5%**
Rate of increase in salaries	4.1%	**4.0%**	n/a	**n/a**
Pension account revaluation rate	2.6%	**2.5%**	n/a	**n/a**
Rate of increase in pensions	2.6%	**2.5%**	2.6%	**2.5%**
Rate for discounting scheme liabilities	4.8%	**5.8%**	4.8%	**5.8%**
Long-term expected rate of return on assets in the scheme	4.8%	**5.8%**	n/a	**n/a**

Under IAS19 the long-term expected rate of return on assets is assumed to be the same as the discount rate.

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. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analyses 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 analyses below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £m	Decrease in Assumption £m
Longevity (increase or decrease in 1 year)	**24.97**	**24.97**
Rate of increase in salaries (increase or decrease by 0.1%)	**1.13**	**1.13**
Rate of increase in pensions (increase or decrease by 0.1%)	**14.75**	**13.62**
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	**15.89**	**15.89**

Impact on the Council's Cash Flows

The Council anticipates making £19.81m of contributions to the scheme in 2025/2026.

The weighted average duration of the defined benefit obligation for scheme members is 13.7 years in 2024/2025 (15.5 years in 2023/2024).

Notes to the Financial Statements

Note 43 – Contingent Liabilities

The Environment Agency previously confirmed that they regarded the Council as one of a number of named organisations that are potential contributors to the costs of remediation of contaminated land at Halliwell Banks in Sunderland. The basis for including the Council in the list of "Appropriate Persons" was the fact that, historically, disposal of domestic waste on the site had been undertaken by two of its predecessor authorities, namely Sunderland Rural District Council (RDC) and Sunderland County Borough, with the Council being held liable for the activities of its predecessors. The cost of the remediation works, which could be significant depending upon the level of remediation required, and the respective parties' share of such costs has not, to date, been capable of being accurately quantified. Considering recent case law, the Council's position is that it should no longer be regarded as being liable in law for the waste disposal activities of Sunderland RDC and Sunderland County Borough. Discussions are ongoing with the Environment Agency in this regard.

In November 2021 a diesel fuel tank at the South Hylton Depot failed and approximately 10,000L of Diesel escaped. Close liaison has been undertaken with the Environment Agency with regard to remedial action. Whilst no proceedings have been issued against the Council there remains the risk, until the remediation work is complete, that the Environment Agency may impose a fine. At this current stage the total cost and timing of any potential payments is uncertain.

The Council and two of its fully owned subsidiaries have received a number of employment tribunal claims from staff who are seeking financial redress in relation to periods where unequal pay is alleged to have been applied. The Council and the subsidiaries are defending these claims. The outcome and the timing of any outcome of these claims is unknown and as such these claims cannot be assessed or quantified at this time and therefore have been disclosed as a contingent liability in the Council's and the subsidiaries' accounts.

Note 44 – Contingent Assets

Section 106 Agreements

Under Section 106 of the Town and Country Planning Act 1990, developers make financial contributions to the Council relating to affordable housing, public open spaces including allotments and locally equipped play parks, educational facilities, highways and public transport improvements, sports and recreational facilities and environmental improvements.

The Council has several large agreements in place with probable future contributions of £10.191m as well as numerous smaller agreements with various developers. However, the timing of contributions is uncertain as these are only payable to the Council when certain trigger points are met at the respective developments.

Note 45 - Nature and Extent of Risk Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, including:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- refinancing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

Credit Risk Management Practices

The Council 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 is available on the Council's website at: Annual Investment Strategy.

Deposits are not made with financial institutions unless they meet identified minimum credit criteria, issued by Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also specifies a maximum sum to be invested and time limits with a financial institution, with further consideration given to the country, sector and group limits.

It is the Council's policy to only place deposits with a limited number of high-quality banks, building societies and money market funds that are on the Council's Approved Lending List. The counterparty criteria and associated investment limits for the financial year are set out in the table below, taking account of the credit ratings issued by all three credit rating agencies:

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

In addition to the criteria identified above, 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, then 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, considering 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 Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £71.176m 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 the Council's deposits, but there was no evidence at 31 March 2025 that a default was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any loss from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for local taxation (Council Tax and Business Rates). The amount due but not impaired for local taxation can be analysed by age as follows:

31 March 2024 £'000		**31 March 2025 £'000**
5,187	Less than three months	**4,376**
2,503	Three to six months	**1,815**
4,981	Six months to one year	**6,481**
22,310	More than one year	**24,531**
34,981		**37,203**

The Council however does allow credit for customers of up to 28 days. Unpaid invoices at 31st March 2025 total £36.550m, which includes £19.086m which is not yet overdue. The amount relating to customers can be analysed by age as follows:

31 March 2024 £'000		**31 March 2025 £'000**
14,388	Not yet overdue	**19,086**
9,804	Less than three months	**8,115**
2,379	Three to six months	**1,733**
2,994	Six months to one year	**2,704**
4,280	More than one year	**4,912**
33,845		**36,550**

The Council recognises the need to impair any debt assessed as overdue on a scaled approach, based on past experience and current market conditions. In addition, due to current economic conditions, the Council has also provided an additional small impairment allowance for all debt raised but not yet due.

The impairment relating to customers in 2024/2025 was £6.546m (£5.727m in 2023/2024).

In addition, the Council has also impaired the non-contractual debt which it holds relating to Housing Benefits, Council Tax and Business Rates.

The Council's overall impairment of doubtful debt is shown below:

	Amount at 31 March 2024	Amount at 31 March 2025	Historical Experience of default	Historical Experience adjusted for market conditions at 31 March 2025	Estimated maximum exposure to default and uncollectability at 31 March 2024	Estimated maximum exposure to default and uncollectability at 31 March 2025
	£'000	£'000	%	%	£'000	£'000
Customers	33,845	36,550	0.6%	18%	5,727	6,546
Housing Benefits	6,223	5,746	4.5%	82%	5,146	4,686
Council Tax	30,525	33,409	1.1%	42%	11,841	13,963
Business Rates	4,458	3,794	5.6%	72%	2,720	2,715
Adult Social Care House Sales	2,312	2,134	1.8%	2%	78	42
Financial Assets	**77,363**	**81,633**	**1.5%**	**34%**	**25,512**	**27,952**

Loans

Loans are generally issued to organisations that the Council has an interest in such as subsidiaries, joint ventures or other public sector and community related organisations. Each of the bodies to which loans have been issued have been considered to assess their ongoing financial stability and viability. Consideration has been given to whether there has been any late payment against contractual cashflows as well as looking at the current financial position of each organisation. An assessment of the likelihood of default within the next twelve months has subsequently been determined for each loan.

Amounts Arising from Expected Credit Losses

Except for the loans detailed below, the Council's financial assets have all been assessed as Stage 1 at both 31 March 2024 and 31 March 2025 which means there has been no significant increase in their credit risk. No expected credit loss has been recognised for these assets.

At 31 March 2019, one community loan with an amortised cost gross value of £0.050m was assessed as at Stage 2 and a lifetime expected credit loss of £0.025m was recognised in the 2018/2019 accounts. No further credit loss adjustments have been required to this loan.

Due to major curtailments in Newcastle Airport's operations as a result of the Covid-19 pandemic, the Council had previously recognised an expected credit loss against commercial loan notes issued to the Airport of £0.324m. A review of several observable factors regarding the robustness of the Airport's operations going forward has resulted in a reduction in the expected credit loss provision of £0.012m during 2024/2025 (this also reduced by £0.030m during 2023/2024). This relates to loan notes with an amortised gross value of £14.575m at 31 March 2025 (£14.575m at 31 March 2024). Loss allowances made for all financial investments are as follows:

	12 month expected credit loss £'000	Lifetime expected credit loss - not credit impaired £'000	**Total** **£'000**
Balance at 31 March 2023	**0**	**(379)**	**(379)**
Community related loans transferred from lifetime expected credit losses	0	0	**0**
Commercial Loan Notes transferred to lifetime expected credit losses	0	30	**30**
Increase 2023/2024	0	30	**30**
Balance at 31 March 2024	**0**	**(349)**	**(349)**
Community related loans transferred from lifetime expected credit losses	0	0	**0**
Commercial Loan Notes transferred from lifetime expected credit losses	0	12	**12**
Decrease 2024/2025	0	12	**12**
Balance at 31 March 2025	**0**	**(337)**	**(337)**

No financial investments have been written off during 2024/2025 (also nil in 2023/2024).

Liquidity Risk

The Council manages its liquidity position through the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed. If unexpected movements happen the Council has 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 Council will be unable to raise finance to meet its commitments under financial instruments.

The Council has 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. The maturity analysis of financial liabilities borrowing is as follows:

31 March 2024 £'000	Loans Outstanding	**31 March 2025** **£'000**
41,895	Less than 1 year	**38,168**
423	Maturing in 1-2 years	**703**
6,405	Maturing in 2-5 years	**15,352**
10,000	Maturing in 5-10 years	**0**
5,000	Maturing in 10-20 years	**0**
27,000	Maturing in 20-30 years	**38,000**
87,500	Maturing in 30-40 years	**116,500**
385,115	Maturing in 40-50 years	**330,143**
563,338	**Total**	**538,866**

All trade and other payables are due to be paid in less than one year.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council 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 Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure enough liquidity is available for the Council'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 Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, 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. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team 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, at 31 March 2025, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

31 March 2024 £'000		31 March 2025 £'000
(546)	Increase in interest payable on variable rate borrowings	**(346)**
1,929	Increase in interest received on variable rate investments	**1,927**
1,383	**Impact on Surplus or Deficit on the Provision of Services**	**1,581**
0	Decrease in fair value of fixed rate investment assets	**0**
0	**Impact on Other Comprehensive Income and Expenditure**	**0**
46,059	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)	**37,654**

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

Price Risk
The Council does not generally invest in equity shares but does have shareholdings to the value of £24.180m (£16.508m at 31/03/2024) in Newcastle Airport which is not listed on the stock exchange, a £12.350m (£12.350m at 31/03/2024) equity share in its subsidiary, Siglion, and a £0.500m (£0.500m in 2023/2024) equity share in its Leisure Joint Venture, Sunderland Lifestyle Partnership.

Whilst these holdings are generally illiquid and are not anticipated to be sold the Council is consequently exposed to losses arising from movements in the values of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not able to limit its exposure to price movements by diversifying its portfolio. Instead, it generally only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The last full external valuation of Newcastle Airport was at 31 March 2022. This was based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors.

Subsequent management reviews have considered earnings before interest, tax and depreciation (EBITDA) to assess whether any upward revaluation is required. This has resulted in an increase to the share value at 31 March 2025 of £7.672m.

The investment in the Airport has been elected as 'fair value through other comprehensive income', meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

The equity shares in Siglion LLP are carried at cost in the Council's accounts. Siglion's financial statements at 31 March 2025 show the value of Siglion's assets as exceeding the value of the investment held within the Council's Balance Sheet.

The Council's equity share in Sunderland Lifestyle Partnership has been carried at cost. Any gain or loss would not be material to the Council's financial position.

The Council also holds a small number of investment bonds with a value at cost of £0.019m (£0.018m in 2023/2024) which are classified as 'financial assets at fair value through profit and loss', meaning that all movements in price impact on the gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Collection Fund Statement

Collection Fund Statement for Year Ended 31 March 2025

2023/2024				2024/2025		
Council Tax £'000	Business Rates £'000	Total £'000		**Council Tax £'000**	**Business Rates £'000**	**Total £'000**
			Income			
(141,441)	0	(141,441)	Council Tax Payers	(150,993)	0	(150,993)
(1,019)	(3,535)	(4,554)	Transfer for Transitional Relief, S13A(1)(C) Reliefs and discount for prompt payment	(206)	474	268
0	(81,228)	(81,228)	Business Ratepayers	0	(87,451)	(87,451)
			Contributions to Previous Years' Deficit			
0	0	0	Sunderland City Council	(589)	0	(589)
0	0	0	Tyne and Wear Fire and Rescue Authority	(32)	0	(32)
0	0	0	Police and Crime Commissioner for Northumbria	(56)	0	(56)
0	0	0	Central Government	0	0	0
(142,460)	(84,763)	(227,223)		(151,876)	(86,977)	(238,853)
			Expenditure			
			Apportionment of Previous Years' Surplus			
374	3,618	3,992	Sunderland City Council	0	158	158
18	74	92	Tyne and Wear Fire and Rescue Authority	0	3	3
41	0	41	Police and Crime Commissioner for Northumbria	0	0	0
0	3,692	3,692	Central Government	0	161	161
433	7,384	7,817		0	322	322
			Precepts, Demands and Shares:			
120,584	40,537	161,121	Sunderland City Council	128,087	44,097	172,184
6,799	827	7,626	Tyne and Wear Fire and Rescue Authority	7,084	900	7,984
12,430	0	12,430	Police and Crime Commissioner for Northumbria	13,544	0	13,544
0	0	0	Central Government - Transitional Protection Payable	0	0	0
0	41,364	41,364	Central Government - Share	0	44,997	44,997
139,813	82,728	222,541		148,715	89,994	238,709
			Charges to Collection Fund:			
0	1,705	1,705	Disregarded Amounts - Enterprise Zone	0	1,994	1,994
0	10	10	Disregarded Amounts - Renewable Energy	0	20	20
0	323	323	Cost of Collection - Business Rates	0	323	323
0	64	64	Interest charged	0	192	192
579	1,041	1,620	Write Offs	0	0	0
1,083	77	1,160	Impairment of Debtors Allowance	2,908	502	3,410
0	384	384	Provision for Business Rate Appeals	0	(4,152)	(4,152)
1,662	3,604	5,266		2,908	(1,121)	1,787
(552)	8,953	8,401	**Deficit / (Surplus) for the Year**	**(253)**	**2,218**	**1,965**
460	(10,203)	(9,743)	Balance brought forward as at 1	(92)	(1,250)	(1,342)
(92)	(1,250)	(1,342)	**Fund Balance Carried Forward as at 31 March**	**(345)**	**968**	**623**
			Fund allocated to			
(73)	(613)	(686)	Sunderland City Council	(298)	474	176
(5)	(12)	(17)	Tyne and Wear Fire and Rescue Authority	(17)	10	(7)
(14)	0	(14)	Police and Crime Commissioner for Northumbria	(30)	0	(30)
0	(625)	(625)	Central Government	0	484	484
(92)	(1,250)	(1,342)		**(345)**	**968**	**623**

Collection Fund Statement

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund, therefore, is to isolate the income and expenditure relating to Council Tax and Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For Sunderland, the Council Tax Precepting Bodies are the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority.

Business Rates surpluses or deficits declared by the billing authority in relation to the Collection Fund are also apportioned to the relevant bodies in the subsequent financial year in their respective proportions.

Note 1 – Income from Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and dividing this by the Council Tax base.

The basic amount of Council Tax for a Band D property, inclusive of major preceptors, was £1,995.76 for 2024/2025 (£1,898.31 for 2023/2024), is multiplied by the proportion specified for the particular band to give an individual amount due.

The Council Tax Base for 2024/2025 was 74,484 (73,619 in 2023/2024). It was approved by Council on 24 January 2024 and was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
(A)	215	5/9	119
A	77,269	6/9	51,513
B	19,459	7/9	15,135
C	17,487	8/9	15,544
D	9,663	9/9	9,663
E	3,609	11/9	4,411
F	1,189	13/9	1,717
G	684	15/9	1,140
H	25	18/9	50
Net effect of Premiums and Discounts			(23,288)
Total			76,004
Anticipated Collection Rate			98.0%
Tax Base for the Calculation of Council Tax			74,484

Note 2 – Income from Business Ratepayers

The Council collects Business Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

For 2024/2025, the total Business Rates rateable value at the year-end is £230.071m (£231.320m in 2023/2024). The national multipliers for 2024/2025 were 49.9p (49.9p for 2023/2024) for qualifying small businesses, and the standard multiplier was 54.6p (51.2p for 2023/2024) for all other businesses.

Collection Fund Statement

Note 3 – Council Tax / Business Rates Impairment of Debtors Allowance

The Collection Fund provides for the impairment of bad debts on arrears based on prior years' experience, and a formulaic approach to outstanding debt levels.

Once all actions to recover outstanding debt have been exhausted, the Council will write off uncollectable debt in accordance with proper accounting practice. Most of these sums relate to bankruptcy, death and where all actions have failed to collect the debt over a period of years. The total level of arrears for Council Tax and Business Rates has increased during 2024/2025, the impairment of debtors allowance has been increased accordingly. It should be noted that the amounts written off were already included in the accounts as an impairment of debtors allowance and as such have already been accounted for in a previous period.

In respect of Council Tax, as at 31 March 2025, the impairment of debtors allowance was estimated at £16.262m (£13.749m at 31 March 2024).

In respect of Business Rates, as at 31 March 2025, the impairment of debtors allowance was estimated at £5.542m (£5.550m at 31 March 2024).

The impairment of debtors allowance is allocated to the relevant preceptors, in proportion to their share.

Note 4 – Business Rate Provision for Valuation Appeals

The Collection Fund also provides for provision for appeals against the rateable valuation set by the VOA not settled as at 31 March 2025.

As at 31 March 2025, the provision for appeals was estimated at £7.847m (£12.000m at 31 March 2024). The appeals provision is allocated to the relevant preceptors, in proportion to their share.

Group Financial Statements - Narrative Statement

The Council's standard financial statements consider the Council only as a single entity. However, the Council delivers some of its activities through several wholly owned subsidiaries and joint ventures, thus the full extent of the Council's economic activity and financial position is not reflected in the Council's single entity accounts. Group accounts are therefore produced to present the full picture. The group accounts consolidate the results and balances of the Council with those organisations considered to be part of the group:

- Subsidiaries
  - Sunderland Care and Support (Holding Company) Ltd;
  - Together for Children Sunderland Ltd;
  - Siglion LLP; and
  - Siglion Holdings Ltd.
- Joint Ventures
  - Sunderland Lifestyle Partnership Ltd; and
  - IAMP LLP.

Further detail on the relationship between the Council and these organisations is presented in Note 35, Related Parties, of the Council's single entity accounts.

Preparation of Group Accounts

The group accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025' (based on International Financial Reporting Standards (IFRS)) known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Local Government Act 2003 and The Accounts and Audit Regulations 2015.

In preparing the group accounts all statutory main group statements have been incorporated, along with specific notes where transactions and balances are materially different from those within the Council's accounts.

The financial statements required under the Code are detailed below:

1. Movement in Reserves Statement (MiRS)

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

2. Comprehensive Income and Expenditure Statement

This reports the net cost for the year of all group functions and demonstrates how that cost has been met from general government grants and income from local taxpayers.

3. Balance Sheet

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

4. Cash Flow Statement

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

5. Notes to the Accounts

Group Financial Statements - Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’.

The Statement shows how the movement in year of the Group’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practice, and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year.

The Increase / Decrease line shows the statutory General Fund Balance movement in the year following those adjustments. The table below shows the details for both 2023/2024 and 2024/2025.

	Council						Council's share of Subsidiaries and Joint Venture Reserves	Total Group Reserves
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**		
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2023	**19,188**	**178,043**	**10,743**	**5,701**	**213,675**	**574,816**	**61,196**	**849,687**
Movement in reserves during 2023/2024:								
Total Comprehensive Income and	(29,569)	0	0	0	**(29,569)**	**45,038**	**5,053**	**20,522**
Adjustments between accounting basis and funding basis under regulations	12,387	0	2,005	(2,981)	**11,411**	**(11,411)**	**0**	**0**
Transfers to / (from) Earmarked Reserves	19,252	(19,252)	0	0	**0**	**0**	**0**	**0**
Adjustment between group and single entity *	0	0	0	0	**0**	**0**	**(1,183)**	**(1,183)**
(Increase) / Decrease in 2023/2024	2,070	(19,252)	2,005	(2,981)	**(18,158)**	**33,627**	**3,870**	**19,339**
Balance at 31 March 2024	**21,258**	**158,791**	**12,748**	**2,720**	**195,517**	**608,443**	**65,066**	**869,026**
Movement in reserves during 2024/2025:								
Total Comprehensive Income and	1,360	0	0	0	**1,360**	**(65,384)**	**(2,246)**	**(66,270)**
Adjustments between accounting basis and funding basis under regulations	(24,744)	0	5,018	145	**(19,581)**	**19,581**	**0**	**0**
Transfers to / (from) Earmarked Reserves	25,456	(25,456)	0	0	**0**	**0**	**0**	**0**
Adjustment between group and single entity *	0	0	0	0	**0**	**0**	**7,030**	**7,030**
(Increase) / Decrease in 2024/2025	2,072	(25,456)	5,018	145	**(18,221)**	**(45,803)**	**4,784**	**(59,240)**
Balance at 31 March 2025	**23,330**	**133,335**	**17,766**	**2,865**	**177,296**	**562,640**	**69,850**	**809,786**

* See Note 5, Group Property, Plant and Equipment, Right of Use Assets and Investment Properties for further information.

Group Financial Statements - Comprehensive Income and Expenditure Statement

This 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. Councils raise taxation to cover expenditure in accordance with statutory requirements, but this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The statement is presented in line with the Council's Portfolio responsibilities. The roles and responsibilities of each Portfolio are detailed in the Council's Constitution. Amendments were made to the Council's management reporting structure during 2024/2025, and Portfolio data has been restated for 2023/2024 to facilitate comparison with 2024/2025. Details of the impact of these changes is shown in Note 4.

2023/2024 (Restated)				2024/2025		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
2,026	(376)	1,650	Leader	**6,160**	**(4,505)**	**1,655**
225,550	(162,301)	63,249	Deputy Leader and Health, Wellbeing and Safer Communities	**239,322**	**(177,003)**	**62,319**
161,070	(102,037)	59,033	Corporate Services and Equalities	**171,130**	**(98,939)**	**72,191**
228,511	(139,911)	88,600	Children's Services, Child Poverty and Skills	**251,113**	**(149,580)**	**101,533**
52,607	(41,072)	11,535	Housing, Regeneration and Business	**48,331**	**(34,066)**	**14,265**
19,412	(7,126)	12,286	Communities, Culture and Tourism	**22,017**	**(6,947)**	**15,070**
92,743	(26,051)	66,692	Environment, Transport and Net Zero	**80,872**	**(16,470)**	**64,402**
781,919	(478,874)	303,045	**Cost of Services**	**818,945**	**(487,510)**	**331,435**
14,919	0	14,919	Other operating expenditure	**15,939**	**0**	**15,939**
27,104	(21,726)	5,378	Financing and investment income and expenditure	**28,614**	**(17,661)**	**10,953**
0	(298,765)	(298,765)	Taxation and non-specific grant income and expenditure	**0**	**(356,501)**	**(356,501)**
823,942	(799,365)	24,577	**(Surplus) or Deficit on Provision of Services**	**863,498**	**(861,672)**	**1,826**
0	27	27	Joint ventures accounted for on an equity basis	**0**	**(10)**	**(10)**
0	(128)	(128)	Tax expenses of subsidiaries	**42**	**(68)**	**(26)**
823,942	(799,466)	24,476	**Group (Surplus) / Deficit**	**863,540**	**(861,750)**	**1,790**
		(13,832)	(Surplus) or deficit on revaluation of non current assets			**3,256**
		0	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income and expenditure			**(7,672)**
		(30,198)	Re-measurements of the defined benefit liability			**68,431**
		(968)	Actuarial differences - deferred tax			**465**
		(44,998)	**Other Comprehensive Income and Expenditure**			**64,480**
		(20,522)	**Total Comprehensive Income and Expenditure**			**66,270**

Group Financial Statements – Balance Sheet

The Balance Sheet shows the value at 31 March of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the group 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 that may only be used to fund capital expenditure or repay debt).

The second category of reserves, unusable reserves, are those that the group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Group Financial Statements – Balance Sheet

31 March 2024 (Restated) £'000		Notes	**31 March 2025 £'000**
1,287,397	Property, Plant and Equipment	5	**1,288,339**
0	Right of Use Assets	5	**75,029**
33,573	Investment Properties	5	**31,885**
13,133	Heritage Assets		**13,147**
3,709	Intangible Assets		**4,328**
52,480	Long Term Pensions Asset	3	**0**
16,526	Long Term Investments		**24,199**
(105)	Investments in Joint Ventures		**(95)**
39,218	Long Term Debtors		**38,646**
1,445,931	**Long Term Assets**		**1,475,478**
68,623	Short Term Investments		**11**
1,585	Inventories		**1,946**
104,828	Short Term Debtors	7	**113,506**
117,583	Cash and Cash Equivalents	6	**88,239**
292,619	**Current Assets**		**203,702**
(34,895)	Short Term Borrowing		**(31,168)**
(105,736)	Short Term Creditors	8	**(94,566)**
(8,140)	Short Term PFI and Finance Lease Liability		**(10,685)**
(1,250)	Short Term Provisions		**(1,042)**
(4,458)	Grant Receipts in Advance - Revenue		**(1,716)**
(31,024)	Grant Receipts in Advance - Capital		**(42,686)**
(185,503)	**Current Liabilities**		**(181,863)**
(521,443)	Long Term Borrowing		**(500,698)**
(6,895)	Long Term Pensions Liability	3	**(18,230)**
(146,195)	Long Term PFI and Finance Lease Liability		**(161,839)**
(9,348)	Long Term Provisions		**(6,764)**
(140)	Long Term Creditors		**0**
(684,021)	**Long Term Liabilities**		**(687,531)**
869,026	**Net Assets**		**809,786**
21,258	General Fund		**23,330**
158,791	Earmarked General Fund Reserves		**133,335**
12,748	Capital Receipts Reserve		**17,766**
2,720	Capital Grants Unapplied		**2,865**
195,517	**Usable Reserves relating to Sunderland City Council**		**177,296**
(605)	Investments in Joint Ventures		**(595)**
2,721	Sunderland Care and Support Ltd		**1,512**
(2,531)	Together for Children Sunderland Ltd		**0**
25,557	Siglion LLP / Siglion Holdings Ltd		**23,112**
25,142	**Profit and Loss relating to subsidiaries and Joint Ventures**		**24,029**
608,443	Unusable Reserves relating to Sunderland City Council		**562,640**
31,071	Revaluation Reserve relating to Sunderland Lifestyle Partnership	5	**38,101**
8,853	Revaluation Reserve relating to Siglion LLP / Siglon Holdings Ltd		**7,720**
648,367	**Unusable Reserves**		**608,461**
869,026	**Total Reserves**		**809,786**

Group Financial Statements – Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group 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 group are funded by way of taxation and grant income or from the recipients of services provided by the group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute towards the group'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 group.

2023/2024 £'000		Notes	**2024/2025 £'000**
24,476	Group (surplus) / deficit		**1,790**
(74,491)	Adjust net (surplus) or deficit on the provision of services for non cash movement		**(72,527)**
59,243	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		**90,821**
9,228	Net cash flows from operating activities		**20,084**
(60,002)	Investing activities		**(25,636)**
8,650	Financing activities		**34,896**
(42,124)	**Net (increase) or decrease in cash and cash equivalents**		**29,344**
75,459	Cash and cash equivalents at the beginning of the reporting period		**117,583**
117,583	**Cash and cash equivalents at the end of the reporting period**	6	**88,239**

Notes to the Group Financial Statements

Note 1 – Accounting Policies

The group accounting policies are largely the same as those specified within the Council only statements, however there are some slight divergences from these policies within the group. These are detailed below:

- **Group Transactions**
  The Council both commissions services from and provides support services to the subsidiary companies.

- **Consolidation of Subsidiaries**
  Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiaries. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiaries) have been eliminated.

- **Consolidation of Subsidiaries with different financial year end**
  Siglion's year end is 31 December. The information presented in the Group accounts has therefore had to be restated to 31 March and includes three months of management accounts (January 2025 to March 2025).

- **Consolidation of Joint Ventures**
  Joint Ventures have been consolidated using the equity method. An investment is brought into the group Balance Sheet and adjusted by the Council's share in the joint venture's net asset movement. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

- **Capital Expenditure**
  The de-minimus level for capital expenditure for the subsidiary companies is £5,000 which is lower than that of the Council.

- **Accounting Standards**
  The accounts for the subsidiary companies have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Other than where specifically addressed in the accounts, differences between these standards and the Code would have no material effect on the Group Statements.

- **Deferred Tax**
  Deferred tax is recognised in respect of an obligation to pay more tax in the future or a right to pay less tax in the future as at the Balance Sheet date. This represents differences between the company's taxable profits and its results as stated in the financial statements.

  Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to be resolved, based on tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

- **Investment Property**

  Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

  Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to

the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Investment properties are held by Siglion LLP.

Note 2 – Reconciliation of the Single Entity Comprehensive Income and Expenditure Statement to the Group Comprehensive Income and Expenditure Statement

This table shows how the group entities have contributed to the overall Comprehensive Income and Expenditure position:

2023/2024 £'000		2024/2025 £'000
(15,469)	**Total comprehensive (income) / expenditure on the Council's Comprehensive Income and Expenditure Statement**	**64,024**
	Operational (profit) / loss attributable to subsidiaries:	
5,750	Sunderland Care and Support Ltd (reflected on the Deputy Leader and Health, Wellbeing and Safer Communities Portfolio)	**1,209**
(2,464)	Together for Children Ltd (reflected on the Children's Services, Child Poverty and Skills	**(2,531)**
(8,366)	Siglion LLP / Siglion Holding Ltd (reflected on the Housing, Regeneration and Business Portfolio)	**3,578**
	Operational (profit) / loss attributable to joint ventures:	
30	Sunderland Lifestyle Partnership Ltd	**0**
(3)	IAMP LLP	**(10)**
(20,522)	**Total**	**66,270**

Note 3 – Group Reserves

Profit and Loss Reserves relating to subsidiaries and Joint Ventures

The Profit or Loss position for each subsidiary company is presented separately on the Group Balance Sheet within Usable Reserves. Investments in the Council's two joint ventures are presented as a combined position within Usable Reserves.

Pensions Reserve

The Pensions Reserves within the subsidiary companies are subsets of the Profit and Loss Reserves for those companies and are therefore shown on the Group Balance Sheet within Usable Reserves.

The Pension Reserve held by the Council is shown on the Group Balance Sheet under Unusable Reserves.

The accounts have been prepared incorporating the requirements of IAS19, Retirement Benefits, for the treatment of pension costs. IAS19 requires that pension costs are recorded in the year in which the benefit entitlements are earned by the employees rather than the year in which the pensions and the employer's contributions are actually paid. The Pension Reserve represents the net asset or liability relating to future pension costs.

Notes to the Group Financial Statements

It should be noted that the Financial Statements for the Council's subsidiary companies should be prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', however, the financial position under FRS102 is not significantly different under IAS19.

The tables below present the Pension Reserve activity and the resulting asset or liability at 31 March for each member of the group:

	31 March 2024 £m	**31 March 2025 £m**
Net Assets		
Local Government Pension Scheme (funded and discretionary benefits)	50.620	0.000
Sunderland Care and Support	1.860	0.000
	52.480	**0.000**
Net Liabilities		
Local Government Pension Scheme (funded and discretionary benefits)	0.000	(15.220)
Teachers Pension Scheme (discretionary benefits)	(3.520)	(3.010)
Together for Children	(3.375)	0.000
	(6.895)	**(18.230)**

2023/2024					**2024/2025**			
Council £'000	Sunderland Care and Support £'000	Together for Children £'000	Total Group £'000		**Council £'000**	**Sunderland Care and Support £'000**	**Together for Children £'000**	**Total Group £'000**
11,510	9,550	(6,660)	14,400	**Balance at 1 April**	**47,100**	**1,860**	**(3,375)**	**45,585**
91,780	4,520	3,978	100,278	Remeasurement of the net defined benefit (liability)/asset	**176,440**	**15,500**	**29,178**	**221,118**
(57,710)	(12,370)	0	(70,080)	(Increase) / decrease to surplus not recognised	**(246,730)**	**(17,290)**	**(25,529)**	**(289,549)**
(17,160)	(1,570)	(5,386)	(24,116)	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	**(16,750)**	**(2,080)**	**(5,605)**	**(24,435)**
18,680	1,730	4,693	25,103	Employer's pensions contributions and direct payments to pensioners payable in the year	**21,710**	**2,010**	**5,331**	**29,051**
47,100	1,860	(3,375)	45,585	**Balance at 31 March**	**(18,230)**	**0**	**0**	**(18,230)**

Revaluation Reserves

The Revaluation Reserve held by the Council as well as those relating to subsidiary companies and joint ventures are held within Unusable Reserves in the Group Balance Sheet.

Share Capital Reserve

Two ordinary shares of £1 have been allotted and fully paid for in Sunderland Care and Support (Holding Company) Ltd and Siglion Holdings Ltd. All subsidiaries in the group are ultimately owned 100% by the Council.

Note 4 – Group Prior Period Adjustments / Restatements

The table below shows the impact of the changes between Portfolios as presented in the Group Comprehensive Income and Expenditure Statement.

Portfolio	2023/2024		
	As per 2023/2024 accounts £'000	Portfolio changes £'000	Restated position £'000
Leader	2,987	(2,987)	0
Deputy Leader and Clean Green City	42,689	(42,689)	0
Cabinet Secretary	57,734	(57,734)	0
Children, Learning and Skills	88,597	(88,597)	0
Vibrant City	13,321	(13,321)	0
Healthy City	62,051	(62,051)	0
Dynamic City	35,666	(35,666)	0
Leader	0	1,650	1,650
Deputy Leader and Health, Wellbeing and Safer Communities	0	63,249	63,249
Corporate Services and Equalities	0	59,033	59,033
Childrens Services, Child Poverty and Skills	0	88,600	88,600
Housing, Regeneration and Business	0	11,535	11,535
Communities, Culture and Tourism	0	12,286	12,286
Environment, Transport and Net Zero	0	66,692	66,692
Cost of Services	**303,045**	**0**	**303,045**

Notes to the Group Financial Statements

Note 5 – Group Property, Plant and Equipment, Right of Use Assets and Investment Properties

The Property, Plant and Equipment, Right of Use Assets and Investment Properties balance is made up of the following elements:

31 March 2024 £'000		31 March 2025 £'000
	Plant, Property and Equipment	
1,251,969	Sunderland City Council	**1,245,605**
31,071	Sunderland Lifestyle Partnership Ltd	**38,101**
4,357	Siglion LLP	**4,633**
1,287,397	**Total Plant, Property and Equipment**	**1,288,339**
	Right of Use Assets	
0	Sunderland City Council	**75,029**
0	**Total Right of Use Assets**	**75,029**
	Investment Properties	
33,573	Siglion LLP	**31,885**
33,573	**Total Investment Properties**	**31,885**
1,320,970	**Total**	**1,395,253**

Sunderland Lifestyle Partnership Ltd

On 1 June 2015 the Council transferred several leisure assets to Sunderland Lifestyle Partnership, its leisure joint venture partnership with Sports and Leisure Management Ltd.

As these assets were transferred under a long-term lease, the Council has written these assets out of its accounts, reducing assets by £52.289m in 2015/2016. Under the accounting requirements applicable to Sunderland Lifestyle Partnership, the Joint Venture has accounted for these assets at the present value of the minimum lease payments.

In order to comply with the Council's accounting requirements, within the Group Statements, the Council's share of these assets (50%) has been re-instated onto the Group Balance Sheet at £38.101m at 31 March 2025 (£31.071m at 31 March 2024).

Reflecting these assets within the Group Statements is a departure from the Code of Practice for joint venture consolidation which should normally be on an equity accounting basis i.e. the Group Statements should simply reflect 50% of Sunderland Lifestyle Partnership's profit or loss for the year. As the assets are not held on Sunderland Lifestyle Partnership's Balance Sheet, standard equity accounting would understate the Group Balance Sheet.

The increase of £7.030m during 2024/2025 related to revaluation gains and depreciation charges for 2024/2025 and is reflected on the Movement in Reserves Statement as an adjustment between the group accounts and the Council's single entity accounts.

Revaluation of Group assets is reflected in the Unusable Reserves - Revaluation Reserve lines on the Group Balance Sheet.

Siglion Investment Properties

Fair Value Hierarchy
All the Siglion investment property portfolio has been assessed as Level 2 for valuation purposes.

Valuation Techniques use Level 2 inputs to determine Fair Values for Investment Properties
The fair value of investment property has been determined having regard to comparable evidence, applying a Rent and Yield or Capital Value Rate where appropriate.

Highest and Best use of Investment Properties
In estimating the fair value of the Siglion investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers
The investment property portfolio has been valued at 31 March 2025 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Knight Frank LLP.

The decrease of £1.688m during 2024/2025 related to disposals of £1.199m and revaluation losses on the fair value of £0.490m. No additions were made during 2024/2025.

Capital Commitments

At 31 March 2025, in addition to the Council's capital commitments, other members of the Group have entered into capital contracts forecast to cost £4.127m (£4.504m at 31 March 2024). This mainly relates to Vaux Housing and Sunniside Regeneration works.

Note 6 – Group Cash and Cash Equivalents

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

31 March 2024 £'000		**31 March 2025 £'000**
12,618	Cash held by the Group	**17,074**
104,965	Bank current accounts and Money Market Funds	**71,165**
117,583	**Total Cash and Cash Equivalents**	**88,239**

Note 7 – Group Short Term Debtors

31 March 2024 £'000		**31 March 2025 £'000**
92,510	Sunderland City Council	**109,035**
2,466	Sunderland Care and Support Ltd	**1,203**
1,420	Together for Children Sunderland Ltd	**1,831**
8,432	Siglion LLP	**1,437**
104,828	**Total**	**113,506**

This analysis is after inter-group activity has been removed in accordance with Group Accounting Policies.

Notes to the Group Financial Statements

Note 8 – Group Short Term Creditors

31 March 2024 £'000		31 March 2025 £'000
(92,815)	Sunderland City Council	**(73,150)**
(3,054)	Sunderland Care and Support Ltd	**(6,274)**
(2,807)	Together for Children Sunderland Ltd	**(10,275)**
(7,060)	Siglion LLP	**(4,867)**
(105,736)	**Total**	**(94,566)**

This analysis is after inter-group activity has been removed in accordance with Group Accounting Policies.

Note 9 – Group Defined Benefit Pension Schemes

Participation in Pension Schemes

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

- the Local Government Pension Scheme, administered locally by South Tyneside Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets; and

- arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash must be generated to meet actual pension payments as they eventually fall due.

A proportion of employees of Sunderland Care and Support Ltd and Together for Children Sunderland Ltd are members of the Local Government Pension Scheme.

The Tyne and Wear Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of South Tyneside Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-Retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council 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 the Council is required to make 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 and is presented within the Council's unusable reserves.

The subsidiary companies within the group do not raise Council Tax receipts and therefore the costs of post-employment / retirement benefits are not transferred to unusable reserves. These future liabilities are reflected within each company's Profit or Loss position on the Balance Sheet.

Note 10 – Group Officers' Remuneration

Employees of the group receiving more that £50,000 remuneration for the year (excluding employer's pension contributions) are shown below:

2023/2024 Non-Teaching Staff	Remuneration	2024/2025 Non-Teaching Staff
143	£50,000 - £54,999	**195**
70	£55,000 - £59,999	**101**
46	£60,000 - £64,999	**48**
25	£65,000 - £69,999	**32**
11	£70,000 - £74,999	**10**
16	£75,000 - £79,999	**9**
5	£80,000 - £84,999	**20**
2	£85,000 - £89,999	**3**
6	£90,000 - £94,999	**5**
0	£95,000 - £99,999	**2**
4	£100,000 - £104,999	**4**
1	£105,000 - £109,999	**2**
3	£110,000 - £114,999	**0**
3	£115,000 - £119,999	**2**
1	£140,000 - £144,999	**0**

Only the position relating to non-teaching staff is affected by remuneration within subsidiaries. Therefore, the table above does not include Teaching staff or Senior Officers of the Council whose remuneration costs are disclosed in Note 31 of the Council's single entity accounts.

Note 11 - Assumptions made about the future and other major sources of estimation uncertainty

The Group Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made considering 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 Council's position is shown in Note 4 of the single entity accounts. In addition, there are the following risks of material adjustment relating to subsidiaries and joint ventures:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment and Investment Properties – valuations	Assets are valued, in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards and involve the use of a number of estimation techniques including various property indices.	The gross book value (GBV) of the subsidiaries and joint ventures' land and buildings portfolio (including Investment Properties) is £74.619m at 31 March 2025. A 1% change in asset valuations would equate to a £0.746m change in the GBV

Note 12 – Group Nature and Extent of Risks Arising from Financial Instruments

The risks arising from financial instruments across the group are not materially different from those within the Council only statements.

Note 13 – Events after the Balance Sheet date

Adjusting Events after the Balance Sheet date

Where events take place after 31 March which provide information about conditions existing at 31 March, the financial statements and notes are adjusted to reflect the impact of this information. At the time of publishing the accounts no such events have taken place.

Non-adjusting Events after the Balance Sheet date

Where events take place after 31 March which do not relate to conditions at 31 March, but which provide information that is relevant to an understanding of the Council's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed. At the time of publishing the accounts no such events have taken place.

Notes to the Group Financial Statements

Note 14 – Group Termination Benefits

All costs relating to workforce planning are reflected within the Cost of Service on the Comprehensive Income and Expenditure Statement; however, it should be noted that this also includes technical accounting adjustments required by Accounting Standards with regard to past service pension costs.

The Group terminated the contracts of a number of employees in 2024/2025, incurring liabilities of £0.672m (£1.524m in 2023/2024). All exit packages with the total cost per band and the total cost of these packages are set out in the tables below:

2024/2025 Exit Packages:

Exit package cost band £'000	Number of agreed departures (Non-Schools)	Cost of Exit Packages in each band (Non-Schools)			Number of agreed departures (Schools)	Cost of Exit Packages in each band (Schools)			Total Cost of Exit Packages in each band		
		Employee Costs £'000	Pension Costs £'000	Total Cost £'000		Employee Costs £'000	Pension Costs £'000	Total Cost £'000	Employee Costs £'000	Pension Costs £'000	Total Cost £'000
Compulsory											
0 - 20	51	227	3	230	11	23	0	23	250	3	253
20 - 40	1	30	0	30	0	0	0	0	30	0	30
	52	257	3	260	11	23	0	23	280	3	283
Voluntary											
0 - 20	11	107	0	107	4	35	0	35	142	0	142
20 - 40	2	63	0	63	2	14	45	59	77	45	122
100 - 150	1	35	90	125	0	0	0	0	35	90	125
	14	205	90	295	6	49	45	94	254	135	389
Total	66	462	93	555	17	72	45	117	534	138	672

Notes to the Group Financial Statements

Note 14 – Group Termination Benefits

2023/2024 Exit Packages:

Exit package cost band £'000	Number of agreed departures (Non-Schools)	Cost of Exit Packages in each band (Non-Schools)			Number of agreed departures (Schools)	Cost of Exit Packages in each band (Schools)			Total Cost of Exit Packages in each band		
		Employee Costs £'000	Pension Costs £'000	Total Cost £'000		Employee Costs £'000	Pension Costs £'000	Total Cost £'000	Employee Costs £'000	Pension Costs £'000	Total Cost £'000
Compulsory											
0 - 20	63	259	0	259	17	94	0	94	353	0	353
20 - 40	3	74	19	93	0	0	0	0	74	19	93
40 - 60	3	78	82	160	0	0	0	0	78	82	160
60 - 80	1	15	50	65	0	0	0	0	15	50	65
80 - 100	1	20	67	87	0	0	0	0	20	67	87
100 - 150	2	44	172	216	0	0	0	0	44	172	216
150 - 200	1	27	144	171	0	0	0	0	27	144	171
	74	517	534	1,051	17	94	0	94	611	534	1,145
Voluntary											
0 - 20	9	83	0	83	7	56	0	56	139	0	139
20 - 40	2	57	0	57	0	0	0	0	57	0	57
80 - 100	1	27	53	80	0	0	0	0	27	53	80
100 - 150	1	26	77	103	0	0	0	0	26	77	103
	13	193	130	323	7	56	0	56	249	130	379
Total	87	710	664	1,374	24	150	0	150	860	664	1,524

Glossary of Terms

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

Accounting Policies
Those principles, bases, conventions, rules and practices applied by the Council which 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
Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Amortisation
Is the process of writing-off an intangible asset over its projected life. It is equivalent to depreciation of tangible non-current assets.

Appropriations
Are transfers to / from the Council's reserves from the Comprehensive Income and Expenditure Statement. In addition, appropriations include the reconciling transactions needed to convert expenditure to amounts required from Council Tax.

Assets
An asset is "a resource controlled by the Council as a result of past events and from which future economic benefits are expected to flow to the entity" (International Accounting Standards Board (IASB) definition). 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 Council and the services it provides for a period of more than one year (e.g. Land and Buildings).

Available for Sale Assets
Are non-operational assets that meet the following criteria:

- they are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets (or disposal groups);
- the sale is highly probable, with the Council committed to a plan to sell the asset;
- an active programme to locate a buyer and complete the plan has been initiated; and
- the asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Balance Sheet
A statement of the recorded assets, liabilities and other balances at the year end.

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

Glossary of Terms

Business Rates (also known as Non-Domestic Rates)
All non-domestic properties are valued by the Valuation Office Agency and the Government determines a national rate poundage every year which is applicable to all local authorities in determining non-domestic rate liabilities. Local authorities continue to collect the non-domestic rate with the proceeds shared between Central Government, the Council and Tyne and Wear Fire and Rescue Authority on a defined basis.

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
The annual charge to the Revenue Account in respect of the minimum revenue provision and interest on money borrowed together with leasing rentals.

Capital Financing Requirement (CFR)
The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the Council'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
Are funds provided by the government or other bodies to undertake work of a capital nature (i.e. to create a non-current asset).

Capital Receipts
Money received from the sale of land or other capital assets. Capital receipts are held by the Council and can be used to pay for capital expenditure, to repay debt, to meet premiums on early debt repayments and to meet liabilities under credit arrangements. Additional flexibility allows capital receipts to be used to fund transformational costs.

Cash
Comprises cash in hand and on demand deposits, including uncleared BACS payments and unpresented cheques.

Cash Equivalents
Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CIPFA (the Chartered Institute of Public Finance and Accountancy)
Provides guidance in the interest of public services. It is the professional body for accountants working in the UK public sector (and local government in particular). It provides financial and statistical information for local authority and other public sector bodies and advises central government and other bodies on public finance.

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 Council.

Collection Fund
The fund maintained by the Council into which are paid the amounts of Council Tax and Business Rates which it collects and out of which are to be paid precepts issued by major precepting authorities, central government and its own demands.

Community Assets
These are assets that the Council intends to hold in perpetuity, which have no determinable finite useful life and in addition may have restrictions on their disposal. An example would be parks.

Glossary of Terms

Componentisation
Is the allocation of the overall value of a significant non-current asset into separate components with materially different useful lives. This ensures that the depreciation charged more accurately reflects the consumption of economic benefits, recognising that some components will wear out more quickly than others. There is no minimum requirement for the number of components for a non-current asset, and the number will vary depending on the nature and complexity of the asset.

Constructive Obligation
An obligation that derives from the Council's action where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities and as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingencies
Are funds set aside as a reserve to meet the cost of unforeseen items of expenditure, shortfalls in income and to provide for inflationary costs. These funds are not included in individual budgets because the precise value cannot be determined in advance.

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 Council's control.

Contingent Liabilities
Are either:
- Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- Present obligations arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with enough reliability.

Contingent Rents
Are lease payments that change as a result of changes occurring subsequent to the inception of the lease, other than the passage of time (such as indexation of a long-term contract).

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.

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

Creditors
Are amounts owed by the Council for goods and services received but where payment has not been made at the end of the financial year (i.e. 31 March). Creditors also include receipts in advance, where the Council receives income from external bodies or individuals in advance of service provision.

Current Assets
Are items that can readily be converted into cash. These include items such as cash, debtors (net of impairment of debtors allowance), investments, stock and work in progress.

Current Liabilities
Are amounts owed to individuals or organisations that will be paid within twelve months of the Balance Sheet date.

Current Service Cost (Pensions)
Is the increase in liabilities due to the years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the Services within which the employees worked.

Glossary of Terms

Debtors
Are amounts owed to the Council for goods and services supplied but where payment has not been received at the end of the financial year. The technical definition is: financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Defined Benefit Scheme (Pensions)
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 (Pensions)
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 enough assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
Is the systematic allocation of the depreciable amount of a non-current asset over its useful life, and reflects the economic benefits consumed by the asset during the financial year.

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

EBITDA
EBITDA, or earnings before interest, taxes, depreciation, and amortisation, is an alternate measure of profitability to net income. By stripping out the non-cash depreciation and amortisation expense as well as taxes and debt costs dependent on the capital structure, EBITDA attempts to represent cash profit generated by the company's operations.

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 non-current asset consumed in a period; and
- 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.

Events after the Balance Sheet Date
Are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

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.

Glossary of Terms

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 Council 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 Council).

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Financial Instruments
Are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

General Fund
This accounts for the services of the Council except for the Collection Fund. The net cost is met by Council Tax, Government Grants and Business Rates.

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

Grants
Are assistance by other bodies in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Gross Expenditure
Is the total cost of providing the Council's services before taking into account income.

Historical Cost
Refers to the original monetary value of an asset.

International Accounting Standards (IAS)
Are accounting pronouncements issued by the International Accounting Standards Board (IASB). They have been adopted by the UK public sector in a move to make it more comparable with both the private sector and the international community.

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.

Impairment Allowance for Doubtful Debts
Doubtful debts are those debts which are uncollectable, due to debtors going bankrupt or absconding; impairment allowances are funds set aside to provide for debtors failing to pay.

Income
Amounts due to the Council 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 Council).

Glossary of Terms

Infrastructure Assets
These are non-current assets which cannot be sold or given away; expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways, footpaths and bridges.

Intangible Assets
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)
Standards issued by the IASB which present the Council's accounts in a consistent and comparable format with other organisations internationally.

Investments (Pension Fund)
The investments of the pension fund will be accounted for in the statements of that fund. However, the Council is required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investment Properties
Interest in land and / or buildings in respect of which construction work and development have been completed; and which is held for its investment potential, any rental income being negotiated at arm's length.

Investments (Non-Pensions 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.

Joint Ventures
A Joint Venture exists where the Council and another party exercise joint control over an entity with decisions relating to the organisation requiring unanimous consent by the parties sharing control.

Leasing
The method of financing the provision of various capital assets to discharge the Council's functions outside normal borrowing procedures but within criteria laid down in the Local Authorities (Capital Finance) Regulations 1990. There are different types of leases available of which the following are most commonly used:

Finance Leases - are leases that transfer substantially all the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all the fair value of the leased asset.

Operating Leases – are all leases other than a finance lease.

Levies
Like precepts, these sums are paid to other bodies. However, these amounts are not collected through Council Tax as with precepting bodies; they are items of expenditure on the face of the Comprehensive Income and Expenditure Account.

Glossary of Terms

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.

Loans Outstanding
The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the Balance Sheet date.

Local Government Pension Scheme (LGPS)
Is a nationwide public sector pension schemes for employees working in local government. It is administered locally for participating employers through many regional pension funds. The Tyne and Wear Pension Fund manages the Council's pension assets and liabilities.

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 Lease Payments
Are payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

a) For a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
b) For a lessor, any residual value guaranteed to the lessor by:
   (i) The lessee;
   (ii) A party related to the lessee; or
   (iii) A third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

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

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

Net Interest on the Net Defined Benefit Liability / Asset, i.e. net interest expense for the authority
Is the change during the period in the net defined benefit liability / asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of 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 - considering any changes in the net defined benefit liability / asset during the period as a result of contribution and benefit payments.

Net Realisable Value
Is the open market value of an 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-current Assets
Are those that yield benefits to the Council and the services it provides for a period of more than one year.

Glossary of Terms

Non-Operational Assets
Non-current assets held by a Council but not directly occupied, used or consumed in the delivery of services. 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 Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Costs (Pensions)
For a defined benefit pension scheme, the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

Pension fund
An employees' pension fund is maintained by an authority, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

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 various authorities (i.e. the Tyne and Wear Fire and Rescue Authority and the Police and Crime Commissioner for Northumbria) which is collected by the Council on their behalf.

Prior Period Adjustments
Those material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of material errors. A material 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 years.

Projected Unit Method
An accrued benefits valuation method in which the pension 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.

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 is uncertain.

Private Finance Initiative (PFI)
PFIs are methods of funding / acquiring assets such as schools where the supplier of the asset is an appointed contractor, usually over a 25-year term, who also provides services to the Council in relation to that asset. The Council 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 Council does not own the asset and simply pays for its use. Government grant is available to assist authorities who enter into these arrangements.

Glossary of Terms

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

Public Sector Audit Appointments Ltd
As independent company incorporated by the Local Government Association. The company is responsible for appointing auditors to Local Government, Police and Fire Authorities. Before April 2015, its responsibilities were discharged by the Audit Commission.

Public Works Loan Board (PWLB)
A Central Government agency, which lends money to councils at lower interest rates than those generally available from the private sector. Councils can 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 always be inhibited from pursing 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.

Examples of related parties of a council include:
- central government;
- councils and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its members;
- its chief officers; and
- its pension funds.

Examples of related parties of a pension fund include its:
- administrating authority and its related parties;
- scheduled bodies and their related parties; and
- trustees and advisors.

These lists are not intended to be exhaustive.

For individuals identified as related parties, the following are also presumed to be related parties:
- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

Related Party Transaction
Is a transfer of resources or obligations between a reporting entity and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

Glossary of Terms

Reserves
These are sums set aside to meet possible future costs where there is no certainty about whether the costs will be incurred.

Residual value
Is the net realisable value of a non-current 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 (Pensions)
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.

Return on plan assets
Shows the difference between the actual return and interest income on pension fund assets notionally allocated to the Council (separate to the amount disclosed within Net Interest). It is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure excluding amounts included in net interest on the net defined benefit liability / asset.

Revenue Contributions
The method of financing capital expenditure directly from revenue. The Council 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 Council, the costs principally include employee expenses, capital financing charges and general running costs.

Revenue Expenditure Funded by Capital under Statute
This is expenditure that is legally allowed to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset; for example, improvement grants.

Revenue funding
Is grant funding used to support the revenue expenditure of the Council. It may be 'ringfenced' to specific areas or may be general.

Revenue Support Grant (RSG)
A grant paid by Central Government to Local Authorities to help to finance their expenditure generally and not specific services. The grant helps to bridge the gap between Council Tax and Business Rates income and the Council's revenue expenditure.

Right of Use Assets (RoU)
Is an asset that represents a lessee's right to use an underlying leased asset over the lease term. Under IFRS 16, local authorities must recognise a right-of-use asset and a corresponding lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Scheme Liabilities (Pensions)
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Glossary of Terms

Settlement (Pensions)
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 affect 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 enough 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 councils in aid of particular services.

Strain on the fund
When a member of the LGPS is allowed to retire early (e.g. efficiency, redundancy or with the Council's consent), employee and employer pension contributions stop but benefits become payable earlier than assumed and will be paid for a longer period. To meet the additional cost to the fund, the employer must make additional payments called strain costs.

Subsidiaries
A subsidiary exists where the Council exercises control and gains benefits / exposure to risk arising from this control.

Support services or overheads
Are those that support the delivery of front-line services. Support services include finance, administration, ICT, legal and other central services.

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

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

Unusable reserves
Are those reserves that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences.

Usable reserves
Are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. They can also be described as 'cash-backed'.

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