Tyne and Wear
Fire and Rescue Authority

Statement of Accounts
2023/24
AUDITED

Contents

Authority Membership 2023/24

Chairman
Councillor P. Tye (Sunderland City Council)

Vice-Chairman
Councillor C. Burdis (North Tyneside Council) to 13th January 2024
Councillor G. Haley (Gateshead Council) from 19th February 2024

Councillors

Sunderland City Council
Councillor J. Usher
Councillor J. Warne
Councillor J. Doyle to 8th May 2023
Councillor G Smith from 18th May 2023 to 6th December 2023
Councillor A. Mullen from 17th December 2023

Newcastle City Council
Councillor G. Bell
Councillor K. Kilgour
Councillor T. Woodwark
Councillor D. Wood

Gateshead Council
Councillor K. Dodds
Councillor C. Ord to 26th June 2023
Councillor I. Patterson from 26th June 2023

North Tyneside Council
Councillor C. Johnson
Councillor J. Hunter

South Tyneside Council
Councillor W. Flynn to 26th June 2023
Councillor J. Welsh from 26th June 2023
Councillor J. Keegan

Police and Crime Commissioner
Ms Kim McGuinness

Independent Members
Mr G.N. Cook
Miss G.M. Goodwill
Mr M. Knowles
Mr D. Hall

Chief Officers
C. Lowther, Chief Fire Officer and Chief Executive (Clerk to the Authority) to 31st October 2023
P. Heath, Chief Fire Officer and Chief Executive (Clerk to the Authority) from 23rd September 2023
D. Napier, Finance Director to 30th April 2024
M. Ronan, Director of Finance, Estates and Facilities from 1st May 2024

Introduction

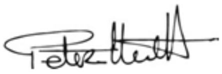
We are pleased to present the Statement of Accounts for the year 2023/24 for the Tyne and Wear Fire and Rescue Authority. A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers' money. We recognise, however, that the Authority's accounts can only tell part of the story. The Authority needs to demonstrate that it is aiming to operate to the highest standard of conduct in accordance with the principles of corporate governance and continues to have a robust system of internal control in place.

With regard to corporate governance, the Authority considers, annually, a review of its Code of Corporate Governance. A report on the annual review was delivered at the meeting of the Fire Authority on 11 March 2024. This code takes account of the CIPFA framework, 'Delivering Good Governance in Local Government', produced in 2007 and revised in 2016 by CIPFA and SOLACE. The review specifically considers the seven core principles of good governance as defined in the framework as, behaving with integrity, ensuring openness, defining outcomes, determining interventions, developing capacity and capability, managing risks and performance, and accountability.

The review found that the Authority continues to have robust and comprehensive arrangements in place but has identified a small number of areas for improvement and development which are not considered significant that will be acted upon during 2024/25.

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

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



Peter Heath
Chief Fire Officer and
Chief Executive

Michelle Ronan
Director of Finance, Estates and
Facilities

Councillor Phil Tye
Chair of the Authority

Dated: 21 February 2025

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

The Finance Officer's Responsibilities

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

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

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

The Finance Officer has also:

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

Certification of the Statement of Accounts

Statement of Accounts 2023/24 (subject to audit) Certification by the Finance Officer

As the Tyne and Wear Fire and Rescue Authority's Responsible Finance Officer, I hereby certify that in accordance with the Accounts and Audit Regulations 2015 Regulation 9 (1) the Statement of Accounts for 2023/24 (subject to audit) presents a true and fair view of the financial position of Tyne and Wear Fire and Rescue Authority as at 31 March 2024 and its income and expenditure for the year then ended.

Mrs M Ronan
Director of Finance, Estates and Facilities

Dated: 28 June 2024

Audited Statement of Accounts 2023/24 Certification on behalf of those charged with governance

As Chair of the Governance Committee, I hereby acknowledge receipt of the audited Statement of Accounts for 2023/24 by this Committee, in accordance with the Accounts and Audit Regulations 2015 Regulation 9 (3) (a) and confirm that the Statement of Accounts was approved in accordance with sub-paragraph 9 (3) (b) with regard to the aforementioned Regulations.

Mr G Cook
Chair of the Governance Committee

Dated: 21 February 2025

Audited Statement of Accounts 2023/24 Certification by the Finance Officer

As the Authority's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2023/24 in accordance with Regulation 9 (1) of the Accounts and Audit Regulations 2015.

Mrs M Ronan
Director of Finance, Estates and Facilities

Dated: 21 February 2025

Narrative Statement – 2023/24

Tyne and Wear Fire and Rescue Authority

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

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

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

Vision and Purpose

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

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

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

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

[1] Source – ONS 2021 mid-year estimate

Performance

The Authority is responsible for fire and rescue services in Tyne and Wear and is required by law to publish certain performance indicators annually in the local press. These show the statistical performance of the service but cannot provide any indication of the true quality or scope of the service delivered every day to the citizens of Tyne and Wear. It is also important to note that the Service remained effective and fully operational throughout the pandemic although some of our key performance indicators were affected. More detail about the work the service carried out to help our communities during 2023/24 is also set out later in this summary for information.

Summary of Performance

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

The primary mechanism for achieving this is through the Community Risk Management Plan (CRMP), which is focused on improving overall community safety through more effective and efficient use of resources to drive down incidents and respond to them more effectively.

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is targeted Home Safety Checks, or Safe and Well visits, which involve Community Firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and practical support, such as installing smoke detectors. During 2023/24, the Service carried out 22,012 Safe and Well visits (21,078 in 2022/23) and attended a total of 16,827 incidents (18,729 in 2022/23).

Service-Led Priorities

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

Performance Indicator	**2021/22**	**2022/23**	**2023/24**
Average response time of all incidents (mins)	5.53	5.44	5.36
Number of fatalities from all fires	2	10	6
Number of fatalities in accidental dwelling fires	2	10	5
Number of injuries from accidental dwelling fires (excluding precautionary checks)	26	34	30
Number of accidental fires in dwellings	463	470	482
Number of false alarms due to automatic fire detection from non-domestic properties	1,461	1,539	1,604
Number of primary fires	1,738	1,825	1,681
Number of deliberate fires	6,211	6,380	4,438

The Authority has a long track record of reducing fires but, sadly, in 2023/24 there were six deaths attributed to fire. On a pleasing note, average response times reduced slightly to 5 minutes 36 seconds.

The service will continue to strive to work towards the reduction of zero fire deaths. The service has experienced both increases and decreases in local indicators during 2023/24. More detail on performance can be found on the Authority's website.

Performance Improvement

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

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

Efficiency and the Community Risk Management Plan (CRMP)

Following the end of the four-year grant funding settlement covering 2016/17 to 2019/20, the Authority has had no formal requirement to produce a formal efficiency plan in order to secure government funding.

All fire and rescue authorities are expected to publish an annual efficiency and productivity plan which sets out the efficiencies the Authority proposes to make. The efficiencies the Authority makes are used to balance the budget and to reinvest in services as outlined in the CRMP, where we assess existing and potential risks to the communities of Tyne and Wear to identify how we can best utilise our resources to reduce those risks.

Funding Context and Financial Planning

Financial Outlook for the Authority
In February 2024, the government confirmed the financial settlement for 2024/25. The Authority's core spending power (CSP) increased by £3.120m or 5.22% with increases seen across most of the resources due to changes announced in the settlement.

The government continued to assume within the settlement that the Authority will grow its council tax base by 0.88% in 2024/25 and would increase its precept by at least 2.99%. This continues the government's policy of shifting some of the funding of local government services directly on to the council tax payer through assumed annual council tax increases.

The key elements of the Authority's settlement for 2024/25 are:

- An increase in the government's core spending power of £3.120m or 5.22%;
- An increase in the settlement funding assessment (SFA) of £1.418m or 4.67%; and
- Confirmation of the revenue support grant element of the settlement. This includes core revenue grant funding allocations of formula grant and previous council tax freeze grants. This Grant also now includes the pensions grant allocation of £2.593m which was paid to the Authority as specific grant funding in previous years (and as such is not new monies). Only the revenue support grant will increase by 6.62% in line with inflation continuing the government's policy of providing at lease inflationary increases for public sector services.
- Business rates income forecast at £4.156m, a slightly higher projection than that used by the government in 2023/24;
- An estimated increase of 3.87% in total council tax income for 2024/2025 through growth in the council tax base of 0.88% and an assumed precept increase of 2.99%; and

- Continuation of the service grant for 2024/2025, although significantly reduced, which has still been allocated based on the SFA of the Authority. The Authority will receive £0.109m, compared to £0.629m in 2023/24.

This improved position however needs to be taken in the context of past settlements as there are still funding inequities in the current system which still need to be addressed. The fact that this is a further one-year settlement with one-off funding included also means that it will make budget planning more difficult compared to a clear and transparent three year settlement that would have been much more helpful to the Authority in planning its services.

The Authority published a revised Medium Term Financial Strategy (MTFS), covering the period 2024/25 to 2027/28 and this can be found on the Authority's website. This aims to:

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

- set out the medium term financial position which the Authority is likely to face and to update the budget planning framework for the preparation of future revenue and capital budgets in the next four year period to 2027/2028.

This MTFS projects a funding gap of £3.287m by the end of the four-year period. The current financial climate over the medium term remains unclear with only another one-year 2024/25 financial settlement being provided by the government.

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

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

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

Financial performance of the Authority 2023/24

Revenue income and expenditure summary

The estimated net revenue expenditure for 2023/24 to be met from Government grants and local taxpayers was approved by the Authority at £57.201million*. This meant that the precept, at the Band D level of council tax, after allowing for revenue support grant and business rates receipts, was set at £92.35 for 2023/24. This represented a £5 flat cash increase in Band D. The following table summarises the financial position for the year:

	2023/24 Original Estimate £'000	2023/24 Revised Estimate £'000	2023/24 Actual Outturn £'000		2022/23 Actual Outturn £'000
Community safety	**6,693**	**7,053**	**3,464**		5,101
Firefighting and rescue operations	**49,122**	**51,250**	**25,245**		30,762
Corporate and democratic core	**219**	**219**	**185**		177
Non distributed costs	**(495)**	**(472)**	**153**		89
Net cost of services	**55,539**	**58,050**	**29,047**		**36,129**
Gains/losses on disposal of non-current assets	**0**	**0**	**2,135**		0
Interest payable	**260**	**260**	**1,700**		1,852
Contingencies	**4,266**	**1,801**	**0**		0
Interest on balances	**(613)**	**(613)**	**(1,970)**		(994)
Pension interest cost and expected return on pension assets	**(620)**	**(620)**	**31,890**		25,260
Net operating expenditure	**58,832**	**58,878**	**62,802**		**62,247**
Capital financing:					
Reversal of capital charges and impairments	**(4,479)**	**(4,479)**	**(4,049)**		(4,221)
Minimum revenue provision	**1,973**	**1,973**	**1,839**		1,792
Revenue contribution to capital outlay	**250**	**250**	**9,669**		4,922
Reversal of loss on disposal of fixed assets	**0**	**0**	**(2,135)**		0
Total net operating expenditure	**56,576**	**56,622**	**68,126**		**64,740**
Contribution to/(from) IAS 19 pension reserve	**(85)**	**(85)**	**(3,804)**		(10,450)
Contribution to/(from) collection fund account	**0**	**0**	**251**	*	(1,298)
Contribution to/(from) accumulated absences account	**0**	**0**	**129**		(91)
Contribution to/(from) earmarked reserves	**710**	**664**	**(6,526)**		(1,847)
Net budget	**57,201**	**57,201**	**58,176**		**51,054**
Resources:					
Revenue support grant and general grants	**(10,203)**	**(10,203)**	**(10,203)**	*	(9,263)
Top up grant	**(12,162)**	**(12,162)**	**(12,162)**	*	(11,457)
Business rates and collection fund	**(6,317)**	**(6,317)**	**(6,114)**	*	(3,615)
Precepts and collection fund	**(27,890)**	**(27,890)**	**(28,220)**	*	(24,708)
Local council tax support scheme grant					0
Service delivery grant	**(629)**	**(629)**	**(629)**		(1,072)
Section 31 non-specific grants	**0**	**0**	**(848)**		(939)
Total resources	**(57,201)**	**(57,201)**	**(58,176)**		**(51,054)**
(Increase) / reduction to general balances in year	**0**	**0**	**0**		**17**
Opening General Fund balance	**(4,089)**	**(4,089)**	**(4,072)**		**(4,089)**
Closing General Fund balance	**(4,089)**	**(4,089)**	**(4,072)**		**(4,072)**

* In the accounts, the net budget requirement for 2023/24 of £57.201m is made up of total resources of £57.201m, as set out in the estimates in the above table, adjusted for a difference in government Settlement Funding Assessment (SFA) grant funding of £0.091m, an amendment required under the Code of Practice in respect of the Collection Fund of (£0.218m) and Section 31 non-specific grant income of (£0.848m)

The variances between the estimates and actual outturn 2023/24 on firefighting and rescue operations and the return on pensions assets are compensating variances arising from the actuarial valuations on the pensions assets which can, and invariably do, change between budget and outturn stages. The key comparator for actual expenditure against budget in the above statement is the "net budget" figure which, as explained above mainly relates to the adjustments required in the Collection Fund.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the full Authority. These reports detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also includes a review of certain other key financial items, including Treasury Management and Prudential Indicators. Again, this process reflects strong and robust financial management in 2023/24, continuing the Authority's sound track record in this regard.

The revenue budget outturn position for 2023/24 was reported to the Authority on 24 June 2024 and showed a net overall underspend of £1.842m, at £55.359m compared with an original budget of £57.201m.

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

- Improved financial management is embedded throughout the Authority, with increased financial awareness and tighter budgetary control achieving a net delegated budget savings of £0.299m across the full service;

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

  The pay award for corporate staff was agreed at a flat cash increase of £1,925 per employee which equated to a 7% increase for Tyne and Wear and the pay award from July 2023 for firefighters was agreed at 5%. The pay awards were managed within existing budgets; and

- The Authority has also had to manage and contend with significant budgetary pressures caused by the very high levels of inflation which although have reduced a little, this continues to be an ongoing issue for the Authority. On the positive side however the increase in interest rates has had a positive impact on the budget and this has helped to fund some of our budget pressures as we hold a high level of reserves which are fully earmarked mainly to fund our ambitious Capital Programme. We have benefitted by over £1m in excess interest received because of the high interest rates experienced across the financial year which could not have been anticipated when the budget for 2023/24 was approved.

The table below shows the actual outturn for 2023/24 as compared with the original and revised budget positions as reported to Members in June 2024.

	Original estimate (for information) £'000	Revised budget £'000	Outturn £'000	Variance to revised budget £'000
Expenditure				
Employees	49,046	51,165	51,989	824
Premises	2,972	3,001	2,876	(125)
Transport	1,101	1,081	1,101	20
Supplies and services	8,467	8,706	8,783	77
Contingencies	4,266	2,367	0	(2,367)
Support services	15,055	14,983	14,977	(6)
Capital financing	924	929	1,010	81
Reserve appropriations	710	658	2,354	1,696
Total expenditure	**82,541**	**82,890**	**83,090**	**200**
Income				
Grants and contributions	(8,414)	(8,754)	(9,200)	(446)
Receipts	(337)	(337)	(613)	(276)
Fees and charges	(1,240)	(1,249)	(1,280)	(31)
Interest earned	(613)	(613)	(1,970)	(1,357)
Recharge income	(14,736)	(14,736)	(14,668)	68
Total expenditure	**(25,340)**	**(25,689)**	**(27,731)**	**(2,042)**
NET BUDGET	**57,201**	**57,201**	**55,359**	**(1,842)**

While the budget figures above are presented on a cash basis, the Statement of Accounts is prepared on an accruals basis, which also has to comply with statutory requirements and international accounting standards. This is the main reason why the two sets of figures differ, as the information is presented on two different bases, however the financial underspend compared to the budget reported to members for 2023/24 is fully reflected within the Statement of Accounts.

The main budget variations are detailed below:

- Employee costs (£0.824m net overspend) – overspend mainly due to ill health pensions and overtime costs, partly absorbed by underspends due to vacancies. An adjustment has also been required to reverse a prepayment of the pension fund deficit contributions.

  Operational overtime costs continue to be a significant budget pressure. Savings in salaries have helped to accommodate these increased costs. Overtime continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate.

- Premises (£0.125m net underspend) – savings have been made on business rates from a review that was completed at the end of the last financial year. This has helped to absorb an overspend on water charges due to a leak at Wallsend Fire Station. Energy charges are being closely monitored with information from Sunderland City Council and increased tariffs have been accommodated in the budget for 2024/25.

- Transport (£0.020m net overspend) – transport insurance costs charged at the end of the financial year were higher than anticipated. The additional costs have been partly absorbed by the savings on travel expenses.

- Supplies and Services (£0.077m net overspend) – there has been an in year one off cost to write off obsolete COVID related stock, increased legal fees and additional subsistence costs for essential water training courses to comply with new legislation.

- Contingencies (£2.367m underspend) – all of the budget set aside for pay awards and inflation above the levels estimated has not been required during the year.

- Support Services and Recharges (£0.062m net overspend) – there has been an in year change to the staffing model recharges for the USAR National Resilience responsibilities.

- Income (£0.753m overachieved) – the year end position shows an increase in total income received against the revised budget. There has been one off income from sales of equipment, contributions for assisting at incidents, apprenticeship payments and additional income from training courses. The authority has also received additional Section 31 Grants relating to Business Rates and New Burden funding.

- Interest received (£1.357m overachieved) – The interest paid to the authority is based on the average SONIA (Sterling Overnight Index Average) over the period. As this is a variable rate, heavily influenced by the prevailing Base Rate, it is not known with any certainty what future daily rates will be. At third review, it was estimated that the authority would receive a total of £1.361m for 2023/24 but rates have continued to rise above the level anticipated during the final quarter of the financial year, resulting in interest received of £1.970m in total. The budget set for 2024/25 reflects the improved interest rate position.

- Capital financing (£0.081m over budget) – a higher debt charge interest has created a small overspend.

- Reserves and provisions appropriations (£1.696m increase) – appropriations were agreed when setting the budget for 2024/25 to reallocate some of the in year contingency budget to the Mobilising Reserve for future commitments. In addition, appropriations into the Revenue Budget Carry Forward Reserve have been made for known future requirements, including transfer of Fire Protection Grant and New Burdens Grant to be used in 2024/25.

Members agreed to appropriate £1m of the surplus funds to the Revenue Budget Carry Forward Reserve to fund the backdated holiday payments expected to be paid out during 2024/2025 and the remaining £0.842m to the Development Reserve to finance the challenging Capital Programme in future years.

The total resources at the end of the financial year included within the Authority's Statement of Accounts were £58.176m, £0.975m more than that set out in the budget of £57.201m for 2023/24:

- As part of the finance settlement, the Authority received less government grant funding of £0.091m.

- The year end business rates returns from the Tyne and Wear councils notified the Authority of a net increase to the Collection Fund of £0.218m and the Authority received Section 31 non-specific grants of £0.848m, a net increase in funding of £1.066m.

Injury Pension Grant Repayment (Firefighter Pension Scheme)

The injury pension grant repayment (which was originally £8.639m) is being repaid at £0.500m a year. The table below reconciles the position shown in the statutory accounts and the true position as shown in the reserves statement:

	Statutory Accounts			True Reserve Position		
	Balance as at 31 March 2023 £'000	Net Transfer * £'000	Balance as at 31 March 2024 £'000	Balance as at 31 March 2023 £'000	Net Transfer * £'000	Balance as at 31 March 2024 £'000
Capital Developments Reserve	18,006	(6,970)	11,036	24,145	(7,470)	16,675
Injury Pension Adjustment	0	0	0	(6,139)	500	(5,639)
	18,006	**(6,970)**	**11,036**	**18,006**	**(6,970)**	**11,036**

Accounting for pensions

International Accounting Standard 19 (IAS19)
The Authority's accounts continue to be compliant with International Accounting Standard 19 which is a complex accounting standard. It is based on a simple principle, however, namely that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. Inclusion of the pension fund assets and liabilities in the accounts does not mean that the legal title or obligation has passed from the Pension Fund Administrator to the employer. Instead, it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (through reduced contributions) from a surplus in the Pension Fund.

A triennial actuarial valuation of the Local Government Pension Scheme (LGPS) was carried out at 31 March 2022 and of the Firefighters' Pension Scheme (FPS) was at 31 March 2023.

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

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

The financial health of the Authority is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit, as assessed by the actuary as at 31 March 2024, is being addressed by the Authority in line with Government regulations. The Authority can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

Arrangements for funding and accounting for firefighter pensions
From 1 April 2006, revised arrangements came into effect for funding firefighter pensions, with fire and rescue authorities administering and paying firefighters' pensions through a local firefighters' pension fund. Together, employee and employer contributions meet the accruing pension liabilities

of currently serving firefighters, meaning that fire and rescue authorities meet all of the costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them.

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

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

Balance Sheet position

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

	Balance at 31 March 2023 £'000 Restated	**Balance at 31 March 2024 £'000**
Non-current assets	91,317	101,220
Net current assets	39,252	32,594
Long term liabilities and provisions	(734,087)	(730,755)
Net assets / (liabilities)	**(603,518)**	**(596,941)**
Represented by:		
Usable reserves	39,061	32,535
Unusable reserves	(642,579)	(629,476)
	(603,518)	**(596,941)**

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

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

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

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

The Authority is a going concern due to the fact that, whilst recognising that it has a negative net worth of 596.941m on its Balance Sheet, most of the ‘deficit’ relates to the pensions deficiency of £698.400m which must be disclosed as part of the international financial reporting standard IAS19 (Accounting for Pensions) requirements.

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

If this element is removed, the Authority has a ‘real’ net surplus of £101.459m. The Authority also has assets worth £101.220m and cash backed reserves of £32.535m which support the view that the Authority’s Balance Sheet and finances are in fact healthier than implied by the published accounts.

Capital expenditure and income and major acquisitions, capital works and disposals

Capital expenditure
In February 2023, the Authority approved a Capital Programme for 2023/24 of £14.184m which was subsequently revised to £14.158m during the year.

Actual capital expenditure at the end of the financial year was £9.802m, financed from a combination of revenue contributions of £0.250m, earmarked reserves of £9.436m, external contributions of £0.053m and section 31 grants of £0.063m. The main reasons for the variation in spending of £4.356m have arisen due to the following:

- Expenditure on a number of projects planned for 2023/24 of £4.408m slipped into 2024/25:
    - Final payment outstanding for the genous security system will be made in 2024/25;
    - Outstanding legal costs for the MRU development;
    - Delays in the USAR rig refurbishment until a coordinator is appointed;
    - Final stage payments for Hebburn Station will be made in 2024/25;
    - Viable procurement options being reviewed for replacement of the fuel management system;
    - Final works on the fire safety accommodation will be completed in 2024/25;
    - Works will commence on the female firefighter facilities in 2024/2025; and
    - Works will commence on the next phase of the BTC developments.

- Net underspend of £0.030m across a number of schemes completed during 2023/24.

- Addition of £0.011m required for additional ICT hardware equipment need to support the Safer Streets Initiative.

- Reversal of slipped small fleet budget of £0.071m as vans on order were delivered t sooner than expected and in operation before the end of the financial year.

Authority's current borrowing and capital borrowing provision

The Capital Programme report, incorporating the prudential indicators and the treasury management strategy, was submitted to the Authority meeting on 13 February 2023, which detailed the 2023/24 borrowing limits for the Authority. All borrowing is undertaken by the lead authority (Sunderland City Council) on the Authority's behalf.

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

- Authorised limit for external debt for 2023/24 of £54.607 million;
- Operational boundary for external debt for 2023/24 of £49.607 million.

The lead authority administers all of the Authority's borrowing through its consolidated advances and borrowing pool (CABP). The above two statutorily required prudential indicators are monitored on a daily basis and neither limit has been exceeded during 2023/24. The highest level of external debt incurred by the Authority during 2023/24 was £30.942m on 1 April 2023. This includes borrowing debt of £10.346m, injury pension liability of £6.139m, and £14.456m in relation to the Authority's long term liabilities (consisting of its PFI schemes commitments and finance leases) which forms part of both borrowing limits in order to comply with IFRS accounting requirements.

Private finance initiative (PFI)

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

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

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

Estates and facilities asset plan

The Authority is delivering the current estates and facilities asset plan in conjunction with the lead authority and its external service providers.

The key activities are:

- Continue to implement the findings and recommendations of a service-wide access audit using a prioritised phased approach to ensure all our buildings and facilities comply with The Equalities Act 2010 and are accessible to all;
- Commissioned a comprehensive stock condition survey (SCS) to inform and drive future capital investment;
- Completed a detailed service wide building and asset review that is resulting in the disposal/remodelling of surplus assets and the generation of both capital receipts and revenue savings. The review has primarily focused on the identification of surplus assets,

leases and license reviews and a re-evaluation of all third-party business arrangements within the premises portfolio; and
- Continue to explore collaborative and co-location opportunities with partner agencies. To date we have North East Ambulance Service (NEAS), Northumbria Police, Great North Air Ambulance Service, the Army, Northumbria Community Rehabilitation Company, RNLI, North of Tyne Mountain Rescue, the King’s Trust and Northumbria Blood Bikes, and a number of other smaller third-party partners operating from our locations.

The Authority has limited earmarked reserves to assist in implementing the estates and facilities asset plan over the medium to long term.

His Majesty’s Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS)

The Service underwent two full HMICRFS inspections in 2018/2019 and 2021/2022, and received a ‘Good’ grade across the three pillars of inspection: *Effectiveness*, *Efficiency* and *People*.

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

In April 2024, the Service underwent a third full inspection that lasted 10 weeks. For these inspections conducted in 2023 to 2025, the Inspectorate has replaced the previous pillar level overall judgements with individual graded judgements for each of the 11 inspection areas.

The graded judgements the Service received for the 2023-2025 round of inspections were published in October 2024 and are summarised below:

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

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

Financial statements
The Statement of Accounts shows the Authority's final accounts for 2023/24. They have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2023/24* and are based on international financial reporting standards (IFRSs), known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2015 and the Local Government and Housing Act 1989.

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

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

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

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

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

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

6. **Notes (including a summary of significant accounting policies and other explanatory information)**
   The Notes to the financial statements have three significant roles. They:
   - Present information about the basis of preparation of the financial statements and the specific accounting policies used;
   - Disclose information that is required by the Code that is not presented elsewhere in the financial statements; and
   - Disclose information that is not presented elsewhere in the financial statements but is relevant to an understanding of them.

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

Michelle Ronan
Director of Finance, Estates and Facilities

Dated: 21 February 2025

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Tyne and Wear Fire and Rescue Authority ("the Authority") for the year ended 31 March 2024, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters' Pension Fund Statement, the Firefighters' Pension Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2024 and of its 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 2023/24.

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 section of our report. We are independent of the Authority 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 Finance Officer'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 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority'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 Finance Officer 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 Finance Officer 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.

In connection with our audit of the financial statements, 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 Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Finance Officer is also responsible for such internal control as the Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Finance Officer is responsible for assessing each year whether or not it is appropriate for the Authority 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 Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

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:

- inquiring with management and the Governance Committee, as to whether the Authority is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- 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 Authority which were contrary to applicable laws and regulations, including fraud.

We evaluated the Finance Officer'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, in particular in relation to Property, Plant and Equipment valuations, the pensions asset and the pensions liability, 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 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 management and the 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 Finance Officer 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, 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 Authority'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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

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

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 Authority 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 Authority'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 Tyne and Wear Fire and Rescue Authority, 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 Authority 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 Authority, 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 completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

Gavin Barker
Key Audit Partner

For and on behalf of Forvis Mazars LLP

Forvis Mazars
Bank Chambers
26 Mosely Street
Newcastle upon Tyne
NE1 1DF

27 February 2025

Annual Governance Statement

SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the Authority and statutory officers are responsible for putting into place proper arrangements (known as the governance framework) for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's aims and objectives and evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Authority's governance framework comprises of the culture, values, systems, and by which it is directed and controlled. This enables the Authority to monitor the achievement of the Service's strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

For the Authority to meet the requirements of the Accounts and Audit (England) Regulations 2015 6(1) (a) and (b); it must conduct a review of the effectiveness of the system of internal control and prepare and publish an Annual Governance Statement.

This statement provides detail and commentary on the design and effectiveness of the governance arrangements put in place by the Authority to ensure the above.

The key elements of the systems and processes that comprise the Authority's governance arrangements are summarised in this document and ensures that in conducting its business, the Authority:

- Ensures its values and ethical standards are met;
- Operates in a lawful, open, inclusive and honest manner;
- Enables human, financial, environmental and other resources to be managed efficiently and effectively;
- Has effective arrangements for the management of risk;
- Makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- Properly maintains records and information; and
- Secures continuous improvement in the way that it operates.

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

The Authority acknowledges its responsibility for ensuring effective governance arrangements are in place and operates a Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Delivering Good Governance in Local Government Framework 2016.

The Authority's Code of Corporate Governance can be accessed on Tyne and Wear Fire and Rescue Service's website.

In order to report publicly on the extent to which the Authority complies with its Code of Corporate Governance, including how it monitors the effectiveness of its governance arrangements.

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

In this document the Authority:

- Acknowledges its responsibility for ensuring that there is a sound system of governance in place;
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- Describes how the Authority has monitored and evaluated the effectiveness of its governance arrangements in the year;
- Provides details of how the Authority has responded to any issue(s) identified in last year's governance statement; and
- Reports on key governance matters identified from this annual review and provides a commitment to addressing them.

The governance framework has been in place at the Authority for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts.

GOVERNANCE FRAMEWORK – REVIEW OF EFFECTIVENESS

The Authority monitors its governance arrangements in practice and reviews them annually to ensure that they remain fit for purpose and working effectively. The review process:

- Assesses how the Authority has complied with its Code of Corporate Governance.
- Provides an opinion on the effectiveness of the Authority's governance arrangements.
- Provides details of how continual improvement in the systems of governance will be achieved.

Key sources of assurance that inform this statement are drawn from:

- Departmental self-assessments prepared by Tyne and Wear Fire and Rescue officers with responsibility for governance.
- Statutory Officer Assurance Statements.
- Feedback from elected members (Councillors).
- Reports on the risk management arrangements and the corporate risk register.
- The Head of Internal Audit's independent findings on the internal control environment.
- The External Auditor's independent review of the effectiveness of the governance arrangements.

- Any recommendations made by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) or other external bodies or review agencies.

KEY ELEMENTS OF THE AUTHORITY'S GOVERNANCE FRAMEWORK

Role of the Authority

The Authority is the publicly accountable body that oversees the service delivery of the fire service on behalf of the communities of Tyne and Wear. The Authority operates in accordance with a formal constitution, which details the governance arrangements under which it conducts its business. In practice, responsibilities and other functions are assigned to sub-committees of the Authority, or senior officers via the scheme of delegation.

The Authority is the decision-making body, which approves the constitution, fire service strategy, governance reporting and budgetary framework. Members with support from their officer colleagues are responsible for:

- Determining the policy direction of the fire service;
- Setting a budget to fund the delivery of that policy direction; and
- Undertaking scrutiny to ensure that intended outcomes are being achieved efficiently, effectively and in accordance with statutory requirements.

The Authority's constitution sets out how it operates, the roles, responsibilities and relationships between the committees, how decisions are made and the procedures followed to ensure decisions are efficient, transparent, and accountable to local people. Some processes are required by law, while others are for the Authority to choose.

The Authority compromises of 17 elected members. Fire Authority meetings take place monthly from June to April, with the Annual General Meeting (AGM) occurring each June. At the AGM, the format and structure of the Authority's democratic decision-making process is reaffirmed, and approval is given to appoint a Chair, Deputy Chair and committees/sub-committee members. The composition of each committee reflects the political balance of the elected members and the terms of reference and responsibilities of the committees form part of the constitution.

The committee structure comprises of three standing committees – the Governance Committee, Policy and Performance Committee and Human Resources Committee. Three further committees and a subcommittee assemble to address a particular issue and comprise of the Appointments Committee, Disciplinary Appeals Committee, Personnel Appeals Sub-Committee and an Emergency Committee.

The Authority and its committee structure monitor the effectiveness of the risk management arrangements, regularly review the governance arrangements, consider and review Internal and External Audit plans and reports and review, scrutinise and approve the Annual Statement of Accounts. The Authority and its committees receive regular feedback from senior officers on the delivery of services and the achievement of objectives and targets.

Role of the Governance Committee

The Governance Committee is a key component of the Authority's governance framework and independently assures the adequacy and effectiveness of the Authority's governance arrangements, risk management and the internal control environment.

The Governance Committee's remit and functions are based on the guidance set out in the CIPFA Audit Committees – Practical Guidance for Local Authorities and Police 2022 which identifies best practice in relation to roles and responsibilities.

The Committee is chaired by an independent person in accordance with best practice and comprises of a further two independent persons alongside elected members of the Authority to assure and provide external scrutiny.

The Committee meets regularly and scrutinises the Authority's financial and non-financial performance and is responsible for:

- Monitoring the effectiveness of the Authority's risk management arrangements, control and governance processes to ensure internal control systems are effective and that policies and practices are compliant with statutory requirements and other regulations and guidance;
- Ensuring governance arrangements are kept under continual review through reports prepared by officers with a responsibility for governance;
- Making recommendations concerning relevant governance aspects of the constitution;
- Considering Internal Audit's Annual Audit Plan and Report and the reports and opinions of the External Auditor, including the Auditor's Annual Report and other inspection agencies;
- Monitoring the action in response to any issues raised by auditors and inspectors;
- The Authority's ethical framework and the promotion of high standards of conduct, working closely with the Monitoring Officer to deal with complaints about Member conduct;
- Being satisfied that the Authority's assurances statements properly reflect the risk environment and identify the proportionate actions required to improve it;
- Approving the Annual Accounts (monitoring the financial position throughout each financial year, including the year-end out-turn position); and
- Making recommendations and comments to the Authority for consideration as appropriate.

Role of Statutory Officer

The Authority must appoint statutory officers who are required to help assure that the Authority conducts its affairs appropriately.

The **Head of Paid Service** (Chief Fire Officer/Chief Executive) has overall responsibility for the management and operational activities of the fire service and:

- Provides professional advice to the Authority and its committees; and
- Ensures a system for recording and reporting Authority decisions, together with the Monitoring Officer.

There was a change of post holder of the Head of Paid Services during 2023/24 whereby the new Chief Fire Officer/Chief Executive took up their role in October 2023.

The **Chief Finance Officer** (Finance Director/Section 151 Officer) has responsibility for all financial matters specifically the financial management of the Authority and:

- Ensures that there are sound systems of financial control that help prevent fraud and error and that the Authority achieves value for money;
- Ensures an effective internal audit service is provided;

- Ensures the financial position of the Authority is monitored throughout the year and consideration is given to financial implications when taking decisions and that financial processes are complied with;
- Advises senior managers and elected members on all financial matters in line with CIPFA's statement on the Role of the Chief Financial Officer in Local Government 2016. The Authority's financial management arrangements conform to the governance requirements of the CIPFA statement; and
- The post holder is professionally qualified with many years' experience within local authority finance.

The **Monitoring Officer** (Assistant Director of Law and Governance at Sunderland City Council) has responsibility for:

- Ensuring compliance with established policies, procedures, laws and regulations, and the lawfulness and fairness of decision-making.
- Reporting on matters they believe are, or are likely to be, illegal or amount to maladministration;
- Matters relating to the conduct of elected members and Principal Officers; and
- The operation of the Authority's constitution and advising whether decisions taken are in accordance with the constitution.

The **Senior Information Risk Owner (SIRO)** (Assistant Chief Fire Officer) is accountable for information risk across the Authority and is supported by the Data Protection Officer (DPO), Information Governance Advisor and Information Asset Owners.

The responsibility for good information risk management sits with all levels of the Authority and the management of information risk is carried out in accordance with its Information Management Framework.

Role of Management

Tyne and Wear Fire and Rescue Service operates two tiers of senior management and this structure plays an important role in maintaining the Authority's governance framework.

<u>Executive Leadership Team</u>

The Executive Leadership Team currently comprises of the Chief Fire Officer/Chief Executive, Deputy Chief Fire Officer, Assistant Chief Fire Officer, three Area Managers and three Directors.

The Executive Leadership Team are responsible for:

- Implementing policy and budgetary frameworks and providing advice to the Authority and its committees on the development of future policy, procedure and budgetary matters;
- Overseeing the delivery of the Service's Corporate Strategy and implementation of policy;
- Overseeing the implementation of audit recommendations or other recommendations to improve weaknesses in controls in a timely manner; and
- Providing clear direction to the Senior Leadership Team.

<u>The Senior Leadership Team</u>

The Senior Leadership Team comprises of Group Managers and Department Heads who are responsible for:

- Developing and implementing the governance, risk and control framework;
- Contributing to the effective corporate management and governance of the Service; and
- Ensuring audit and other recommendations to improve weaknesses in controls are actioned in a timely manner.

Role of Internal Audit

Internal Audit provides independent assurance and opinion on the adequacy and effectiveness of the Authority's risk management and control framework and is responsible for monitoring the quality and effectiveness of systems and internal controls.

The Authority has a Service Level Agreement (SLA) with Sunderland City Council to provide an independent Internal Audit function. Internal Audit undertakes its work in accordance with the CIPFA Code of Practice for Internal Audit and the Public Sector Internal Audit Standards 2017.

Internal Audit delivers an annual audit plan of risk-based audit activity which is driven by an assessment of the current risks in conjunction and discussion with the Chief Fire Officer and the Finance Director (S151 Officer).

The Internal Audit Plan sets out the work scheduled for the next financial year. Progress of the audit plan is reported regularly to the Governance Committee, with an end of year assessment and report which informs the Annual Governance Statement.

At the conclusion of each audit, a draft report and, if necessary, a proposed action plan is forwarded to the appropriate manager. Once agreement has been reached, a final report (including any agreed action plan) is forwarded to the Chief Fire Officer/Chief Executive and the Finance Director (S151 Officer).

All audit recommendations are monitored and progress is reported to the Governance Committee.

An Annual Report is prepared for the Governance Committee to give assurance to elected members regarding the Authority's system of internal control.

Role of External Audit

The Authority's current External Auditors are Forvis Mazars, a limited liability partnership appointed by Public Sector Audit Appointments Limited for this purpose.

External Auditors audit the financial statement and provide an audit option on whether the financial statements of the Authority give a true and fair view of the financial position of 31 March and of the income and expenditure for the year then ended.

External Auditors also consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and provides a detailed assessment of these arrangements.

The Annual Audit Report provides independent assurance of the Authority's financial control and value for money arrangements (including detailed analysis and comments on the financial resilience and the overall efficiency and effectiveness of the Authority's arrangements it has in place).

Role of Risk Management

A robust risk management framework is an integral part of the fire service's operational delivery and decision-making process. The Risk Management Policy and Procedure provides visibility and assurance that there is a robust approach to managing risk.

Directorate and strategic risk registers are maintained with appropriate action plans to mitigate and manage identified risks. The corporate risk register is reviewed by the Executive Leadership Team as appropriate. Directorate risk registers are reviewed within team meetings, including by the Senior Leadership Team.

To ensure risk is considered when decisions are made, all reports presented to elected members include a risk assessment of the action or implications within the report. The reports also include assessments of financial, equality and fairness and health and safety implications. Risk assessments are also in place as part of the fire service's project and programme management processes.

HOW THE AUTHORITY MEETS THE PRINCIPLES OF GOOD GOVERNANCE

The good governance principles are set out below and through their application, the Authority can continue to provide strong internal controls to support the attainment of its strategic objectives.

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

The Authority's constitution acts as a framework to support decision-making and ensure all legal, financial and statutory requirements are met and are supported by standing orders, financial regulations and a scheme of delegation. The scheme of delegation sets out how different types of decisions are made, including who has the responsibility for making them and what procedures should be followed.

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

The Authority is transparent about how decisions are made and recorded and ensures appropriate legal, financial and other professional advice is considered as part of the decision-making process. Value for money is measured and the results are considered prior to making decisions.

The Authority operates two Codes of Conduct and Ethics, one for elected members, and a second for employees. These codes maintain appropriate standards of conduct. New Authority members and employees receive a copy of their respective Code of Conduct and Ethics as part of their induction process.

The Code of Conduct and Ethics for elected members is monitored by the Monitoring Officer and overseen by the Governance Committee. The Code of Conduct and Ethics for employees is monitored by the fire service's Human Resources Department. Any allegation of wrongdoing is thoroughly investigated in accordance with the disciplinary policies and procedures.

Mandatory training is required for employees about health and safety, anti-fraud and corruption, information governance and equality, diversity and inclusion. Compliance rates are monitored and reported to management.

During 2023/24, national news coverage about the fire and rescue service's culture highlighted some areas of concern and the Authority commissioned a culture review to understand how to create the best work environment for its employees. The culture review involved two independent organisations facilitating employee engagement through a survey, workshops and focus groups. The information provided was collated into a cultural audit report and shared with the Authority and employees.

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

When working in partnership elected members and employees are clear about their roles and responsibilities, both individually and collectively, in relation to the partnership and to the Authority/fire service. There is clarity about the legal status of the partnership and representatives understand and make clear to partners the extent of their authority to bind their organisation to partner decisions ethically.

Procurement and financial regulations are used to protect processes that could be influenced by unethical behaviour. A full procurement process is adhered to which ensures ethical standards are upheld. The procurement team has achieved Chartered Institute of Procurement and Supply (CIPS) Corporate Ethical Procurement and Supply status, a statement of the Authority's commitment to ethical sourcing and supplier management.

A Counter Fraud Framework manages the risk of fraud and corruption across the Authority and takes preventative steps, outlines the detection arrangements and provides a clear route for investigation and prosecution, where fraudulent and/or corrupt activities or behaviour have been identified.

A Whistleblowing (confidential reporting) Policy and Procedure is in operation and all reports received are investigated thoroughly. Confidential, anonymous reporting can also be made via Safecall. Records are kept of whistleblowing incidents and the outcomes of investigations arising. Statistics are reported to the Corporate Governance Board quarterly. These arrangements have assisted with the maintenance of a strong regime of internal control.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

The Authority seeks to be open and act in the public's interest. Authority and committee meetings are open for the public to attend. The Authority's AGM took place on 26 June 2023.

The Authority ensures that all major decisions are captured, documented and published within committee papers and minutes which are published on Sunderland City Council's website (the Authority's secretariat). Confidential reports are only used when necessary and legally allowed. Significant decisions are also reported on the Tyne and Wear Fire and Rescue Service's website.

The Authority operates a Freedom of Information Publication Scheme. This publication scheme commits the Authority to make information available to the public as part of its normal business activities.

The Authority publishes data in accordance with the Local Government Transparency Code 2015 which ensures that up to date information relating to the structure, activities, finances, plans, policies, performance and governance of the Authority and the fire service is published, increasing democratic accountability.

The Reserves Policy is published providing transparency to stakeholders about the purpose and level of the reserves held by the Authority. Regular performance information, strategic documents including the Strategy 2025, the audited Statement of Accounts, the Annual Governance Statement and External Auditor's reports are publicly published on the Tyne and Wear Fire and Rescue Service's website.

The Authority operates consultation and engagement mechanisms to consult with employees and the public, these are detailed in the Strategic Framework for Communications, Engagement and Consultation. During 2023/24, the Authority consulted on the Community Risk Management Plan 2024-2027. The Authority carries out a statutory business rate and council tax consultation each year.

Employee engagement is carried out by a range of methods, including Executive Leadership Team listening events and all staff engagement sessions. Employees are encouraged to contribute to feedback via team and department meetings, and through their line management structure.

Proactive engagement with representative bodies, the Fire Brigades Union, GMB, and Unison. These relationships are managed through the Joint Consultative Forum, which considers issues associated with employee relations and policy development. This forum complements the daily arrangements that support effective industrial relations management.

A Compliments and Complaints Policy and Procedure allows the Authority to respond effectively to any compliment or complaint in a timely manner. Submissions are monitored and reported quarterly to the Corporate Governance Board and an annual report is presented to the Governance Committee.

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

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

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

The Community Risk Profile provides a comprehensive and forward-looking assessment of risks in the communities of Tyne and Wear. The Community Risk Management Plan contains actions to ensure that risks, including those identified in the Community Risk Profile are appropriately addressed and resources are targeted at those risks.

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

Budget monitoring at strategic and department levels via the production of regular financial monitoring reports for Capital and Revenue budgets. These reports, are scrutinised by budget managers and reported to the Executive Leadership Team and quarterly to the Authority.

All departments prepare, monitor and report on a suite of key performance indicators (KPIs) to review standards and promote the continuous improvement of services.

Equality impact assessments, data impact privacy assessments and risk assessments are carried out to ensure that any changes to procedures do not affect stakeholders adversely and service delivery outcomes are not affected.

In October 2019, CIPFA issued a new Financial Management Code. The purpose of the Code was to support good practice in financial management and to assist authorities in demonstrating their financial sustainability. It contained a set of minimum standards for financial management for authorities. A detailed review was undertaken by the Finance Director (S151 Officer), which concluded that the Authority's arrangements complied with the Financial Management Code.

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

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

As outlined in Principle A, the Authority, through the appointment of the Monitoring Officer, ensures that the necessary arrangements are in place to facilitate effective communication between officers and elected members; whilst the Authority's constitution sets out the roles and responsibilities of elected members and officers and ensures informed and effective decision-making by the Authority.

Progress against planned activity and projects is monitored and risks are reviewed regularly and reported to the Authority and its committee structure. Quarterly reports include performance against targets for KPIs as well as financial and project delivery performance. The Authority's performance management framework allows elected members to scrutinise performance data and ensure any issues identified are dealt with and appropriate interventions agreed upon.

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

The Risk Management Policy and Procedure sets out the process to identify and control exposure to uncertainty, which may impact the achievement of the Authority's objectives or activities. A corporate risk register is in place and is reviewed regularly to ensure that risks are appropriately managed.

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

The Authority maintains robust strategic workforce planning processes to ensure it employs the correct number of people, with the necessary skills to meet the objectives set out in its corporate plans and strategies. Strategic workforce planning is embedded in the organisation and analysis of workforce data enables proactive identification of future staffing requirements.

There is a robust recruitment and selection processes for potential employees and all roles have detailed job descriptions. Induction processes are in place for new employees which include an introduction to the fire service, values, Codes of Conduct and Ethics and the requirements of the role.

A modular training programme is in place for elected members. New members complete an induction to increase their knowledge, skills and abilities in their individual or collective roles in meeting the Authority's strategic objectives. The programme is supplemented by specific topic briefings, some of which are all member events and others are for specific committee members.

A fitness assessment programme for operational employees is embedded and fitness equipment is provided at all sites. Training plans ensure employees receive appropriate training and development to undertake their roles competently and safely.

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

A leadership training programme has been delivered to the Senior Leadership Team in support of the People and Organisational Development Strategy of how to nurture skills across the fire service.

The fire service has a dedicated training department, with competency frameworks for operational staff. Training is delivered using a variety of methods including e-learning modules which are mandatory for certain subjects e.g. health and safety and data protection.

The health and wellbeing of the workforce is achieved through a range of measures to maintain physical and mental wellbeing including HR policies and guidance documents, flexible working, a Fitness Advisor and the work of the Occupational Health Unit that provides counselling, physiotherapy, trauma support and health and wellbeing at work initiatives.

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

The Monitoring Officer ensures compliance with established policies, procedures, laws and regulations.

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

There is regular reporting of non-financial performance against targets and priorities to the Executive Leadership Team and elected members via the Authority and its committees.

The Authority adheres to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations. The Finance Director is responsible for the proper administration of the Authority's financial affairs as required by Section 151 of the Local Government Act 1972.

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

The budget planning framework and draft budget are scrutinised and approved by the Authority as part of a well-embedded budget cycle process each year culminating with the final approval of a legally required balance revenue budget in February by the Authority. This process ensures that a realistic and affordable budget is approved in accordance with the advice of the Finance Director (S151 Officer), who assures elected members that the budget is prudent, affordable and sustainable.

The Authority approved a balanced budget for 2023/24 on 13 February 2023. Monitoring of expenditure against the budget is carried out throughout the year and the Executive Leadership Team is regularly kept informed of the position. Formal quarterly reports are also provided to the Authority where the Revenue Budget and Capital Programme are scrutinised and actions approved by members of the Authority as considered necessary. The fire service reported an estimated underspend of £0.603m for the financial year 2023/24, the detail of which is set out in the quarterly budget monitoring report made to the Authority in January 2024. The final position however will not be known until the outturn report is finalised and reported to members in June 2024.

The Authority continues to ensure it has good arrangements for managing its finances and achieving value for money throughout the year. The financial planning process and the need to provide best value services is well embedded and understood across the Authority by elected members and employees. A financial services team, managed by the Head of Financial Services who reports directly to the Finance Director (S151 Officer) maintains the correct competencies and ensures that the Authority and the Executive Leadership Team receive appropriate financial information to support the key decisions and objectives of the fire service.

Treasury Management arrangements follow professional practices and are reviewed annually by elected members. The Treasury Management Policy and Strategy and Prudential Indicators, are regularly monitored and reported to the Governance Committee quarterly, to ensure that the Authority's proposed Capital Programme is sustainable, affordable and achievable within the total resources envelope available to the Authority and also helps inform the MTFS.

The Risk Management Policy and Procedure details the process for the identification and control of risks. A corporate risk register is maintained by the Risk and Resilience department and is monitored and reported on throughout the year.

Business continuity arrangements are in place to ensure that critical services can continue to be delivered at all times. The Authority aligns with ISO22301 for Business Continuity and arrangements are in place to ensure that critical services can continue in the event of disruption and are subject to regular review, development and testing. Where appropriate business continuity plans are co-ordinated with partners through the Local Resilience Forum to support the multi-agency response.

The Authority has arrangements to maintain registers of elected members and employees' personal and business interests and a register of gifts and hospitality. Policies for counter fraud and corruption and whistleblowing are in place which confirms the Authority's commitment to operating in a fair and transparent manner. The Authority participates in the National Fraud Initiative.

The SIRO has overall responsibility for the management of information risk. Policies and arrangements are in place to manage the handling of data and are supported by mandatory information governance training for employees.

The use and disclosure of personal data is governed in the United Kingdom by the Data Protection Act 2018 and the General Data Protection Regulation (GDPR). Personal data is handled in accordance with the Act.

Publicly reporting information governance and data protection arrangements including performance on responding to subject access requests for personal data, Freedom of Information Act requests for fire service/Authority data and reporting on breaches.

Information sharing protocols have been developed and agreed upon with partners and are recorded and monitored via the Partnership Register.

Arrangements are in place for compliance with health and safety requirements. Health and safety policies and procedures detail roles and responsibilities and accident and investigation reporting internally and to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).

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

The Authority, with assistance from the Monitoring Officer, oversees and reviews the adequacy and effectiveness of the governance arrangements and internal control environment.

The Strategic Framework for Communications, Engagement and Consultation sets out the approach to communicating with the public and other stakeholders. It recognises the need for different approaches for different audiences and the increased use of social media as a communications tool.

Having open, public reporting and decision-making and reporting confidentiality only when absolutely essential. Publishing committee minutes, key decisions, register of interest and gifts and hospitality. Collating and publishing spend over £500, salaries, elected member and officer salaries and personal/business declarations and other requirements of the Transparency Code.

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

The Service's website includes details of performance, strategies, plans, financial statements and the Annual Report: Our Year in Review.

The Procurement Team help achieve value for money and provide support, guidance and advice while challenging the procurement process to ensure adherence to legal requirements. Wherever appropriate, tenders are used to test the market to obtain best value contracts. The Procurement Services Manager provides advice and clear guidance on the procuring of goods and services.

Assessing the risk management and internal control environment through a programme of independent assurance audits by Internal Audit and having arrangements in place to address the recommendations for improvement actions are acted upon.

The Authority's Annual Governance Statement provides assurances that the Authority has the necessary governance arrangements in place to perform effectively. The Authority's Statements of Accounts (including the Annual Governance Statement) and its performance against key areas of risk and priority are subject to scrutiny by External Audit.

Processes are in place to ensure that recommendations for improvement self-identified or from HMICFRS, Internal/External Audit or other regulatory bodies are recorded, monitored and actioned. Elected members and senior management are provided with regular reports on improvement and performance against KPIs and milestones.

OTHER ASSURANCES

Internal Audit

The Internal Audit Plan for 2023/24 was noted and agreed upon by the Governance Committee at their meeting on 6 March 2023 and set out the proposed plan of work for the Authority.

The following audits took place during the year, and gave overall assurance levels of substantial (risk levels are low) or moderate (risk levels are acceptable):

- Contract management arrangements for the new fire station at Hebburn **(Substantial assurance confirmed).**

- Health and Safety Arrangements **(Moderate assurance confirmed).**

- Financial transaction testing **(Substantial assurance confirmed).**

- Inspectorate report actions – this was deferred to Quarter 1 of the next financial year because of the additional work in complying with an unexpected HMICFRS thematic inspection on the Authority's 'Processes on the Handling of Misconduct'.

- Compliance with the General Data Protection Regulation **(Substantial assurance confirmed).**

- Cyber Security Arrangements – A cyber resilience update report was presented to the Governance Committee at their meeting of 26 February 2024. The National Fire Chiefs Council (NFCC) commissioned IBM to complete a Cyber Assessment within various fire and rescue services. The audit took place in April 2023, and reviewed the measures and controls the fire service had in place. The corporate and control room systems were audited separately. The areas for improvement identified focused on improving staff awareness and a more proactive monitoring and detection tool.

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

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

The Governance Committee was updated on progress against the audit plan at their meeting on 26 February 2024.

External Audit

Forvis Mazars have now completed their audit of the 2021/2022 set of accounts, with the external auditors 2021/2022 Audit Completion Report being noted by the Governance Committee on 29 January 2024. The audit provided, as expected, full assurance of the control environment and gave an unqualified audit opinion on the audited accounts for 2021/2022 and also the detailed arrangements the Authority had in place to achieve value for money.

The auditors also completed their audit of the 2022/23 set of accounts, with the 2022/23 Audit Completion Report being noted by the Governance Committee on 26 February 2024. They issued an unqualified audit opinion on the Authority's financial statements and value for money arrangements in respect of the 2022/23 Accounts which have been slightly delayed because of issues in approving the previous years (2021/2022) statement of accounts which have now been completed.

Risk Management

The Governance Committee received a progress report regarding the management of corporate risks on 15 September 2023 to ensure independent scrutiny of the corporate risk register. A further report to the Governance Committee was presented to members at their meeting on 26 February 2024.

The Executive Leadership Team continues to monitor the corporate risk register monthly undertaking a full review of the corporate risk register quarterly which allows individual risk events and overall risk to be understood and managed proactively, optimising success by minimising threats and maximising opportunities and outcomes. The corporate risks facing the Authority were last reviewed by the Executive Leadership Team on 6 February 2024 as part of their ongoing management of risk.

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

HMICFRS is currently undertaking the third round of inspections of all fire and rescue services in England. The Authority has an established continuous improvement approach that takes into account any feedback and findings from inspection activity, in addition to an internal programme of self-assurance. Feedback from HMICFRS inspections supports the Authority's drive for continuous improvement and provides additional assurance about performance.

In previous rounds of inspections, fire and rescue services were assessed and given graded judgments for the three principal questions of the inspection methodology (efficiency, effectiveness and people) and 11 sub diagnostic questions.

The Authority was judged as 'Good' for all three principal areas in both previous inspections.

In the Round 3 inspection process, fire and rescue services will be assessed and given graded judgments for the 11 diagnostic questions only. The Authority's Round 3 inspection is scheduled for April 2024.

In addition, the Authority participated in a HMICFRS thematic inspection in December 2023; one of 10 fire and rescue services selected to help form an overarching national picture on effective misconduct handling in fire and rescue services in England.

There will be no graded judgments or individual report for the Authority as a result of the thematic inspection, instead the findings and evidence gathered from all 10 inspections will contribute to a national report due for publication in summer 2024.

Statutory Officer and SIRO Assurance Statements

The views of the Chief Fire Officer/Chief Executive, Chief Finance Officer (Finance Director/S151 Officer), Monitoring Officer and SIRO provide additional assurance and their signed statements are located in Appendix A.

HOW THE AUTHORITY ADDRESSED THE 2023/24 IMPROVEMENT ACTIONS

The Annual Governance Statement 2022/23 contained four legacy improvement actions for completion during the year. Throughout 2023/24 progress against these actions was monitored by the Corporate Governance Board and all four actions have been closed.

- Action ref 43 2018/19 - Review and streamline policies and procedures, to include PIA & EIA and support training, to align to new strategic planning framework.

- Action ref 8 2021/22 - Further guidance and training required for staff on Privacy Impact Assessment (PIA) to improve staff understanding of and compliance with PIA requirements.

- Action ref 1 2022/23 - Develop a Communications and Engagement Strategy that sets out how the Service will continue to effectively engage with internal and external stakeholders.

- Action ref 3 2022/23 – Review and improve the Service's Information Governance approach and develop an Information Governance Framework.

Appendix B provides a summary of the action taken during 2023/24 to complete these improvement actions is set out below.

GOVERNANCE MATTERS IDENTIFIED FOR IMPROVEMENT DURING 2024/2025

The review of the effectiveness of the Authority's governance framework confirms that the arrangements in place during 2023/24 continue to be fit for purpose and good assurance can be given that the framework is operating effectively in practice.

The annual governance review has identified five new improvement actions for completion during 2024/2025. The improvement action plan can be viewed in Appendix C.

The Governance Committee has responsibility for ensuring the delivery of the actions needed to improve the Authority's governance framework.

OPINION ON THE GOVERNANCE FRAMEWORK

The Authority is satisfied that appropriate governance arrangements are in operation and remains committed to enhancing these via the delivery of the improvement action plan during 2024/2025.

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

Based on the evidence examined, the Authority's governance framework has continued to be in place for the year ending 31 March 2024 and up to the date of approval of the 2023/24 Statement of Accounts.

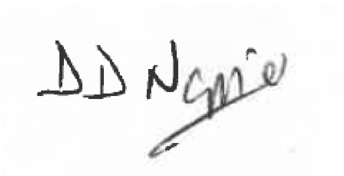
AGREEMENT ON THE ANNUAL GOVERNANCE STATEMENT

This statement has been reviewed by the Chair of the Fire Authority, Chief Fire Officer/Chief Executive and Finance Director/S.151 Officer and is considered an accurate reflection of the Authority's governance arrangements.

To the best of our knowledge, the governance arrangements, as defined within this statement and the Authority's Code of Corporate Governance, have been effectively operating during 2023/24 with the exception of the improvement actions noted in Appendix C.

We pledge our commitment that over the coming year we will take steps to address the improvement actions to further enhance the Authority's governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual governance review.

Councillor Phil Tye	**Peter Heath**	**Dennis Napier**
		
Chair of the Fire Authority	Chief Fire Officer/ Chief Executive	Director of Finance, Estates and Facilities (S151 Officer)
Date: 11 March 2024	Date: 11 March 2024	Date: 11 March 2024

Appendix A - Statutory Officer and SIRO Assurance Statements

Chief Fire Officer/Chief Executive Assurance Statement for 2023/24

To comply with the Accounts and Audit (England) Regulations 2015, Tyne and Wear Fire and Rescue Service conducts an annual review of the effectiveness of its system of internal control.

To support this process annual departmental self-assessments and senior manager assurance statements are completed and have been used to inform the Annual Governance Statement 2023/24.

Departmental self-assessments are an important element of the fire service's governance arrangements and an integral part of the governance framework that supports the production of the Annual Governance Statement.

The self-assessments take the form of a standard template and are used to identify how each senior manager's area of responsibility aligns with the adopted Code of Governance which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

The departmental self-assessments and supporting assurance statements indicate that a sound system of internal control was in place for 2023/24. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Through the annual governance review process, five improvements were identified by senior managers in their assurance statements and are reflected in section 10 and Appendix C of the Annual Governance Statement 2023/24.

Based on the opinions of senior managers and our ongoing oversight of improvement action plans and operations, I am satisfied that Tyne and Wear Fire and Rescue Service's financial, governance, and operational assurance arrangements are adequate and are operating effectively and that the improvements identified will further enhance our assurance arrangements.

Peter Heath KFSM
Chief Fire Officer/Chief Executive

Chief Finance Officer Assurance Statement for 2023/24

Section 73 of the Local Government Act 1985 requires the Authority to make arrangements for the proper administration of its financial affairs and appoint a Chief Finance Officer to have responsibility for those arrangements.

The responsibilities of the Chief Finance Officer are set out in Part 4 of the Authority's Constitution.

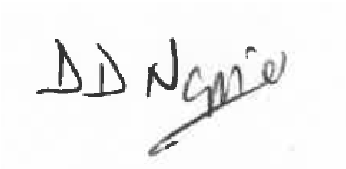
In addition, CIPFA have produced a Statement on the Role of the Chief Finance Officer which sets out how the requirements of legislation and professional standards should be fulfilled by officers in the carrying out of their role.

For the Authority an appointment has been made of the Chief Finance Officer, titled as the Finance Director (S151 Officer).

Within the Authority the following processes have been in place throughout 2023/24 to provide the Chief Finance Officer with assurance on financial affairs:

- Adherence to all Financial Regulations and Standing Orders;
- Financial Management arrangements are working effectively throughout the fire service;
- Monitoring of all budgets by appropriate officers;
- The Authority has received regular finance updates and reports;
- The Governance Committee has reviewed and scrutinised the Statement of Accounts, Treasury Management reports and other financial governance matters;
- High level financial risk assessment is set out in the annual budget setting report;
- A corporate risk register is maintained and regularly reviewed, with updates provided monthly to the Executive Leadership Team and reported to the Governance Committee covering all key financial risks;
- Annual budget sign-off processes and budget monitoring arrangements are robust and effective;
- Review of financial implications/risks within individual Authority and other committee reports and engagement/sign off of all reports by the key statutory officers;
- Overview and Scrutiny of the MTFS, annual detailed budget proposals and all other financial matters; and
- Overview of the delivery of the Internal Audit Plan, specifically financial systems and internal control audit work. Sunderland City Council provides independent internal audit support to the Authority.

I confirm that based on this evidence the internal control, risk management and governance arrangements operating in relation to the Authority's financial affairs are in place, firmly embedded and are operating effectively.



Dennis Napier
Finance Director (S151 Officer)

Monitoring Officer Assurance Statement for 2023/24

The Monitoring Officer is a statutory appointment under Section 5 of the Local Government and Housing Act 1989 and has a key role in ensuring the ethical governance of the Authority.

The responsibilities of the Monitoring Officer are set out in Part 4 of the Authority's Constitution.

Within the Authority the following processes have been in place during 2023/24 to provide the Monitoring Officer with assurance on the governance arrangements:

- The Authority's Standing Orders are in place and where appropriate have been reviewed and updated ensuring they remain fit for purpose.
- The Monitoring Officer for the Authority attends meetings of the Authority, and will attend the Governance Committee when required.
- Written reports to the Authority and other committee meetings include a section on the legal implications of the report and the Monitoring Officer signs off reports in advance of each committee, together with other statutory officers.
- A register of Members' interests (including gifts and hospitality) is maintained.

I confirm that based on this evidence the internal control, risk management and governance arrangements in relation to Authority's governance are in place and are operating effectively.

Elaine Waugh
Monitoring Officer

Senior Information Risk Owner Assurance Statement for 2023/24

The Senior Information Risk Owner (SIRO) under delegated authority from the Chief Fire Officer/Chief Executive, oversees compliance with the Data Protection Act 2018, the UK's implantation of GDPR.

The SIRO supports the implementation of standards for information management and security and is responsible for all information risk.

The SIRO is the Assistant Chief Fire Officer. The SIRO is supported by the Data Protection Officer, Information Governance Advisor and Information Asset Owners.

The key responsibilities of a SIRO are to:

- Identify business-critical information assets and set objectives, priorities and plans to use information;
- Establish and maintain an appropriate risk appetite with proportionate risk boundaries and tolerances;
- Act as the champion for information risk within the fire service, being an exemplar for employees;
- Ensure compliance with regulatory, statutory and fire service information security policies and procedures;
- Ensure all employees are aware of the necessity for information assurance and of the risks affecting the fire services corporate information; and
- Establish a reporting and learning culture to allow the fire service to understand where problems exist and develop policies, procedures and awareness to prevent problems occurring in the future.

Within the Authority the following processes have been in place during 2023/24 to provide the SIRO with assurance on Information Governance:

- Information security of the Authority's information is provided by the Security Working Group.
- The Authority has a dedicated Data Protection Officer.
- An Information Governance Framework and data protection policies are in place.
- Whilst some policies require further updating, they remain fit for purpose.

I confirm that based on this evidence the internal control, risk management and governance arrangements in relation to the Authority's information and data management are in place and are operating effectively.

Lynsey McVay
Assistant Chief Fire Officer

Appendix B – Implementation of previous year's Annual Governance Statement improvement actions

The Annual Governance Statement 2022/23 included four improvement actions for completion during 2023/24. All actions have been completed, see below for an update on the action taken during the year.

Action Reference	Area for Improvement	Lead Officer	Action Taken
43 2018/19	Review and streamline policies and procedures, to include PIA & EIA and support training, to align to new strategic planning framework	Director of People Services	Service policy and procedure templates now include a data protection impact assessment (DPIA) screening questions and an equality impact assessment (EIA). A DPIA is a type of risk assessment that helps to identify and minimise risks relating to personal data processing activities. DPIAs are also known as PIAs (privacy impact assessments).
8 2021/22	Further guidance and training required for staff on Privacy Impact Assessment (PIA) to improve staff understanding of and compliance with PIA requirements.	Director of People Services	DPIA screening questions, a full DPIA template and guidance documents have been published. All documents signpost to the Information Governance Advisor who offers a tailored approach to guidance and training based on individual DPIAs and their requirements. A DPIA intranet page has been developed offering additional guidance for employees.
1 2022/23	Develop a Communications and Engagement Strategy that sets out how the Service will continue to effectively engage with internal and external stakeholders.	Director of Corporate Services	A new Strategic Framework for Communications, Engagement and Consultation was published in June 2023.
3 2022/23	Review and improve the Service's Information Governance approach and develop an Information Governance Framework	Director of People Services	A new Information Management Framework was published based on all elements of the information life cycle and includes signposting to updated information governance procedures. Benchmarking has been undertaken against the Information Commissioner's Office accountability tracker and in accordance with the Fire Standards Board criteria for Information Governance to ensure policies align with statutory requirements.

Appendix C – Annual Governance Statement Improvement Actions

The annual governance review 2023/24 has identified the following improvement actions for completion during 2024/2025.

Reference	Area for Improvement	Action to be taken in 2024/2025	Lead Officer	Target Date
1-2024/2025	HR policies	HR will conduct a full review of existing people policies and develop a detailed plan and prioritise accordingly, taking into consideration legal requirements and business need. Communications will be sent out to the Senior Leadership Team to remind managers of the process involved along with an evaluation of how effective the process is via an internal audit. Structured approach and plan to be implemented based on available resources and skill set within the department. Initial sign off of draft polices by the Head of HR, prior to the necessary consultation. Seventeen polices are in date, with 36 outstanding for review, which equates to two policies per month by the target date.	Director of People Services	March 2024 April 2024 September 2025
2-2024/2025	Stakeholder Analysis and Prioritisation	Stakeholder analysis to be carried out with the Executive Leadership Team during 2024, to identify and prioritise key stakeholders. The new Media and Communications Manager to refresh and relaunch the Communications and Engagement Working Group, to discuss and develop a Service database/system to maintain a working stakeholder directory at all levels of the organisation. Director of Corporate Services to review resources across the function to ensure we have appropriate skills and staff to continuously review stakeholder analysis and engagement.	Director of Corporate Services	June 2024
3-2024/2025	Standardisation of the Data Protection Officer role	The Data Protection Officer (DPO) role currently sits within the HR Manager’s responsibilities which may be considered a conflict in responsibilities. A review of the DPO role requirements and responsibilities undertaken against the ICO guidance has highlighted that the role	Director of People Services	March 2024

		may be more suitable in another department other than the HR Department. A review of the Information Governance (IG) Advisor tasks and workload to ensure the role responsibilities are fully captured. There is limited business continuity for the IG role, as the temporary administration support is currently vacant. A review of the administration support is to be conducted, with the view to potentially utilise the apprenticeship levy.		
4-2024/2025	Off boarding - the returning of Service equipment, passes and keys.	Review the leaver checklist process to ensure it is working effectively. When an employee leaves the fire service their leaving letter explains that they must return all items prior to their last day at work. To ensure all items are returned, an electronic leaver checklist form is sent to the line manager for completion. The leaver checklist form is completed and returned to the HR helpdesk for audit processing. This is reviewed on a monthly basis against the leaver report to ensure compliance.	Director of People Services	June 2024
5-2024/2025	Digitalisation of the Occupational Health Unit	A process is now underway to create electronic medical files with existing paper files only being used for review purposes. As of 1 January 2024, all new starters will have an electronic medical file, the aspiration is to have all medical files electronic and this will be achieved in a phased approach. The focus will be on operational employee health surveillance records. Once this is achieved an external scanning company will be identified who will commence a programme of scanning all employee medical records.	Director of People Services	June 2024

Core Financial Statements

Movement in Reserves Statement

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Grant Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2022	(4,089)	(35,249)	(167)	(1,403)	(40,908)	904,501	863,593
Movement in reserves during 2022/23							
(Surplus) / deficit on provision of services	11,193	0	0	0	11,193	0	11,193
Other comprehensive income and expenditure	0	0	0	0	0	(271,268)	(271,268)
Total comprehensive income and expenditure	11,193	0	0	0	11,193	(271,268)	(260,075)
Adjustments between accounting basis & funding basis under regulations (Note 6)	(9,346)	0	0	0	(9,346)	9,346	0
Net (increase) / decrease before transfers to earmarked reserves	1,847	0	0	0	1,847	(261,922)	(260,075)
Transfers (to) / from earmarked reserves	(1,830)	1,830	0	0	0	0	0
(Increase) / decrease in 2022/23	17	1,830	0	0	1,847	(261,922)	(260,075)
Balance at 31 March 2023	(4,072)	(33,419)	(167)	(1,403)	(39,061)	642,579	603,518
Movement in reserves during 2023/24							
(Surplus) / deficit on provision of services	**4,626**	**0**	**0**	**0**	**4,626**	**0**	**4,626**
Other comprehensive income and expenditure	**0**	**0**	**0**	**0**	**0**	**(11,202)**	**(11,202)**
Total comprehensive income and expenditure	**4,626**	**0**	**0**	**0**	**4,626**	**(11,202)**	**(6,576)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	**1,900**	**0**	**0**	**0**	**1,900**	**(1,900)**	**0**
Net (increase) / decrease before transfers to earmarked reserves	**6,526**	**0**	**0**	**0**	**6,526**	**(13,102)**	**(6,576)**
Transfers (to) / from earmarked reserves	**(6,526)**	**6,566**	**0**	**(40)**	**0**	**0**	**0**
(Increase) / decrease in 2023/24	**0**	**6,566**	**0**	**(40)**	**6,526**	**(13,102)**	**(6,576)**
Balance at 31 March 2024	**(4,072)**	**(26,853)**	**(167)**	**(1,443)**	**(32,535)**	**629,476**	**596,941**

Comprehensive Income and Expenditure Statement

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

2022/23 Gross expenditure £'000	2022/23 Gross income £'000	2022/23 Net expenditure £'000		Notes	2023/24 Gross expenditure £'000	2023/24 Gross income £'000	2023/24 Net expenditure £'000
3,395	(964)	2,431	Community safety		**2,257**	**(1,474)**	**783**
24,282	(7,036)	17,246	Firefighting and rescue operations		**19,094**	**(7,061)**	**12,033**
16,541	(308)	16,233	Management and support services		**16,267**	**(327)**	**15,940**
219	0	219	Corporate support services		**291**	**0**	**291**
44,437	(8,308)	36,129	**Cost of services**		**37,909**	**(8,862)**	**29,047**
0	0	0	Other operating expenditure	9	**2,135**	**0**	**2,135**
27,112	(994)	26,118	Financing and investment income and expenditure	10	**33,590**	**(1,970)**	**31,620**
0	(51,054)	(51,054)	Taxation and non-specific grant income	11,27	**0**	**(58,176)**	**(58,176)**
71,549	(60,356)	11,193	**(Surplus) or deficit on provision of services**		**73,634**	**(69,008)**	**4,626**
		(1,608)	(Surplus) or deficit on revaluation of property, plant and equipment assets	20			**(2,812)**
		(269,660)	Re-measurement of the net defined benefit liability	20,31			**(8,390)**
		(271,268)	**Other comprehensive income and expenditure**				**(11,202)**
		(260,075)	**Total comprehensive income and expenditure**				**(6,576)**

Balance Sheet

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

31 March 2023 £'000 Restated*		Notes	**31 March 2024 £'000**
88,620	Property, plant and equipment	12	**94,909**
20	Long-term investments		**20**
227	Long-term debtors		**201**
2,450	Pensions asset	31	**6,090**
91,317	**Long-term assets**		**101,220**
1,067	Inventories		**1,065**
12,475	Short-term debtors	15	**15,023**
39,306	Cash and cash equivalents	16	**29,311**
52,848	**Current assets**		**45,399**
(414)	Short-term borrowing	14	**(397)**
(10,589)	Short-term creditors	17	**(9,515)**
(1,924)	Other short-term liabilities	14	**(2,235)**
(669)	Short-term provisions	18	**(658)**
(13,596)	**Current liabilities**		**(12,805)**
(346)	Long-term provisions	18	**(256)**
(9,932)	Long-term borrowing	14	**(9,535)**
(47)	Donated assets account	27	**(37)**
(723,762)	Other long-term liabilities	14,31	**(720,927)**
(734,087)	**Long-term liabilities**		**(730,755)**
(603,518)	**Net assets / (liabilities)**		**(596,941)**
39,061	Usable reserves	8	**32,535**
(642,579)	Unusable reserves	20	**(629,476)**
(603,518)	**Total reserves**		**(596,941)**

* See Note 34 for details

M Ronan
21.02.25

Michelle Ronan
Director of Finance, Estates and Facilities

Cash Flow Statement

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

2022/23 £'000		Notes	**2023/24 £'000**
11,193	Net (surplus) or deficit on the provision of services		**4,626**
(19,642)	Adjustments to net surplus or deficit on the provision of services for non-cash movement		**(6,639)**
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**0**
(8,449)	Net cash flows from operating activities		**(2,013)**
4,922	Investing activities	22	**9,669**
2,362	Financing activities	23	**2,339**
(1,165)	**Net (increase) or decrease in cash and cash equivalents**		**9,995**
(38,141)	Cash and cash equivalents at the beginning of the reporting period	16	**(39,306)**
(39,306)	**Cash and cash equivalents at the end of the reporting period**		**(29,311)**

Notes to the Core Financial Statements

Note 1 – Accounting Policies

1.1 General principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and these Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, based on International Financial Reporting Standards (IFRS). The Code no longer requires statements or notes to be prepared in accordance with the CIPFA Service Reporting Code of Practice 2023/24 (SeRCOP). Instead, the Code requires that the service analysis is based on the organisational structure under which the authority operates. However, the provisions of SeRCOP are still relevant and have been referred to and applied where appropriate, along with CIPFA guidance notes for practitioners.

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

1.2 Financial instruments

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

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

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

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

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

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

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

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

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

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

The fair value measurements of the financial assets are based on:
- Instruments with quoted market prices – the market price; and
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

1.3 Property, plant and equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

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

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

- Assets under construction: historical cost;
- Surplus assets: the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- All other assets: fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A standard list of components is used by the Authority:

- Building structure;
- Mechanical and electrical

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

Disposals and non-current assets held for sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

1.4 Charges to revenue for non-current assets

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

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

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

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

1.5 Accruals of income and expenditure

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

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

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

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

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

1.6 Cost of support services

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

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

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

These costs are accounted for as a separate heading under corporate support services in the Comprehensive Income and Expenditure Account.

1.7 Provisions

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

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

1.8 Reserves

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

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

1.9 Internal interest

Interest is credited to the Revenue Account from the lead authority's capital advances and borrowing pool based on cash flow and fund balances. The amounts are calculated using 7-day money market rates in accordance with guidance contained within the Code of Practice on Local Authority Accounting.

1.10 Employee benefits (including pensions)

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

The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision

to accept voluntary redundancy. These are charged on an accruals basis to the Corporate Support Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

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

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

The last actuarial valuation of the scheme was 31 March 2023. Employer and employee contributions are paid into the pension fund, together with a contribution from the Authority for the cost of ill health early retirements. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus being recouped by Government.

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

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

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

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

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

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

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

- Service cost comprising:
    - Current service costs – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
    - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of corporate support services;
    - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the year in the net defined benefit liability (asset) that arises from the passage of time – debited to the financing and investment income and expenditure income line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking in to account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
    - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as other comprehensive income and expenditure;
    - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial

valuation or because the actuaries have updated their assumptions – debited or credited to the Pension Reserve.
  - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

1.11 Government grants and contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

1.12 Long-term borrowing

The lead authority administers all of the Authority's borrowing through its consolidated advances and borrowing pool (CABP) and, as such, the Authority does not undertake borrowing in its own name. The amount of borrowing undertaken by the Lead Authority on the Authority's behalf has been recognised within the long-term borrowing liabilities within the Statement of Accounts.

1.13 External interest

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

1.14 Other investments

Investments in companies are shown in the Balance Sheet at cost. Investments are all made via the lead authority's CABP (see 1.12 above).

1.15 Private Finance Initiative (PFI) and similar contracts

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

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

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

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

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

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

1.16 VAT

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

1.17 Prior period adjustments, changes in accounting policies and estimates and errors

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

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

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

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

1.18 Events after the Balance Sheet date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

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

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

1.19 Exceptional items

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

1.20 Cash and cash equivalents

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

1.21 Contingent liabilities

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

1.22 Contingent assets

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

1.23 Revenue expenditure funded from capital under statute

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025 (The Code) has adopted a number of new standards from 1 April 2024:

- IFRS 16 Leases issued in January 2016.
- Classification of liabilities as current or non-current (amendments to IAS 1) issued in January 2020. The amendments:
    - specify that an entity's right to defer settlement must exist at the end of the reporting period
    - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
    - clarify how lending conditions affect classification, and
    - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease liability in a sale and leaseback (amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

The Authority has entered into two PFI contracts which are already reflected on the Balance Sheet but in accordance with IAS 17 which only recognises the minimum lease payments due. Under IFRS 16 the liability for the PFI assets will increase to reflect that future payments will be higher due to past increases in inflation. The Authority has not yet quantified the potential impact of this on the Balance Sheet.

Note 3 – Critical Judgements in applying Accounting Policies

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

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

- Retirement benefit obligations – the Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS19 'Employee Benefits'. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. The key assumptions made are set out in Note 31.

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

- McCloud/Sargeant Judgements:

    - McCloud and 2016 valuation cost control:

      Claims of age discrimination were brought in relation to the terms of transitional protection by groups of firefighters and members of the Judiciary in the McCloud/Sargeant legal case (referred herein as "McCloud") and the Court of Appeal handed down its judgment on this claim on 20 December 2018, ruling that the transitional protection arrangements were discriminatory on the basis of age. As a result, the cost control element of the 2016 valuation was paused whilst the Government addressed the need to remedy this discrimination across all public service pension schemes. The cost cap mechanism for the 2016 valuation has since been un-paused and the calculations complete, with the outcome being no changes to benefits or contributions.

      The treatment of the deferred choice underpin as a member cost for cost cap purposes, along with the 4 year spreading period, was challenged in a Judicial Review which was heard in early 2023. The claims made in the Judicial Review were dismissed by the High Court, in a judgment handed down on Friday 10 March 2023. No allowance has therefore been made in the accounting disclosures as at 31 March 2024.

    - McCloud Remedy:

      The McCloud remedy window ran from 1 April 2015 to 31 March 2022. Eligible members will be able to elect which scheme they wish to receive benefits from for this period. Due to the differing benefits structures GAD expect the majority of eligible fire members to elect to take legacy scheme (1992 Scheme or 2006 Scheme) benefits for the remedy period.

      An allowance for McCloud remedy was first included in the 2018/19 disclosures as a past service cost for four years remedy service from 2015-2019. This past service cost was attributed proportionally to the 1992 and 2006 schemes. For subsequent years to 2021/22 an allowance was made in the 2015 service costs for the annual accrual of additional remedy service.

      Now that the remedy window is closed GAD have moved all McCloud related liabilities for eligible members for the period 2019 to 2022 to the associated legacy schemes. This means all McCloud liability are held within the legacy scheme that they expect benefits to be paid from.

In the 2022/23 disclosures, this led to a past service cost in the 1992 Scheme and the 2006 Scheme and a past service gain in the 2015 Scheme.

Now that all the McCloud-related liabilities have moved into the legacy schemes, contribution adjustments are being carried out by administrators to ensure affected members have paid the correct contributions for this portion of service. These adjustments can be positive or negative, depending on which schemes a member is moving between. In the accounting disclosures at 31 March 2024, GAD have allowed for any contributions adjustments made during 2023/24 as a past service cost or gain.

- Guaranteed minimum pension (GMP) equalisation and indexation:

  The Government has published a consultation on indexation and equalisation of Guaranteed Minimum Pensions (GMP), with the proposal being to extend the “interim solution” to those members who reach state pension age after 5 April 2021 (7 October 2020). A past service cost was included in the 2019/20 disclosures for extending the equalisation to all future retirees.

  There was also a further court ruling on 20 November 2020 regarding GMP equalisation. The court ruled that scheme trustees are required to revisit past cash equivalent transfer values (CETVs) to ensure GMP equalisation. This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement. For public service pension schemes, GAD expect that this ruling will be taken forward on a cross-scheme basis and will need legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before the CETV were equalised. The scope of any costs are yet to be determined and GAD do not have data on historic CETVs on to estimate the potential impact, but expect it will be a relatively small uplift for a relatively small subset of members (i.e. those who took a CETV and are in scope for a top up).

  No additional costs were recognised for GMP equalisation and indexation in 2021/22 or 2022/23, nor are they expected to for 2023/24. In the absence of any further developments, GAD also propose no additional costs are recognised for 2024/25.

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

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

The items in the Authority's Balance Sheet at 31 March 2024, for which there is a significant estimation uncertainty in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant and equipment – valuation	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 note 12 for more details on PPE.	The gross book value (GBV) of the Authority's land and buildings portfolio is £76.529m as at 31 March 2024. A 1% change in asset valuations would equate to a £0.765m change in GBV.
Property, plant and equipment - depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. See note 12 for more details on PPE.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.106m for every year that useful lives had to be reduced.
Pension liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. Further information regarding Pension Liabilities can be found in note 31.	The effect on the net pension liability from changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Local Government pension liability of £1.280m and a 0.50% increase in the discount rate assumption would result in a decrease in the Firefighters' pension liability of £48m. However, in practice the assumptions interact in complex ways and changes may be interrelated.

Note 5 – Events After the Balance Sheet Date

Adjusting Post Balance Sheet Events:
No events have taken place since the accounts were closed on 31 March 2024 which are judged to be adjusting post Balance Sheet events.

Non-Adjusting Post Balance Sheet Events:

Events after the Balance Sheet Date
In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees. The ruling was that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. The High Court ruling has since been appealed. In a judgement delivered on 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court. The most recent update in July 2024 is that the relevant certificate in respect of the Local Government Pension Scheme 2008 reforms has yet to be located. While it is known there is the potential for additional pension liabilities to be recognised, the financial impact is not known and it is reasonable to form the view that an estimate cannot be made. While the Court of Appeal upheld the High Court Judgement, there are further actions that could be taken regarding the case. In addition, the certificate in respect of the 2008 reforms could be located.

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

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

2022/23 General Fund balance £'000	2022/23 Capital Receipts Reserve £'000		2023/24 General Fund balance (£'000)	2023/24 Capital Receipts Reserve (£'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*:		
(10,450)	0	Pensions costs – transferred to (or from) the Pensions Reserve (Notes 20, 31)	**(3,804)**	**0**
(1,298)	0	Council tax and business rates – transfers to or from the Collection Fund Adjustment Account (Note 20)	**251**	**0**
(91)	0	Holiday Pay – transferred to the Accumulated Absences Reserve (Note 20)	**129**	**0**
(4,221)	0	Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (Notes 12, 20, 29)	**(4,048)**	**0**
1,792	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (Note 29)	**1,839**	**0**
647	0	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (Note 29)	**117**	**0**
0	0	Transfer of non-current asset sale proceeds from revenue to the Capital Adjustment Account	**(2,135)**	**0**
(13,621)	0	Total adjustments to revenue resources	**(7,651)**	**0**

2022/23 General Fund balance £'000	2022/23 Capital Receipts Reserve £'000		**2023/24 General Fund balance (£'000)**	**2023/24 Capital Receipts Reserve (£'000)**
		Adjustments between Revenue and Capital Resources		
0	0	Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	**0**	**0**
0	0	Total adjustments between revenue and capital resources	**0**	**0**
		Adjustments to capital resources		
163	0	Application of capital grants to finance capital expenditure (Note 29)	**79**	**0**
0	4,112	Use of the Capital Receipts Reserve to finance capital expenditure (Note 29)	**0**	**9,473**
163	4,112	Total adjustments to capital resources	**79**	**9,473**
(13,459)	4,112	**Total adjustments**	**(7,572)**	**9,473**

Note 7 – Expenditure and Funding Analysis

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

2023/24	**Net expenditure chargeable to the General Fund balance £'000**	**Adjustments between the funding and accounting basis £'000**	**Net expenditure in the Comprehensive Income and Expenditure Statement £'000**
Community safety	**518**	**265**	**783**
Firefighting and rescue operations	**10,088**	**1,945**	**12,033**
Management support services	**25,990**	**(10,050)**	**15,940**
Corporate support services	**291**	**0**	**291**
Net cost of services	**36,887**	**(7,840)**	**29,047**
Other Income and Expenditure	**(30,361)**	**5,940**	**(24,421)**
(Surplus) or deficit	**6,526**	**(1,900)**	**4,626**
Opening General Fund balance and earmarked reserves at 1 April	**39,061**		
plus surplus in year	**(6,526)**		
Closing General Fund balance and earmarked reserves at 31 March	**32,535**		

2022/23	Net expenditure chargeable to the General Fund balance £'000	Adjustments between the funding and accounting basis £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
Community safety	2,140	291	2,431
Firefighting and rescue operations	15,109	2,137	17,246
Management support services	19,765	(3,532)	16,233
Corporate support services	219	0	219
Net cost of services	37,233	(1,104)	36,129
Other Income and Expenditure	(35,386)	10,450	(24,936)
(Surplus) or deficit	1,847	9,346	11,193
Opening General Fund balance and earmarked reserves at 1 April	40,908		
plus surplus in year	(1,847)		
Closing General Fund balance and earmarked reserves at 31 March	39,061		

The nature of the cost of services presented in the Expenditure and Funding Analysis is shown below:

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

2022/23	Community safety £'000	Fire-fighting and rescue operations £'000	Corporate and democratic core £'000	Non-distributed costs £'000	Total £'000
Fees, charges and other service income	(132)	(216)	0	0	(348)
Government grants	(617)	(4,051)	0	0	(4,668)
Other grants, reimbursements and contributions	(80)	(43)	0	0	(123)
Total income	(829)	(4,310)	0	0	(5,139)
Employee expenses	1,231	14,658	2	89	15,980
Other service expenses	210	1,720	128	0	2,058
Support services	4,489	18,694	47	0	23,230
Total expenditure	5,930	35,072	177	89	41,268
Deficit on cost of services	5,101	30,762	177	89	36,129

Note 8 – Movements in Earmarked Reserves

	Balance at 1 April 2022 £'000	Transfers out 2022/23 £'000	Transfers in 2022/23 £'000	Balance at 31 March 2023 £'000	Transfers out 2023/24 £'000	Transfers in 2023/24 £'000	Balance at 31 March 2024 £'000
General Fund balance	4,089	(17)	0	4,072	**0**	**0**	**4,072**
Capital reserves							
Capital Receipts Reserve	1,403	0	0	1,403	**0**	**40**	**1,443**
Capital Grant Reserve	167	0	0	167	**0**	**0**	**167**
Total capital reserves	1,570	0	0	1,570	**0**	**40**	**1,610**
Revenue reserves							
PFI Smoothing Reserve	8,188	(322)	0	7,866	**(1,304)**	**0**	**6,562**
Insurance Reserve	1,043	0	117	1,160	**(84)**	**0**	**1,076**
Capital Developments Reserve	4,582	(4,315)	17,739	18,006	**(9,368)**	**2,398**	**11,036**
Resilience Reserve	3,500	(3,000)	0	500	**0**	**0**	**500**
Budget Carry Forward Reserve	2,254	(1,405)	51	900	**(433)**	**1,230**	**1,697**
New Dimensions Reserve	652	0	1	653	**(5)**	**0**	**648**
Transformation and Reform Reserve	9,680	(9,180)	0	500	**0**	**0**	**500**
Medium Term Planning Reserve	4,270	(3,270)	0	1,000	**0**	**0**	**1,000**
Emergency Services Mobile Communications Reserve	1,080	(87)	0	993	**0**	**0**	**993**
Mobilisation Smoothing Reserve	0	0	1,841	1,841	**0**	**1,000**	**2,841**
Total revenue reserves	35,249	(21,579)	19,749	33,419	**(11,194)**	**4,628**	**26,853**
Total reserves	40,908	(21,596)	19,749	39,061	**(11,194)**	**4,668**	**32,535**

The table, above, shows the movement on the Authority's earmarked reserves for the year ended 31 March 2024. Detail on the purpose of each reserve is provided below:

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

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

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

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

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

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

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

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

- **Medium Term Planning Reserve:** this reserve was established to plan for the impact of Government reductions in funding, due to localisation of the business rates retention system and the impact on precepting authorities of localisation of the council tax benefit scheme, and to address temporary shortfalls in the medium-term financial plan until efficiencies are realised.

- **Emergency Services Mobile Communications Reserve:** this reserve was established for the ESMCP grant received from Home Office, to be used to implement the new wide area communications system.

- **Mobilisation Smoothing Reserve:** this reserve was established to support a new business-critical mobilisation system.

Note 9 – Other Operating Expenditure

2022/23 £'000		2023/24 £'000
0	(Gain)/loss on disposal of non-current assets	**2,135**
0	**Total**	**2,135**

Note 10 – Financing and Investment Income and Expenditure

2022/23 £'000		2023/24 £'000
1,852	Interest payable	**1,700**
25,260	Net interest on the net defined benefit liability (asset)	**31,890**
(994)	Interest and investment income	**(1,970)**
26,118	**Total**	**31,620**

Note 11 – Taxation and Non-Specific Grant Income

2022/23 £'000		2023/24 £'000
(24,708)	Council tax income	**(28,220)**
(15,072)	Business rates income	**(18,276)**
(9,263)	Non-ringfenced government grants	**(10,203)**
(801)	Business rates section 31 grant	**(710)**
(1,072)	Service delivery grant	**(629)**
(130)	Levy account surplus grant	**(130)**
(8)	Transparency grant	**(8)**
(51,054)	**Total**	**(58,176)**

Note 12 – Property, Plant and Equipment

Movement on balances 2023/24

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

Movement on balances 2022/23

	Land and buildings	Vehicles, plant furniture & equipment	Assets under construction	Assets held for sale	TOTAL	PFI assets included in property plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2022	76,124	31,089	697	150	108,060	40,330
Additions	1,156	990	2,952	0	5,098	325
Revaluation increases/(decreases) recognised in the Revaluation Reserve	708	0	0	0	708	0
Revaluation increases/(decreases) recognised in the provision of services	(352)	0	0	0	(352)	0
Disposals	0	0	0	0	0	0
Other movements in cost or valuation	0	0	(176)	0	(176)	0
At 31 March 2023	77,636	32,079	3,473	150	113,338	40,655
Accumulated depreciation and impairment						
At 1 April 2022	142	21,597	0	0	21,739	0
Depreciation Charge	2,360	1,872	0	0	4,232	1,097
Depreciation written out to Revaluation Reserve	(901)	0	0	0	(901)	0
Depreciation recognised in the provision of services	(352)	0	0	0 0	(352)	0
Disposals	0	0	0	0	0	0
At 31 March 2023	1,249	23,469	0	0	24,718	1,097
Net Book Value at 31 March 2022	**75,982**	**9,492**	**697**	**150**	**86,321**	**40,330**
Net Book Value at 31 March 2023	**76,387**	**8,610**	**3,473**	**150**	**88,620**	**39,558**

Capital Commitments

At 31 March 2024, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/2025, budgeted to cost £4.067m (as at 31 March 2023 £0.826m). A summary of the commitments is:

- ICT software and hardware (£0.304m)
- Estates (£2.493m)
- Technical Services Centre (£0.088m)
- Operational communications (£1.047m)
- Prevention and education (£0.135m)

Revaluations

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

	Land and buildings £'000	Vehicles, plant, furniture and equipment £'000	Assets under construction £’000	Assets held for sale £’000	Total £'000
Carried at historic cost	0	29,583	9,058	0	38,641
Valued at fair value as at:					
31 March 2023	36,641	0	0	150	36,791
31 March 2024	39,296	0	0	0	39,296
Assets held under finance leases	592	0	0	0	592
Total	**76,529**	**29,583**	**9,058**	**150**	**115,320**

Note 13 – Assets Held for Sale

The Authority has agreed the sale of land at Washington Community Fire Station. This will be sold in 2024/25 to yield a one-off capital receipt of £150,000.

Note 14 – Financial Instruments

Categories of financial instruments

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

	Long-Term		Current	
	31 March 2024 £'000	31 March 2023 £'000 Restated	**31 March 2024 £'000**	31 March 2023 £'000
Debtors				
Financial assets carried at amortised amount	**201**	227	**0**	0
Financial assets carried at contract amount**	**0**	0	**5,678**	2,816
Assets not defined as financial instruments	**0**	0	**5,443**	6,124
Total debtors	**201**	227	**11,121**	8,940
Borrowings				
Financial liabilities at amortised cost *	**(9,535)**	(9,932)	**(397)**	(414)
Total borrowings	**(9,535)**	(9,932)	**(397)**	(414)
Other liabilities				
PFI and finance lease liabilities	**(11,298)**	(13,033)	**(1,735)**	(1,424)
Injury pension liability	**(5,139)**	(5,639)	**(500)**	(500)
Non-financial liabilities				
Pension liability	**(704,490)**	(705,090)	**0**	0
Total other liabilities	**(720,927)**	(723,762)	**(2,235)**	(1,924)
Creditors				
Financial liabilities carried at contract amount**	**0**	0	**(2,047)**	(2,882)
Liabilities not defined as financial instruments	**0**	0	**(1,621)**	(1,986)
Total creditors	**0**	0	**(3,668)**	(4,868)
Cash and cash equivalents				
Bank deposits	**0**	0	**1,797**	11,792
Investments	**0**	0	**27,514**	27,514
Total cash and cash equivalents	**0**	0	**29,311**	39,306

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

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

Income, expense, gains and losses

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

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

Comparative figures as at 31 March 2023 are as follows:

2022/23	Financial liabilities measured at amortised cost £'000	Financial assets measured at amortised cost £'000
Interest expense	1,491	0
Interest income	0	(994)
Net (gain) / loss for the year	497	

The fair values of financial assets and financial liabilities

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

- For loans from the Public Works Loan Board (PWLB) payable, PWLB prevailing market rates (new borrowing (certainty) rates) have been applied to provide the fair value under PWLB debt redemption procedures as per interest rate notice number 126/24;
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables and trade and other payables is taken to be the invoiced or billed amount; and

- The fair value of the injury pension liability is taken to be the same as the carrying amount due to the nature of this liability.

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

The fair values calculated are as follows:

31 March 2023 Carrying Amount £’000	31 March 2023 Fair Value £’000		**31 March 2024 Carrying Amount £’000**	**31 March 2024 Fair Value £’000**
9,063	3,971	PWLB debt	**8,772**	**2,209**
869	840	Non-PWLB debt	**767**	**653**
414	413	Short-term borrowing	**397**	**396**
13,173	13,173	Long-term PFI and finance lease liability	**11,298**	**11,298**
1,424	1,424	Short-term PFI and finance lease liability	**1,735**	**1,735**
5,639	5,639	Long-term injury pension liability	**5,139**	**5,139**
500	500	Short-term injury pension liability	**500**	**500**
4,868	4,868	Short-term creditors	**3,668**	**3,668**
35,950	30,828	**Financial liabilities**	**32,276**	**25,598**

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

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

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

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

31 March 2023 Carrying Amount £'000	31 March 2023 Carrying Amount £'000		**31 March 2024 Carrying Amount £'000**	**31 March 2024 Fair Value £'000**
27,514	27,514	Deposits with money market funds, banks and building societies	**27,514**	**27,514**
11,792	11,792	Cash in hand	**1,797**	**1,797**
227	227	Long-term debtors	**201**	**201**
8,940	8,940	Short-term debtors	**11,121**	**11,121**
48,473	48,473	**Financial assets**	**40,633**	**40,633**

Deposits with money market funds, banks and building societies, cash and short-term debtors are carried at cost as this is a fair approximation of their value.

Nature and extent of risks arising from financial instruments

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

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

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

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

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

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

Credit risk

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

Credit risk management practices

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

These have been grouped into two categories:

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

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

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

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

The Authority’s maximum exposure to credit risk at 31 March 2024 in relation to its investments in banks and building societies is determined to be nil and as all cash balances are held with Sunderland City Council, it cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2024 that this was likely to crystallise.

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

The Authority does not generally allow credit for customers, £0.092m is beyond its due date for payment. The past due amount can be analysed by age as follows:

31 March 2023 £'000		**31 March 2024 £'000**
635	Less than 3 months	**64**
5	Between 3 and 6 months	**2**
20	Between 6 months to one year	**17**
5	More than one year	**9**
665		**92**

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

Amounts arising from expected credit loss

All of the Authority's financial assets have been assessed as Stage 1 at both 31 March 2023 and 31 March 2024, which means that there has been no significant increase in their credit risk. The 12-month expected credit loss for these assets has been assessed as nil. Impairment allowances for losses in relation to receivables due from customers are shown within the debtors note to the accounts. The Authority calculates allowances based on estimated default rates in combination with specific adjustments for individual debts when appropriate. There is a rebuttable presumption in IFRS 9 that aged debt older than 30 days should be impaired. The aged debt older than 30 days, disclosed above, has been reviewed and the Authority is satisfied that the existing impairment allowance adequately provides for this.

Liquidity risk

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

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

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

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

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

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

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

Market risk:

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

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

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

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

According to this assessment strategy, at 31 March 2024, if all interest rates had been 1%

higher (with all other variables held constant) the financial effect would be:

31 March 2023 £'000		31 March 2024 £'000
(106)	Increase in interest payable on variable rate borrowings	**(101)**
275	Increase in interest received on variable rate investments	**275**
169	**Impact on surplus or deficit on the provision of services**	**174**
0	Decrease in fair value of fixed rate investment assets	**0**
0	**Impact on comprehensive income and expenditure**	**0**
1,043	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)	**812**

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

Note 15 – Short-Term Debtors

31 March 2023 £'000		31 March 2024 £'000
2,973	Central government bodies	**5,489**
360	Other local authorities	**709**
2	NHS bodies	**2**
16	Public corporations and trading funds	**28**
9,124	Other entities and individuals	**8,795**
12,475	**Total**	**15,023**

Note 16 – Cash and Cash Equivalents

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

31 March 2023 £'000		31 March 2024 £'000
1	Cash held by the Authority	**1**
11,791	Bank current accounts	**1,796**
27,514	Short-term investments held with lead authority	**27,514**
39,306	**Total**	**29,311**

Note 17 – Short-Term Creditors

31 March 2023 £'000		**31 March 2024 £'000**
(1,363)	Central Government bodies	**(1,130)**
(6,515)	Other local authorities	**(6,490)**
(165)	Public corporations and trading funds	**(431)**
(2,546)	Other entities and individuals	**(1,464)**
(10,589)	**Total**	**(9,515)**

Note 18 – Provisions

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

Business rates appeal provision
A provision for business rates appeals has been established to meet the identified potential costs to the Authority of appeals in relation to the valuations used in the calculation of business rates. The provision is based on the billing authorities' best estimates of the amount that will be successfully appealed (i.e. that businesses have been overcharged) in relation to 2022/23 and previous years, regardless of when that appeal is raised or settled. Whilst the settlement of these appeals is outside of the Authority's control, it is considered likely that 2010 list appeals will be settled within the next financial year and hence are classified as a short-term provision.

	Insurance provision £'000	**Business rates appeal provision £'000**	**Total £'000**
Balance at 31 March 2022	(188)	(638)	(826)
Additional provisions made in 2022/23	(234)	(240)	(474)
Amounts used in 2022/23	76	209	285
Balance at 31 March 2023	**(346)**	**(669)**	**(1,015)**
Additional provisions made in 2023/24	**(63)**	**(132)**	**(195)**
Amounts used in 2023/24	**153**	**143**	**296**
Balance at 31 March 2024	**(256)**	**(658)**	**(914)**

The nature of the individual provisions held at 31 March 2024 is detailed below:

	Short term £'000	Long term £'000	2023/24 total £'000
Insurance provision	0	(256)	**(256)**
Business rates appeal provision	(658)	0	**(658)**
	(658)	(256)	**(914)**

Note 19 – Usable Reserves

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

Note 20 – Unusable Reserves

31 March 2023 £'000		**31 March 2024 £'000**
36,079	Revaluation Reserve	**38,837**
27,443	Capital Adjustment Account	**32,821**
(702,986)	Pensions Reserve	**(698,400)**
(2,853)	Collection Fund Adjustment Account	**(2,602)**
(262)	Accumulated Absence Account	**(132)**
(642,579)	**Total Unusable Reserves**	**(629,476)**

Revaluation Reserve

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

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

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

2022/23 £'000			**2023/24 £'000**
34,499	Balance at 1 April		**36,079**
2,192	Upward revaluation of assets	**3,266**	
(584)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	**(453)**	**2,813**
36,107	Surplus/deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		**38,892**
(28)	Difference between fair value depreciation and historical cost depreciation		**(55)**
0	Accumulated gains on non-current assets sold		**0**
36,079	**Balance at 31 March**		**38,837**

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

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

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

2022/23 £'000		**2023/24 £'000**
24,922	**Balance at 1 April**	**27,443**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,204)	Charges for depreciation and impairment of non-current assets	**(4,005)**
0	Amount of non-current assets written out on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(2,135)**
20,718		**21,303**
	Capital financing applied in the year:	
4,112	Use of capital receipts to finance new capital expenditure	**9,473**
163	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**79**
1,792	Statutory provision for the financing of capital investment charged against the General Fund balance	**1,839**
647	Capital expenditure charged against the General Fund balance	**117**
11	Movement in the Donated Asset Account credited to the Income and Expenditure Statement	**10**
27,443	**Balance at 31 March**	**32,821**

Pensions Reserve

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

2022/23 £'000		**2023/24 £'000**
(962,196)	**Balance at 1 April**	**(702,986)**
269,660	Re-measurement of the net defined benefit liability / (asset)	**8,390**
(42,030)	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`	**(38,854)**
31,580	Employer's pensions contributions and direct payments to pensioners payable in the year	**35,050**
(702,986)	**Balance at 31 March**	**(698,400)**

Collection Fund Adjustment Account

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

2022/23 £'000		**2023/24 £'000**
(1,555)	**Balance at 1 April**	**(2,853)**
(1,298)	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	**251**
(2,853)	**Balance at 31 March**	**(2,602)**

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.

2022/23 £'000		**2023/24 £'000**
(171)	Balance at 1 April	**(262)**
171	Settlement or cancellation of accrual made at the end of the preceding year	**262**
(262)	Amounts accrued at the end of the current year	**(132)**
(262)	**Balance at 31 March**	**(132)**

Note 21 – Cash Flow Statement – Operating Activities

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

Note 22 – Cash Flow Statement – Investing Activities

2022/23 £'000		**2023/24 £'000**
4,922	Purchase of property, plant and equipment	**9,669**
0	Net proceeds from the sale of property, plant and equipment, investment properties and intangible assets	**0**
4,922	**Net cash flows from Investing Activities**	**9,669**

Note 23 – Cash Flow Statement – Financing Activities

2022/23 £'000		**2023/24 £'000**
432	Repayments of short- and long-term borrowing	**414**
1,929	Other payments and financing activities	**1,925**
2,362	**Net cash flows from financing activities**	**2,339**

Reconciliation of liabilities arising from financing activities

	1 April 2023 £'000	**Financing cash flows £'000**	**31 March 2024 £'000**
Short- and long-term borrowing	10,346	(414)	9,932
On Balance Sheet PFI liabilities	14,457	(1,424)	13,033
Injury pension liability	6,139	(500)	5,639
Total liabilities from financing activities	**30,942**	**(2,338)**	**28,604**

Note 24 – Members' Allowances and Expenses

	2022/23 £'000	**2023/24 £'000**
Total Members' allowances and expenses	83	**86**

Note 25 – Officers' Remuneration

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

Remuneration Band	2022/23 Number of employees	**2023/24 Number of employees**
£50,000-£54,999	22	**40**
£55,000-£59,999	15	**17**
£60,000-£64,999	16	**15**
£65,000-£69,999	8	**7**
£70,000-£74,999	1	**10**
£75,000-£79,999	1	**0**
£80,000-£84,999	1	**1**
£85,000-£89,999	0	**2**
£90,000-£94,999	2	**2**
	66	**94**

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

Post holder information	Salary (including fees and allowances) £	Benefits in kind £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Employers pension contributions £	Strain on fund £	Total remuneration including pension contributions £
2023/24							
Chief Fire Officer and Chief Executive: Chris Lowther (to 23.09.2023)	**112,511**	**0**	**0**	**112,511**	**32,403**	**0**	**144,914**
Chief Fire Officer and Chief Executive: Peter Heath (from 23.09.2023)	**181,504**	**0**	**0**	**181,504**	**52,472**	**0**	**233,976**
Deputy Chief Fire Officer (from 16.10.2023)	**77,064**	**0**	**0**	**77,064**	**22,194**	**0**	**99,258**
Assistant Chief Fire Officer – Organisational Development	**156,430**	**0**	**0**	**156,430**	**45,052**	**0**	**201,482**
Finance Director	**127,389**	**0**	**0**	**127,389**	**22,675**	**0**	**150,064**
2022/23							
Chief Fire Officer and Chief Executive: Chris Lowther	157,746	0	0	157,746	45,431	0	203,177
Deputy Chief Fire Officer	134,084	0	0	134,084	38,616	0	172,700
Assistant Chief Fire Officer – Organisational Development	132,197	0	0	132,197	36,345	0	168,542
Finance Director	85,976	0	0	85,976	15,386	0	101,362

Note 26 – External Audit Costs

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

	2022/23 £'000	**2023/24 £'000**
Fees paid to external auditors with regard to external audit services carried out by the appointed auditor (Forvis Mazars LLP)	47	**38**
	47	**38**

An additional fee of £16,404 was paid in 2022/23 in respect of a variation to the scale fee for audit work in 2020/21, as approved by Public Sector Audit Appointments Ltd, and a refund of £13,573 was received in respect of the Redmond Review.

Public Sector Audit Appointments Ltd set the scale of fees for the external audit for 2023/24 at £101,723. The additional charge has been invoiced in 2024/25.

Note 27 – Grant Income

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

	2022/23 £'000	**2023/24 £'000**
Credited to taxation and non-specific grant income:		
Revenue Support Grant	(9,263)	**(10,203)**
Business Rates	(3,615)	**(6,114)**
Top Up Grant	(11,457)	**(12,162)**
Council Tax Income	(24,708)	**(28,220)**
Business Rates S31 Grant	(801)	**(710)**
Service Delivery Grant	(1,072)	**(629)**
Levy Account Surplus Grant	(130)	**(130)**
Transparency Grant	(8)	**(8)**
	(51,054)	**(58,176)**
Credited to services:		
PFI Grant	(3,358)	**(3,358)**
New Dimensions	(872)	**(882)**
Firelink	(207)	**(155)**
Pensions	(2,593)	**(2,593)**
New Threats	(20)	**0**
BSR	0	**(301)**
Safer Streets	0	**(80)**
FS Protection Uplift	(211)	**(211)**
	(7,261)	**(7,580)**

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

	31 March 2023 £'000	**31 March 2024 £'000**
Donated Assets Account		
New Dimensions equipment	47	**37**
	47	**37**

Note 28 – Related Parties

The 'Code of Practice on Local Authority Accounting in the United Kingdom 2023/24' requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

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

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

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

Other relevant information: Details of the Authority's transactions with Sunderland City Council for provision of support services are shown in the appropriate sections of the Comprehensive Income and Expenditure Statement as disclosed in accounting policy 1.6. The cost of support services received by the Authority total £327,736 (£327,736 in 2022/23).

Trading arrangements:

TWFRS Ltd

The Authority has a trading company TWFRS Ltd which commenced operating on 1 April 2015. The Authority currently holds 20,001 £1 shares and wholly owns the company which it has always operated on a local authority trading company basis. The Company was trading with an agreed operating arrangement with Impeller Assurance and Resilience Ltd (Impeller) until November 2019 when Impeller went into liquidation. This had an adverse one-off impact on the finances of TWFRS Ltd which meant that the Company reported a net loss of £270,748 in 2019/20 and a negative net worth of £186,162 as at 31st March 2020. The company has since reviewed its activities and structures with the full support of the Authority to develop plans to slowly rebuild the way TWFRS Ltd will operate in the future so that it can continue to trade successfully and thereby repay all of the loan advanced to Impeller, totalling £225,000, which Authority members have requested. The actual loan made to Impeller consequently was of no direct benefit to TWFRS Ltd.

The COVID-19 pandemic had a significant impact on the ability of TWFRS Ltd to trade to any real significance. In 2020/21 no trading was possible and the company made a small loss of £2,599 in the year increasing its negative net worth to £188,761 as at 31 March 2021. There was some very limited trading in 2021/2022 which saw turnover of £2,396 but after costs meant a net loss of £588 was posted for 2021/2022, taking the negative net worth to £189,349 as at 31 March 2022. In 2022/23 the company had turnover of £94,114 resulting in a net profit of £27,624 after costs. This reduced the negative net worth to £161,725 as at 31 March 2023. This profit enabled a repayment of £26,000 to be made to the Authority in 2023/24 which has reduced the debt outstanding to £199,000.

In 2023/24 the Company had a turnover of £43,786 and a net loss of £20,462. A review of the future operating model has been carried out by the TWFRS Ltd Board to maximise income and reduce costs to ensure the company makes a net profit in 2024/2025 in order to reduce the debt outstanding.

Note 29 – Capital Expenditure and Capital Financing

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

	2022/23 £'000	**202324 £'000**
Opening capital financing requirement	27,032	**25,240**
Capital investment:		
Property, plant and equipment	4,922	**9,669**
Revenue expenditure funded from capital under statute	103	**133**
Sources of finance:		
Capital receipts	(4,112)	**(9,473)**
Government grants and other contributions	(163)	**(79)**
Sums set aside from:		
Direct revenue contributions	(750)	**(250)**
Minimum revenue provision (MRP)	(1,792)	**(1,839)**
Closing capital financing requirement	25,240	**23,401**
Explanation of movements in year:		
Assets acquired under PFI contracts	0	**0**
Minimum revenue provision (MRP)	(1,792)	**(1,839)**
Increase / (decrease) in capital financing requirement	(1,792)	**(1,839)**

Note 30 – Private Finance Initiatives and Similar Contracts

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

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

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

2022/23 £'000		**2023/24 £'000**
15,270	Balance outstanding at start of year	**13,917**
0	Additions	**0**
(1,353)	Repayment of capital	**(1,415)**
13,917	**Balance outstanding at the year end**	**12,502**

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

	2024/25 £'000	2025/26 - 2028/29 £'000	2029/30 - 2033/34 £'000	2034/35 - 2035/36 £'000	Total £'000
Finance lease creditor repayment	1,727	8,483	1,837	455	12,502
Finance lease creditor interest	1,144	2,836	743	37	4,760
Lifecycle maintenance costs	72	306	428	139	945
Contingent rentals	271	1,107	128	(13)	1,493
Operating costs	2,410	10,556	1,860	451	15,277
PFI grant	(3,358)	(13,431)	(5,924)	(623)	(23,336)
Total net expenditure	**2,266**	**9,857**	**(928)**	**446**	**11,641**

Note 31 – Defined Benefit Pension Schemes

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

The Authority participates in two post-employment schemes:

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

- The Local Government Pension Scheme for non-operational employees, administered by South Tyneside Council is a funded defined benefit salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employer's contributions are currently 17.9%.

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

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2023/24 £'000	2022/23 £'000	**2023/24 £'000**	2022/23 £'000	**2023/24 £'000**	**2022/23 £'000**
Comprehensive Income and Expenditure Statement (CIES)						
Cost of services:						
Service cost comprising:						
Current service cost	**1,790**	3,680	**2,670**	10,510	**4,460**	14,190
Past service costs	**0**	0	**(110)**	0	**(110)**	0
Financing and investment income and expenditure:						
Net interest expense	**(150)**	620	**32,150**	24,640	**32,000**	25,260
Total post-employment benefit charged to the surplus or deficit on the provision of services	**1,640**	**4,300**	**34,710**	**35,150**	**36,350**	**39,450**
Other post-employment benefits charged to the CIES						
Re-measurement of the net defined benefit liability comprising:						
Local government scheme						
Return on plan assets	**(840)**	2,610	**0**	0	**(840)**	2,610
Actuarial (gains) and losses due to changes in demographic assumptions	**(1,100)**	0	**0**	0	**(1,100)**	0
Actuarial (gains) and losses due to changes in financial assumptions	**(2,570)**	(38,620)	**0**	0	**(2,570)**	(38,620)
Actuarial (gains) and losses due to liability experience	**820**	7,000	**0**	0	**820**	7,000
Firefighters' scheme						
Experience (gains) and losses arising on the defined benefit obligation	**0**	0	**8,770**	55,950	**8,770**	55,950
Changes in financial assumptions underlying the present value of the defined benefit obligation	**0**	0	**(13,470)**	(268,230)	**(13,470)**	(268,230)
Changes in demographic assumptions underlying the present value of the defined benefit obligation	**0**	0	**0**	(28,370)	**0**	(28,370)
Total post-employment benefits charged to the CIES	**(2,050)**	**(24,710)**	**30,010**	**(205,500)**	**27,960**	**(230,210)**

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2023/24	2022/23	**2023/24**	2022/23	**2023/24**	2022/23
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Movement in Reserves Statement						
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	**50**	2,800	**4,100**	7,650	**4,150**	10,450
Actual amount charged against General Fund balance for pensions in the year:						
Employer's contributions payable to the scheme	**1,590**	1,500	**0**	0	**1,590**	1,500
Retirement payments payable to pensioners	**0**	0	**33,550**	30,140	**33,550**	30,140

Pensions assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	31 March 2024 £'000	31 March 2023 £'000 Restated	**31 March 2024 £'000**	31 March 2023 £'000	**31 March 2024 £'000**	31 March 2023 £'000 Restated
Present value of the defined benefit obligation	**(71,780)**	(71,340)	**(704,490)**	(705,090)	**(776,270)**	(776,430)
Fair value of plan assets	**77,870**	73,790	**0**	0	**77,870**	73,790
Net liability arising from defined benefit obligation	**0**	0	**(704,490)**	(705,090)	**(704,490)**	(705,090)
Net asset arising from defined benefit obligation	**6,090**	2,450	**0**	0	**6,090**	2,450

Reconciliation of the movements in the fair value of Local Government Pension Scheme (Plan) assets

	Local Government Pension Scheme	
	2023/24 £'000	2022/23 £'000
Opening fair value of scheme assets	**73,790**	74,480
Interest income	**3,460**	2,010
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	**840**	(2,610)
Contributions from employer	**1,590**	1,500
Contributions from employee in to the scheme	**550**	530
Benefits paid	**(2,360)**	(2,120)
Closing balance at 31 March	**77,870**	73,790

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

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

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2023/24	2022/23	**2023/24**	2022/23	**2023/24**	2022/23
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Opening balance at 1 April	**71,340**	98,240	**705,090**	938,090	**776,430**	1,036,330
Current service cost	**1,790**	3,680	**2,670**	10,510	**4,460**	14,190
Interest cost	**3,310**	2,630	**32,150**	24,640	**35,460**	27,270
Contributions by scheme participants	**550**	530	**2,850**	2,580	**3,400**	3,110
Re-measurement (gains) and losses:						
Local government scheme:						
Actuarial (gains)/losses arising from changes in demographic assumptions	**(1,100)**	0	**0**	0	**(1,100)**	0
Actuarial (gains)/losses arising from changes in financial assumptions	**(2,570)**	(38,620)	**0**	0	**(2,570)**	(38,620)
Other	**820**	7,000	**0**	0	**820**	7,000
Firefighters' scheme:						
Experience (gains) and losses arising on pension liabilities	**0**	0	**8,770**	55,950	**8,770**	55,950
Changes in assumptions underlying the present value of the pension liabilities	**0**	0	**(13,470)**	(296,600)	**(13,470)**	(296,600)
Past service cost	**0**	0	**(110)**	0	**(110)**	0
Benefits paid	**(2,360)**	(2,120)	**(33,550)**	(30,140)	**(35,910)**	(32,260)
Pension transfers in	**0**	0	**90**	60	**90**	60
Liabilities extinguished on settlements	**0**	0	**0**	0	**0**	0
Closing balance at 31 March	**71,780**	71,340	**704,490**	705,090	**776,270**	776,430

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The net liability of £698.400m has a substantial impact on the negative net worth of £596.838m recorded on the balance sheet of the Authority. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2024 is £1.59m.

Local Government Pension Scheme assets

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

	Asset split at 31 March 2024			Asset split at 31 March 2023
	Quoted %	**Unquoted %**	**Total %**	%
Equities	39.5	11.1	**50.6**	**51.2**
Government bonds	1.3	0.0	**1.3**	**1.3**
Corporate bonds	19.5	0.0	**19.5**	**19.5**
Property	0.0	10.4	**10.4**	**10.5**
Cash	0.7	0.0	**0.7**	**1.8**
Multi asset credit	4.6	0.0	**4.6**	**4.5**
Other assets	0.0	12.9	**12.9**	**11.2**
Total	65.6	34.4	**100.0**	**100.0**

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary are:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2023/24	2022/23	**2023/24**	2022/23
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	**21.0 years**	21.6 years	**21.3 years**	21.2 years
Women	**24.2 years**	24.6 years	**21.3 years**	21.2 years
Longevity at 65 for future pensioners (aged 45):				
Men	**22.3 years**	22.9 years	**22.9 years**	22.9 years
Women	**25.6 years**	26.1 years	**22.9 years**	22.9 years
Consumer Price Index	**2.60%**	2.70%	**2.60%**	2.60%
Rate of increase in salaries	**4.10%**	4.20%	**3.85%**	3.85%
Rate of increase in pensions	**2.60%**	2.70%	**2.60%**	2.60%
Rate for discounting scheme liabilities	**4.80%**	4.70%	**4.75%**	4.65%
Rate of pension accounts revaluation	**2.60%**	2.70%	**3.85%**	3.85%
Commutation: Pre-2008	**75.00%**	75.00%	**N/A**	N/A
Commutation: Pre-1 April 2010	**N/A**	N/A	**N/A**	N/A
Commutation: Post-31 March 2010	**N/A**	N/A	**N/A**	N/A

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

	Impact on the defined benefit obligation			
	Local Government Pension Scheme		Firefighters' Pension Scheme	
	Increase in assumption £'000	Decrease in assumption £'000	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease in 1 year)	+1,780	-1,780		
Rate of increase in salaries (increase or decrease by 0.1%)	+140	-140		
Rate of increase in pensions (increase or decrease by 0.1%)	+1,140	-1,070		
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	-1,280	+1,280		
Longevity (increase or decrease in 1 year)			+19,000	-19,000
Rate of increase in salaries (increase or decrease by 0.50%)			+5,000	-5,000
Rate of increase in pensions (increase or decrease by 0.50%)			+46,000	-46,000
Rate for discounting scheme liabilities (increase or decrease by 0.50%)			-48,000	+48,000

Impact on the Authority's cash flows

The weighted average duration of the defined benefit obligation for scheme members in the local government scheme is 17.9 years (18.2 years, 2022/23) and in the firefighters' scheme is 15 years (2022/23: 15 years).

Note 32 - Contingent Liability

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

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

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

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

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

Note 33 – Contingent Asset

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

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

Note 34 – Prior Period Adjustment

There has been a requirement to restate the Authority’s previous published accounts for a prior period adjustment.

Pensions assets and liabilities recognised in the Balance Sheet

As notified by the actuaries the local government pension scheme has a net asset arising from the defined benefit obligation. This had been netted off with the liability on the Firefighters’ Pension Scheme.

In accordance with the requirements of the Code, the Authority has restated the 2022/23 published accounts to show a separate asset and liability.

The resulting changes affect the balance sheet and notes 14 and 31. The tables below only show the lines that have been amended and not the complete statement or note. Each financial statement or note that has been restated is clearly identified throughout the accounts.

Balance Sheet:

	Original 2022/23 published figure £'000	Restated 2022/23 £'000	Movement £'000
Pension asset	0	2,450	2,450
Long term assets	88,867	91,317	2,450
Other long term liabilities	(721,312)	(723,762)	(2,450)
Long term liabilities	(731,637)	(734,087)	(2,450)

Note 14 Financial Instruments:

	Original 2022/23 published figure £'000	Restated 2022/23 £'000	Movement £'000
Non-financial liabilities			
Pension liability	(702,640)	(705,090)	(2,450)
Total other liabilities	(721,312)	(723,762)	(2,450)

Note 31 Defined Benefit Pension Schemes:

Net liability arising from defined benefit obligation	(702,640)	(705,090)	(2,450)
Net asset arising from defined benefit obligation	0	2,450	2,450

Supplementary Statements

Firefighters' Pension Fund Statement

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

	2023/24 £'000		**2022/23** £'000	
Contributions receivable				
From employers				
- normal	**(6,302)**		(5,830)	
- early retirement	**(111)**		0	
From members	**(2,858)**	**(9,271)**	(2,581)	(8,411)
Transfers in				
Individual transfers in from other schemes		**(93)**		(285)
Benefits payable				
Pensions	**28,078**		26,130	
Commutations and lump sum retirement benefits	**3,594**		2,873	
Lump sum death benefits	**0**	**31,672**	0	29,003
Payments to and on account of leavers				
Individual transfers out to other schemes		**0**		0
Deficit/surplus for the year before top-up grant receivable from/amount payable to the Government		**22,308**		20,307
Top-up grant (receivable)/amount payable to sponsoring department		**(22,308)**		(20,307)
Net amount payable/(receivable) for the year		**0**		0

Firefighters' Pension Net Assets Statement

	31 March 2024 £'000	31 March 2023 £'000
Net current assets and current liabilities		
Pension top-up grant receivable from / (due to) sponsoring department	**4,754**	1,916
Pre-paid pension benefits	**2,644**	2,267
Cash overdrawn due to the General Fund	**(7,398)**	(4,183)
	0	0

Notes to the Firefighters' Pension Statements

1. Basis of preparation

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

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

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

2. Accounting policies

The principal accounting policies are as follows:

Contributions
Contributions represent the total amounts receivable from the Authority and the pensionable employees. The employer's contributions are made at rates determined by the Government Actuaries Department, at a nationally applied rate of 28.8% for the 2015 Firefighters' Pension Scheme. This will rise to 38.7% from 1 April 2024 to 31 March 2027. The employee's contributions are dependent on salaries and range from 11.0% to 14.5% for the 2015 Scheme.

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

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

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

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

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

3. Fund's operations

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

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

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

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

The fund has no investment assets.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operational assets:
- Land and buildings
- Vehicles, plant and equipment

Non-operational assets:
- Assets under construction
- Assets held for sale

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Outstanding
Amounts borrowed to finance capital expenditure that are still to be repaid.
Debtors
Sums of money due to the Authority but not received at the date of the balance sheet.

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

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

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

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

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

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

Operations not satisfying all these conditions are classified as continuing.

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

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

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

Estimation Techniques
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gain losses and changes to reserves.
Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured: where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

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

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

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

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

Fees and Charges
Income arising from the provision of services.

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

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

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

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

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

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

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

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

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

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

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

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

Investments (Non Pension Fund)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the prudential framework local authorities are free to borrow without specific Government consent if they can afford to service the debt without extra Government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Authority before the start of the relevant financial year as part of their budget setting process.

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Support Grant (RSG)
A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. The grant helps to bridge the gap between Council Tax and NNDR income on one hand and the total assessment of the Authority's need to spend on the other. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP)
The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP applies to all Local Authorities from the 1 April 2013 for the preparation of budgets, performance indicators and Statement of Accounts. The aim of SeRCOP is to establish proper practice with regard to consistent financial reporting for services.

Settlement
An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:
- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Specific Grants
Government grants to Local Authorities in aid of particular services, e.g. community fire safety.

Total Cost
The total cost of a service or activity includes all costs, which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

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

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

Vested Rights
In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

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