

**Tyne and Wear Fire  
and Rescue Service**



# **STATEMENT OF ACCOUNTS 2025/26**

**Subject to audit**



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## Introduction

We are pleased to present the Statement of Accounts for the year 2025/26 for the Tyne and Wear Fire and Rescue Authority. A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers' money. We recognise, however, that the Authority's accounts can only tell part of the story. The Authority needs to demonstrate that it is aiming to operate to the highest standard of conduct in accordance with the principles of corporate governance and continues to have a robust system of internal control in place.

With regard to corporate governance, the Authority considers, annually, a review of its Code of Corporate Governance alongside its Annual Governance Statement; a report on this annual review was delivered at the meeting of the Authority on 19 March 2026. This code takes account of the CIPFA SOLACE framework, 'Delivering Good Governance in Local Government'. The code considers the seven core principles of good governance as defined in the framework as, behaving with integrity, ensuring openness, defining outcomes, determining interventions, developing capacity and capability, managing risks and performance, and accountability.

In line with guidance issued by CIPFA, the Authority operates a Governance, Risk and Audit Scrutiny 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.

Accompanying the Statement of Accounts is the Annual Governance Statement, which confirms that there are sound systems of internal control in place. As an organisation, we will continue to ensure action is taken, where necessary, to maintain and develop the system of internal control into the future.



Michelle Ronan  
Director of Finance, Estates and  
Facilities

# 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**

### **Unaudited Statement of Accounts 2025/26: 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 Regulation 9 (1) of the Accounts and Audit Regulations 2015, the Statement of Accounts for 2025/26 (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 2026 and its income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to read 'M Ronan', written in a cursive style.

M Ronan  
Director of Finance, Estates and Facilities

24 June 2026

# Narrative Statement – 2025/26

Tyne and Wear Fire and Rescue Authority serves a resident population of 1.1 million spread across the five districts of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland in the North East of England. The area is highly urbanised, with a diverse risk profile reflecting both densely populated centres and areas of economic transition.

The Authority operates within a well-connected regional economy, with a mix of manufacturing and service-based employment sectors, influencing both community risk and service demand.

## Vision and purpose

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

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

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

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

## Performance

The Authority is responsible for fire and rescue services in Tyne and Wear and is required by law to publish certain performance indicators annually. These show the statistical performance of the Authority but cannot provide any indication of the true quality or scope of the services delivered every day to the citizens of Tyne and Wear. More detail about the work the Authority carried out to help its communities during 2025/26 is also set out later in this summary.

## Summary of performance

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

The primary mechanism for achieving this is through the Community Risk Management Plan (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 2025/26, the Authority carried out 26,408 Safe and Well visits (27,155 in 2024/25) and attended a total of 17,695 incidents (17,402 in 2024/25).

## Service-led priorities

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

	2023/24	2024/25	2025/26
Average response time of all incidents (mins)	5.36	5.44	6.07
Number of fatalities from all fires	6	7	4
Number of fatalities in accidental dwelling fires	5	6	3
Number of injuries from accidental dwelling fires (excluding precautionary checks)	30	34	45
Number of accidental fires in dwellings	482	449	440
Number of false alarms due to automatic fire detection from non-domestic properties	1,604	1,530	1,085
Number of primary fires	1,681	1,716	1,804
Number of deliberate fires	4,438	4,965	5,312

The Authority has a long track record of reducing fires but, sadly, in 2025/26 there were four deaths attributed to fire. Positively, the number of accidental fires has reduced to 440 and the number of alarms due to automatic fire detection from non-domestic properties has also reduced to 1,085.

The Authority will continue to strive to work towards zero fire deaths. The Authority has experienced both increases and decreases in local indicators during 2025/26. More detail on performance can be found on the Authority's website.

## Performance improvement

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

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

## Efficiency and the Community Risk Management Plan (CRMP)

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

The Authority was required to publish an *efficiency and productivity plan* in 2025/26 in which it had to meet a minimum savings target of 2% non-pay efficiencies and increase wholetime firefighters' productivity by 3%. This is an annual requirement under the *Fire and Rescue National Framework for England*.

## Funding Context and Financial Planning

In December 2025 the Government published a three-year provisional local government finance settlement for the period 2026/27 to 2028/29. This included a fire and rescue real terms floor grant to give Authorities a minimum funding increase. Tyne and Wear Fire and Rescue Authority received an increase in core spending power (CSP) in line with this floor, resulting in the lowest possible increase in CSP of 2.2% in 2026/27, 2.01% in 2027/28 and 1.88% in 2028/29.

The settlement included a £5 council tax limit for fire and rescue authorities on a band D property. The CSP increase assumed that the Authority would increase its council tax requirement by this amount in each of the three years.

In February 2026 the Government published the final local government finance settlement for 2026/27 and this included a revised increase in core spending power (CSP) of 3.8%.

The Authority approved a balanced budget for 2026/27 in February 2026. This included approval to increase the precept by the maximum allowable increase of £5 on a band D property.

As part of the 2026/27 revenue budget, the medium-term position was reviewed based on the settlement and the Authority reported an estimated funding gap over the medium-term period to 2029/30 of £2.924m. This was based on the provisional settlement for future years and also included the £5 precept in future years which is subject to Authority approval each year.

Although the three-year settlement has provided some certainty over the medium term, the CSP increase for the Authority is the lowest possible and it also assumes that the Authority approves the £5 precept increase each year. There are also significant pressures such as pay awards which could be unaffordable with the funding available.

The Authority will continue to monitor the financial position over the medium term as the position evolves and will take the necessary action when required to ensure the financial position of the Authority is sustainable over the medium and longer term.

## **Financial performance of the Authority in 2025/26**

### Capital income and expenditure summary

In February 2025, the Authority approved a Capital Programme for 2025/26 of £4.600m, which was subsequently revised to £4.258m during the year.

Actual capital expenditure at the end of the financial year was £3.447m, financed from a combination of revenue contributions of £1.500m and earmarked reserves of £1.947m. The main reasons for the variation in spending of £0.811m have arisen due to the following:

- Expenditure on a number of projects planned for 2025/26 of £0.557m slipped into 2026/27;
- Net underspend of £0.272m across a number of schemes completed during 2025/26; and
- Spend of £0.018m on the PPE replacement programme and officer blue lights that was reprofiled from 2026/27.

### Revenue income and expenditure summary

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the Authority. These reports summarise budgets and spending forecasts for both capital and revenue expenditure and also include a review of other key financial items, including treasury management and prudential indicators. This process reflects the strong and robust financial management in place during 2025/26, continuing the Authority's sound track record in this regard.

The estimated net revenue expenditure for 2025/26 to be met from government grants and local taxpayers was approved by the Authority at £65.982m. 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 £100.11 for 2025/26. This represented a £5 cash increase in band D.

The revenue budget outturn position for 2025/26 will be reported to the Authority on 27 July 2026 and shows a net overall underspend of £1.063m, at £64.919m compared with an original budget of £65.982m. The table below shows the actual outturn for 2025/26 in comparison with the original and revised budget positions:

	Original estimate (for info) £000	Revised budget £000	Outturn £000	Variance to revised budget £000
<b>Expenditure</b>				
Employees	57,480	58,646	58,015	(631)
Premises	2,807	2,916	2,828	(88)
Transport	1,152	1,175	1,401	226
Supplies and services	11,879	11,812	11,465	(347)
Contingencies	1,895	794	0	(794)
Support services	14,726	14,692	14,632	(60)
Capital financing	1,157	1,157	2,170	1,013
<b>Total expenditure</b>	<b>91,096</b>	<b>91,192</b>	<b>90,511</b>	<b>(681)</b>
<b>Income</b>				
Grants and contributions	(7,763)	(7,247)	(7,296)	(49)
Receipts	(363)	(358)	(534)	(176)
Fees and charges	(1,158)	(1,744)	(1,676)	68
Interest earned	(1,087)	(1,087)	(1,625)	(538)
Recharge income	(14,743)	(14,743)	(14,312)	431
<b>Total income</b>	<b>(25,114)</b>	<b>(25,179)</b>	<b>(25,443)</b>	<b>(264)</b>
Net reserve appropriations	0	(31)	(149)	(118)
<b>TOTAL BUDGET</b>	<b>65,982</b>	<b>65,982</b>	<b>64,919</b>	<b>(1,063)</b>
<b>Funded by:</b>				
Revenue support grant	(13,704)	(13,704)	(13,704)	0
Top up grant	(12,866)	(12,866)	(12,866)	0
Business rates compensation	(3,359)	(3,359)	(3,359)	0
Business rates share	(3,918)	(3,918)	(3,918)	0
Collection Fund:				
Council tax (surplus)/deficit	(477)	(477)	(477)	0
Business rates (surplus)/deficit	(61)	(61)	(61)	0
National insurance grant	(468)	(468)	(468)	0
S31 business rates grant	(472)	(472)	(512)	(40)
Precepts	(30,657)	(30,657)	(30,657)	0
<b>TOTAL FUNDING</b>	<b>(65,982)</b>	<b>(65,982)</b>	<b>(66,022)</b>	<b>(40)</b>

The main budget variations are detailed below:

- Employee costs (£0.631m net underspend): operational and corporate establishments continue to be under establishment, resulting in a reduction in expenditure on salaries and oncosts, but consequently operational overtime costs continue to be a budget pressure. The savings on salaries have absorbed these increased costs. Recruit courses continue to be scheduled to reduce the number of operational vacancies over the coming years;
- Premises (£0.088m net underspend): actual business rates were less than that estimated at budget setting;
- Transport (£0.226m net overspend): essential repairs were required to the aerial ladder platform and a number of vehicles;
- Supplies and services (£0.347m net underspend): savings have been made on ICT contracts;
- Contingencies (£0.794m underspend): during the year, the contingency budget is assumed to be

fully utilised for prudence, as set out in the quarterly budget monitoring reports. It is a very positive position to not require this budget, and this has significantly contributed to the overall underspend;

- Capital financing (£1.013m overspend): revenue contributions to the Capital Programme have been increased by £1.000m to reduce the need to use reserves to finance the Programme;
- Income (£0.264m overachieved): one-off income has been received from a number of sources, including a back payment in respect of the NEFRA PFI site, recovery of costs for the supply of electricity to the telecommunications mast at Gateshead Community Fire Station, and income from firefighter assistance at a major incident outside of the area. Interest received was significantly overachieved due to higher-than-expected rates post-quarter three.

The underspend of £1.063m and additional section 31 business rates grant of £0.040m have been transferred to a new *Firefighter Safety Reserve* established to fund projects related to enhancing firefighter safety such as training facilities and equipment. The balances on the *Transformation and Reform Reserve* (£0.500m) and the *Medium-Term Planning Reserve* (£1.000m) have also been transferred into this new reserve (see Note 8).

### Balance Sheet position

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

	<b>Balance at 31 March 2025 £000</b>	<b>Balance at 31 March 2026 £000</b>
Non-current assets	97,791	102,054
Net current assets	29,099	28,111
Long-term liabilities and provisions	(665,620)	(648,108)
<b>Net assets / (liabilities)</b>	<b>(538,730)</b>	<b>(517,943)</b>
<b>Represented by:</b>		
Usable reserves	29,957	29,064
Unusable reserves	(568,687)	(547,007)
	<b>(538,730)</b>	<b>(517,943)</b>

Assets represent resources controlled by the Authority. Non-current assets provide benefit over more than one year. Current assets are expected to be realised or used within 12 months of the Balance Sheet date.

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 amounts set aside to meet potential future costs. They are classified as either usable or unusable. Usable reserves, such as the General Fund, are available to support services and are managed by Members (see Note 8). Unusable reserves, including the Revaluation Reserve and Capital Adjustment Account, are technical accounting balances that are not backed by cash and cannot be used to fund services (see Note 18).

## **Going concern**

Although the Authority reports a negative net worth of £517.943m on its Balance Sheet, this position is driven principally by the £626.170m pensions liability recognised under IAS19. This is a technical accounting valuation at the Balance Sheet date and does not represent an immediate funding requirement or affect the Authority's ability to continue operating. Pension costs are funded over the long term through actuarially determined contributions and statutory funding arrangements.

The Authority holds non-current assets of £102.054m and usable cash-backed reserves of £29.064m. Alongside its statutory funding framework, approved budget and medium-term financial planning arrangements, this supports the Authority's conclusion that it remains a going concern and is able to meet its obligations as they fall due.

The latest going concern report was approved by the Governance Committee on 30 May 2025.

## **Authority's current borrowing and capital borrowing provision**

The Capital Programme report for 2025/26, which incorporated the Prudential Indicators and the Treasury Management Strategy, was submitted to the Authority meeting on 24 February 2025, which detailed the 2025/26 borrowing limits for the Authority. All borrowing is undertaken by Sunderland City Council (SCC) on the Authority's behalf.

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

- Authorised limit for external debt for 2025/26 of £31.27m; and
- Operational boundary for external debt for 2025/26 of £26.27m.

SCC administers all of the Authority's borrowing through its consolidated advances and borrowing pool. The above two statutorily required prudential indicators are monitored on a daily basis and neither limit has been exceeded during 2025/26. The highest level of external debt incurred by the Authority during 2025/26 was £22.220m on 1 April 2025. This includes borrowing debt of £9.535m and £12.685m in relation to the Authority's long-term liabilities (consisting of its PFI schemes commitments and finance leases) which forms part of both borrowing limits in order to comply with accounting requirements.

## **Private finance initiative (PFI)**

The Authority entered into a PFI contract in March 2003 to provide headquarters, six community fire stations and a technical services centre, delivering improved facilities and supporting a redesign of service delivery. The contract expires in May 2029, when the assets will transfer to the Authority.

In June 2009, the Authority also entered into a joint PFI arrangement with Northumberland FRA and Durham and Darlington FRA to deliver a community fire station at Tynemouth, which expires in May 2035.

The costs of both schemes are included in the financial statements and are actively managed to achieve value for money.

## **Accounting for pensions**

The Authority's accounts comply with International Accounting Standard 19 (IAS19), which requires retirement benefits to be recognised when earned rather than when paid. The inclusion of pension assets and liabilities reflects the Authority's future funding commitment, not a transfer of legal ownership or direct liability from the pension fund.

The latest triennial pension fund actuarial valuations were as follows:

- Local Government Pension Scheme (LGPS) was carried out on 31 March 2025; and
- Firefighters' Pension Scheme (FPS) at 31 March 2020, published 31 March 2023.

The Authority continues to comply fully with IAS19; Accounting Policy 1.7 and Note 29 to Core Financial Statements provide more details.

The net effect of IAS19 is neutral to usable reserves and does not impact on the Authority's ability to deliver services. The Balance Sheet includes a significant net pension liability, which reflects a point-in-time valuation of future pension obligations rather than a funding requirement in the current year.

The Authority is meeting its pension obligations through employer contributions determined by the actuary in accordance with relevant regulations. These contributions are structured to address any underlying deficit over the long term, and the Authority remains able to meet its obligations as they fall due.

#### Arrangements for funding and accounting for firefighters' pensions

From 1 April 2006, revised arrangements were introduced for funding firefighters' pensions, with fire and rescue authorities administering pensions through local pension funds. Employee and employer contributions fund the cost of pension benefits as they accrue, ensuring that the full cost of employing firefighters is met at the point of service.

Ill-health retirement costs are met from the pension fund, funded through a combination of a standard employer contribution and an additional charge where such retirements occur.

Contributions are paid into the pension fund annually, with any funding shortfall met by government grant and any surplus recouped. The fund is ringfenced for transparency, and its transactions are reported separately within the Firefighters' Pension Fund Account and Net Assets Statement (see pages 81 to 83).

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

The Authority has now undergone three full HMICFRS inspections in [2018/2019](#) and [2021/2022](#), and most recently for the inspection period [2023/2025](#).

During inspection HMICFRS review eleven focus areas to gather findings and evidence to assess how effective and efficient FRSs are at fire safety, firefighting, and responding to road traffic collisions and other emergencies. They also assess how well the service looks after its people. Each of these eleven areas are then graded as either outstanding, good, adequate, requires improvement or inadequate. The Authority is currently preparing for a fourth full inspection, commencing in August 2026. Inspections provide vital sector benchmarking and help the Authority recognise and share best practice, to help inform improvements across all key functions.

The most recent inspection report was published in October 2024 and is a key consideration in developing key initiatives, activity and projects to ensure we continue to provide the best service for the community as possible.

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

#### **Financial statements**

The Statement of Accounts has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2025/26* (the Code). The Code constitutes proper accounting practice under the terms of the Accounts and Audit Regulations 2015 and the Local Government and Housing Act 1989.

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

- 1. Statement of Responsibilities**

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

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

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

3. **Comprehensive Income and Expenditure Statement (CIES)**

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

4. **Balance Sheet**

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

5. **Cash Flow Statement**

This statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

6. **Notes to the Core Financial Statements**

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

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

7. **Supplementary Statements**

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

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



**Michelle Ronan**  
**Director of Finance, Estates and Facilities**

24 June 2026

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

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# Annual Governance Statement

## 1. About this statement

- 1.1 This Annual Governance Statement explains how Tyne and Wear Fire and Rescue Authority (“the Authority”) ensures strong governance, transparency, and accountability. It sets out how we comply with relevant legislation and national guidance, manage risk, and use public money responsibly to deliver safe, efficient, and effective services for our communities.
- 1.2 This statement covers the period 1 April 2025 to 31 March 2026 and accompanies the Authority’s 2025/2026 Statement of Accounts.

## 2. Our responsibilities

- 2.1 The Authority is responsible for ensuring that:
  - Its business is conducted in accordance with the law and relevant regulations.
  - Public money is safeguarded and properly accounted for.
  - Resources are used economically, efficiently, effectively and fairly to deliver agreed priorities for local people.
- 2.2 Fire Authority Members (elected councillors) and officers share responsibility for establishing effective governance arrangements, including risk management, and for overseeing the stewardship of the Authority’s financial and non-financial resources.

## 3. Our governance framework

- 3.1 Governance is how we make decisions and manage Tyne and Wear Fire and Rescue Service (“the Service”) in an open, honest, and accountable way. It encompasses the systems, culture, and values that guide how we operate and engage with our communities.
- 3.2 The Authority follows nationally recognised best practice, including the *Delivering Good Governance in Local Government: Framework (2016)* and the *Accounts and Audit Regulations 2015*. Our Local Code of Corporate Governance sets out how the Authority apply these principles through clear policies and processes, ensuring transparency, accountability, and high standards.
- 3.3 How we are led:
  - **Fire Authority:** Sixteen elected Members from the five Tyne and Wear councils provide strategic leadership, democratic oversight, and challenge. Meetings of the Authority and its committees are open to the public.
  - **Governance Committee:** Offers independent review and assurance on governance, risk management, internal controls, and financial reporting. It also promotes high standards of conduct among Members.
  - **Chief Fire Officer/Chief Executive (CFO):** Responsible for day-to-day leadership and service delivery of the fire service, supported by the Executive Leadership Team.
  - **Executive Leadership Team:** Sets strategic direction, ensures effective governance, oversees risk management, and monitors performance.

- **Senior Leadership Team:** Manages day to day operations and ensure Service priorities are delivered effectively.
- **Section 151 Officer (Director of Finance, Estates and Facilities):** Statutory officer responsible for lawful and prudent financial management and stewardship.
- **Monitoring Officer:** Ensures decision making is legally sound and oversees governance arrangements and Member conduct.

### 3.4 Sources of assurance

#### 3.4.1 The Authority draws assurance from:

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

## 4. Applying the principles of good governance

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

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

- The Authority's **Constitution**, including Standing Orders, Financial and Procurement Regulations, Terms of Reference, and Scheme of Delegation provides a clear framework for lawful and transparent decision-making. Updated Standing Orders were approved by the Authority on 11 December 2025.
- The **Monitoring Officer** is a qualified solicitor and advises on legality and governance, ensuring proposals, decisions or omission by the Authority or any committee comply with statutory requirements and good administrative practice.
- The Monitoring Officer and the **Clerk to the Authority** are jointly responsible for overseeing the Authority's governance arrangements and ensuring that all meetings are properly organised and convened in accordance with the Standing Orders.
- The **Section 151 Officer** is a qualified accountant and provides strategic leadership on financial governance, including the Medium Term Financial Strategy (MTFS), Reserve Strategy, and annual budget, supported by a professionally qualified finance team.
- **Codes of Conduct and Ethics** for Members and employees are actively monitored. Registers of interests, gifts and hospitality are maintained.
- **Mandatory training** covers health and safety, anti-fraud and corruption, information governance, and equality, diversity, and inclusion. Compliance is monitored and reported.

- Policies addressing **bullying and harassment, discipline, counter-fraud and whistleblowing** are operating. Employees can raise concern confidentially via Safecall, with themes and outcomes reported to the Internal Governance Board.
- **Disclosure and Barring Service (DBS)** checks, including enhanced checks are mandatory where roles require them.
- **Procurement and financial regulations** ensure ethical practice and value for money.

#### 4.3 B: Ensuring openness and comprehensive stakeholder engagement.

- Strategies, policies, performance information, financial data and decisions are **published on the Service's website**.
- **Authority and committee meetings are open to the public**, with papers and minutes published on Sunderland City Council's website, as they undertake the democratic services function for the Authority. Confidential reports are utilised only when necessary and legally permitted.
- The **Strategic Framework for Communications, Engagement, and Consultation** sets out how the Authority engages with communities, employees and partners. Consultation on the Community Risk Management Plan (CRMP) is extensively and publicly reported on.
- **Employee engagement** is supported through briefings and team meetings, ELT listening events and all staff engagement sessions, the CFOs Vlog and the intranet.
- We operate a **Freedom of Information Publication Scheme** and proactively publish key transparency information to keep the public informed.
- Our **Staff Networks** promote inclusion, representation, and employee voice, helping to create a supportive and diverse workplace.
- The **Joint Consultative Forum** helps maintain positive industrial relations and provides a formal way for the Service to consult with representative bodies, including the Fire Brigades Union (FBU), Unison, and GMB. It works alongside our day-to-day arrangements to ensure open communication and effective collaboration.
- We manage all **compliments and complaints** in line with our published policy and procedure, ensuring fairness, transparency, and continuous improvement.
- Our **partnership register** clearly sets out roles and governance responsibilities, helping us maintain accountability and strong collaborative relationships.

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

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

- Our **CRMP (2024-2027)** is the strategic plan that explains how we deliver fire and rescue services across Tyne and Wear. It identifies the risks faced by our communities and sets out how we will use our resources to reduce those risks and keep people safe. This plan is extensively consulted on and based on a **Community Risk Profile**, which uses data and evidence to understand local risks such as fires, road traffic collisions, and other emergencies. We also consider factors like population changes, housing types, and social vulnerabilities.
- **MTFS** aligns resources with priorities and is supported by the capital and reserves strategies. Regular budget monitoring and reporting ensure sound financial management.
- **Equality, data protection, and risk assessments** support fair and lawful decision-making. Employees complete these when embarking on projects, policy changes, collaborations, events, and writing business cases.
- Governance arrangements extend to our wholly-owned trading subsidiary **TWFRS Ltd.**

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

- We ensure **decisions are informed** by accurate information, supported by financial, legal, and professional advice. Options are carefully considered, and internal and external stakeholders are consulted to maintain transparency and accountability.
- The **Internal Governance and Assurance Fire Standard** underpins effective oversight of governance activities. While broadly aligned, achieving full compliance remains an ongoing priority.
- Progress against departmental and district plans is monitored and reported to the Programme Board. Our **Programme Management Office (PMO)** provides governance and assurance throughout this programme of work.
- Progress against the **HMICFRS Inspection Action Plan** is tracked and reported to the Performance and Improvement Board, with regular updates to the Fire Authority.

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

- We have the right **structures and leadership** in place, supported by employees with the skills, qualifications and experience needed to deliver high-quality services. Clear expectations are set through the *Leading the Service Fire Standard* and *People and Organisational Development Strategy*.
- **Our Recruitment, induction, training and development processes** ensure employees are equipped to perform effectively in their roles. We provide ongoing support and opportunities for growth to help our people reach their full potential.
- We provide **development programmes for Members** to enhance their knowledge and skills. This ensures they can make informed decisions and provide effective governance, supporting transparency and accountability across the Service.

- We invest in **workforce planning**, leadership development and apprenticeship programmes to ensure employees have the support and opportunities they need throughout their careers.
- Every employee completes an annual **Performance and Development Review (PDR)** which includes discussions about their performance, aspirations and personal objectives. This process helps individuals grow and ensure their goals align with the Service's priorities.
- **Health, safety, and wellbeing** are supported through a range of measures to promote both physical and mental wellness. Fitness equipment is provided at all sites and there is a **fitness assessment programme** for operational employees. In addition, all employees have access to occupational health services, physiotherapy, counselling and trauma support.

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

- The **Governance Committee** provides independent assurance to the Authority on matters relating to audit, governance, risk management, and financial reporting.
- We maintain robust **budgetary control** through quarterly and annual financial reports that track performance against forecasts. Our Statement of Accounts is subject to scrutiny, and an external auditor provides an annual opinion on whether the Authority delivers value for money.
- The **MTFS** links our revenue and capital budgets to long term goals and priorities over a rolling four-year period. It is presented to the Authority as part of the annual revenue budget report.
- We follow professional standards for **treasury management**, reviewed annually. The Treasury Management Policy, Strategy and Prudential Indicators are monitored and reported quarterly to the Governance Committee. This ensures our capital programme is sustainable, affordable and achievable within available resources, while informing the MTFS.
- **Corporate risks** are actively managed through a structured risk management framework. The **corporate risk register** is reviewed monthly by the Executive Leadership Team, quarterly by the Internal Governance Board and twice a year by the Governance Committee.
- Our **business continuity planning** aligns with ISO22301 and works in partnership with multi-agency arrangements through the **Northumbria Local Resilience Forum (LRF)**.
- We have robust **information governance** policies, mandatory training and clear information sharing protocols. The Senior Information Risk Owner (SIRO) oversees compliance with the *Data Protection Act 2018* and *UK GDPR*, ensuring all data is handled securely and responsibly.
- Our **Health and safety arrangements** meet statutory and professional standards, protecting employees and visitors across all our sites.

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

- Reports and Authority and committee minutes are **publicly available** and follow a structured format to ensure clarity and consistency.
- Our **Procurement Team** ensures all processes comply with legal requirements and best practice. Where appropriate, tenders are used to test the market and secure the best value contracts. Clear guidance is provided on purchasing goods and services in line with the Authority's Standing Orders and regulations.
- We **publish key annual documents** including this Statement, the Statement of Assurance and the Statement of Accounts, demonstrating compliance with legislation and regulations.
- Processes are in place to record and monitor **improvement actions** whether identified internally or recommended by HMICFRS, audits or other regulatory bodies.
- Internal and external audits provide **independent assurance** on governance, financial statements and value for money. Audited accounts and annual audit letters are published for transparency.
- In line with the **Information Commissioner's model**, we publish details such as expenditure over £500, procurement information, our organisational chart, senior salaries, pay ratios, trade union facility time, and premises.
- We provide **essential data to the Home Office**, including incident statistics, workforce information, prevention and protection activity, fire safety audits, and firefighter injury data.

## 5. Assurance: audit and inspection

### 5.1 Internal Audit

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

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

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

### 5.2 External Audit

5.3.1 Our internal control environment is also assessed through an annual external audit. This review covers the Authority's financial statements, including the Annual Governance Statement, and provides independent opinion on the accounts and on whether we have

arrangements in place to secure economy, efficiency, and effectiveness (known as the *value for money conclusion*).

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

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

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

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

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

### 5.4 Fire Standards Board

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

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

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

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

## 6. Progress on improvement actions

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

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

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

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

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

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

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

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

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

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

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

6.2 Actions from the 2024/2025 governance review:

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

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

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

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

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

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

**7. Governance matters identified in 2025/2026**

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

**8. Opinion on the governance framework**

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

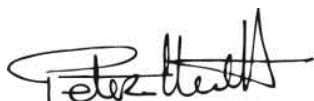
**9. Approval of the Annual Governance Statement**

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

**Councillor Phil Tye**

**Peter Heath**

**Michelle Ronan**


Chair of the  
Fire Authority

Chief Fire Officer/  
Chief Executive

Director of Finance, Estates  
and Facilities (S151 Officer)

**Date: 19 March 2026**

## Core Financial Statements

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

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

	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Capital Grant Reserve</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>

#### Movement in reserves during 2025/26

<b>Balance at 31 March 2025</b>	<b>(4,072)</b>	<b>(24,416)</b>	<b>0</b>	<b>(1,469)</b>	<b>(29,957)</b>	<b>568,687</b>	<b>538,730</b>
(Surplus) / deficit on provision of services	4,136	0	0	0	4,136	0	4,136
Other comprehensive income and expenditure	0	0	0	0	0	(24,923)	(24,923)
<b>Total comprehensive income and expenditure</b>	<b>4,136</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,136</b>	<b>(24,923)</b>	<b>(20,787)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	(3,243)	0	0	0	(3,243)	3,243	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>893</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>893</b>	<b>(21,680)</b>	<b>(20,787)</b>
Transfers (to) / from earmarked reserves	(893)	1,013	0	(120)	0	0	0
<b>(Increase) / decrease in 2025/26</b>	<b>0</b>	<b>1,013</b>	<b>0</b>	<b>(120)</b>	<b>893</b>	<b>(21,680)</b>	<b>(20,787)</b>
<b>Balance at 31 March 2026</b>	<b>(4,072)</b>	<b>(23,403)</b>	<b>0</b>	<b>(1,589)</b>	<b>(29,064)</b>	<b>547,007</b>	<b>517,943</b>

Movement in reserves during 2024/25

<b>Balance at 31 March 2024</b>	<b>(4,072)</b>	<b>(26,853)</b>	<b>(167)</b>	<b>(1,443)</b>	<b>(32,535)</b>	<b>629,476</b>	<b>596,941</b>
(Surplus) / deficit on provision of services	1,606	0	0	0	1,606	0	1,606
Other comprehensive income and expenditure	0	0	0	0	0	(59,817)	(59,817)
<b>Total comprehensive income and expenditure</b>	<b>1,606</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,606</b>	<b>(59,817)</b>	<b>(58,211)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	972	0	0	0	972	(972)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>2,578</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,578</b>	<b>(60,789)</b>	<b>(58,211)</b>
Transfers (to) / from earmarked reserves	(2,578)	2,437	167	(26)	0	0	0
<b>(Increase) / decrease in 2024/25</b>	<b>0</b>	<b>2,437</b>	<b>167</b>	<b>(26)</b>	<b>2,578</b>	<b>(60,789)</b>	<b>(58,211)</b>
<b>Balance at 31 March 2025</b>	<b>(4,072)</b>	<b>(24,416)</b>	<b>0</b>	<b>(1,469)</b>	<b>(29,957)</b>	<b>568,687</b>	<b>538,730</b>

## Comprehensive Income and Expenditure Statement

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

2024/25			Notes	2025/26		
Gross expenditure £000	Gross income £000	Net expenditure £000		Gross expenditure £000	Gross income £000	Net expenditure £000
2,797	(1,371)	1,426	Community safety	2,282	(1,374)	908
19,870	(6,563)	13,307	Firefighting and rescue operations	22,690	(6,533)	16,157
16,784	(264)	16,520	Management and support services	17,933	(212)	17,721
460	0	460	Corporate support services	326	0	326
<b>39,911</b>	<b>(8,198)</b>	<b>31,713</b>	<b>Cost of services</b>	<b>43,231</b>	<b>(8,119)</b>	<b>35,112</b>
29	0	29	Other operating expenditure	124	0	124
35,491	(1,769)	33,721	Financing and investment income and expenditure	36,747	(1,625)	35,122
0	(63,857)	(63,857)	Taxation and non-specific grant income	0	(66,222)	(66,222)
<b>75,430</b>	<b>(73,824)</b>	<b>1,606</b>	<b>(Surplus) or deficit on provision of services</b>	<b>80,102</b>	<b>(75,966)</b>	<b>4,136</b>
		1,123	(Surplus) or deficit on revaluation of property, plant and equipment assets			(5,883)
		(60,940)	Re-measurement of the net defined benefit liability/(asset)			(19,040)
		<b>(59,817)</b>	<b>Other comprehensive income and expenditure</b>			<b>(24,923)</b>
		<b>(58,211)</b>	<b>Total comprehensive income and expenditure</b>			<b>(20,787)</b>

## Balance Sheet

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

31/03/25		Notes	31/03/26
£000			£000
97,420	Property, plant and equipment	12	102,034
20	Long-term investments		20
201	Long-term debtors		0
150	Assets held for sale		0
<b>97,791</b>	<b>Long-term assets</b>		<b>102,054</b>
852	Inventories		798
12,379	Short-term debtors	14	12,226
29,897	Cash and cash equivalents	15	36,064
<b>43,128</b>	<b>Current assets</b>		<b>49,088</b>
(382)	Short-term borrowing	13	(366)
(10,519)	Short-term creditors	16	(17,450)
(2,557)	Other short-term liabilities	13	(2,750)
(571)	Short-term provisions	17	(411)
<b>(14,029)</b>	<b>Current liabilities</b>		<b>(20,977)</b>
(433)	Long-term provisions	17	(617)
(9,153)	Long-term borrowing	13	(8,787)
(27)	Donated assets account		(17)
(656,007)	Other long-term liabilities	13,29	(638,687)
<b>(665,620)</b>	<b>Long-term liabilities</b>		<b>(648,108)</b>
<b>(538,730)</b>	<b>Net assets / (liabilities)</b>		<b>(517,943)</b>
29,957	Usable reserves	8	29,064
(568,687)	Unusable reserves	18	(547,007)
<b>(538,730)</b>	<b>Total reserves</b>		<b>(517,943)</b>

Signed:

Michelle Ronan, Director of Finance, Estates and Facilities



Date: 24 June 2026

## Cash Flow Statement

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

<b>2024/25</b>		<b>Notes</b>	<b>2025/26</b>
<b>£000</b>			<b>£000</b>
1,606	Net (surplus)/deficit on the provision of services		4,136
(11,542)	Adjustments to net surplus or deficit on the provision of services for non-cash movement	19	(16,590)
<b>(9,936)</b>	Net cash flows from operating activities		<b>(12,454)</b>
6,574	Investing activities	20	3,349
2,776	Financing activities	21	2,938
<b>(586)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(6,167)</b>
(29,311)	Cash and cash equivalents at the beginning of the reporting period	15	(29,897)
<b>(29,897)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(36,064)</b>

# Notes to the Core Financial Statements

## Note 1 – Accounting Policies

### 1.1 General principles

The Statement of Accounts summarises the Authority's transactions for the 2025/26 financial year and its position at 31 March 2026, together with comparative information for 31 March 2025. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2025/26*, which are primarily based on international accounting principles but deviate in some cases due to overriding legislation or regulations.

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

### 1.2 Accruals of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Authority has set a de-minimis level of £5,000 for the recording of accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected. A full year's charge is included in the accounts for those supplies and services used continuously and charged on a periodic basis (e.g. gas, electricity and water), but the period covered by the payments does not always coincide with the financial year.

### 1.3 Cash and cash equivalents

The Authority's cash and cash equivalents is held within the Sunderland City Council's bank accounts and investments. Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24

hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **1.5 Charges to revenue for non-current assets**

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

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

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

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

#### **1.6 Council tax and business rates**

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

##### Accounting for council tax and business rates

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

the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

## **1.7 Employee benefits (including pensions)**

### **Benefits payable during employment**

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave 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.

### **Post-employment benefits**

Employees of the Authority are entitled to be members of one of the following pension schemes (dependent on their role):

#### Firefighters' Pension Scheme

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

The last actuarial valuation of the Authority's share of the scheme was at 31 March 2020, published on 31 March 2023. Employer and employee contributions are paid into the firefighters' pension fund locally, together with a contribution from the Authority for the cost of ill health early retirements. The fund is topped up by government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus being recouped by government.

The pension fund is ringfenced to ensure accounting clarity. As such, a Pension Fund Account Statement and Net Assets Statement are reported as supplementary financial statements within this document.

#### Local Government Pension Scheme (LGPS)

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

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. The last actuarial valuation was at 31 March 2025.

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

The assets of LGPS attributable to the Authority are included in the Balance Sheet at their fair value:

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

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

- Service cost, comprising:
  - Current service costs: the increase in liabilities as a result of years of service earned this year; allocated in the CIES to the revenue accounts of services for which the employees worked;
  - Past service costs: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the CIES as part of corporate support services;
  - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the authority: the change during the year in the net defined benefit liability (asset) that arises from the passage of time – debited to the financing and investment income and expenditure income line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking in to account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- 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* in the CIES;
- Actuarial gains and losses: changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; debited or credited to the Pension Reserve; and
- Contributions paid to the LGPS: cash paid as employer's contributions to the scheme in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the LGPS in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the Fund and any amount payable to the LGPS but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary benefits

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

## **1.8 Financial instruments**

### Financial liabilities

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

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

### Financial assets

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

- Amortised cost;
- fair value through other comprehensive income; and
- Fair value through profit or loss.

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

#### Financial assets measured at amortised cost

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

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

#### Expected credit loss model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, where material, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade debtors held by the Authority.

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

#### Financial assets measured at fair value through profit or loss (FVPL)

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

#### Fair value measurements of financial assets

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

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

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

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date;

- Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3 inputs: unobservable inputs for the asset.

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

## 1.9 Government grants and contributions

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

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

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

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

## 1.10 Overheads and support services

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

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

## 1.11 Property, plant and equipment

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

### Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

### Revaluations

Assets are valued in accordance with the principles of the Royal Institution of Chartered Surveyors' RICS Valuation – Global Standards (the Red Book). Valuations are supervised by M. Whitaker, Senior Manager – Property Services at Sunderland City Council, a qualified chartered surveyor and member of RICS.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Revaluations are now undertaken on a rolling programme over a five-

year cycle, with annual indexation applied to assets during the intervening four years using the best available index for the asset. Out-of-cycle revaluations are not undertaken unless there is an indication of impairment when applying IAS 36, which may require an asset to be fully revalued.

Full revaluations are carried out in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

When an asset is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Where increases in value are identified, the increase is matched by a credit to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the decrease is recognised in the Revaluation Reserve up to the credit balance existing and thereafter in the surplus or deficit on the provision of services.

#### Impairment

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

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

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

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

#### Depreciation

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

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

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

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

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

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

#### Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

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

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

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

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

### **1.12 Private Finance Initiative (PFI) and similar contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services

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

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

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

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

- Fair value of the services received during the year: debited to the relevant service in the Comprehensive Income and Expenditure Statement (CIES);
- Finance cost: an interest charge on the outstanding Balance Sheet liability, debited to the financing and investment income and expenditure line in the CIES;
- Contingent rent: increases in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the CIES;
- Payment towards liability: applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Lifecycle replacement costs: proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

### **1.13 Provisions, contingent liabilities and contingent assets**

#### Provisions

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

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

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

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

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required

(or a lower settlement than anticipated is made), the provision is reversed and credited back to the CIES.

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

#### Contingent liabilities

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

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

#### Contingent assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts (Note 31) where it is probable that there will be an inflow of economic benefits or service potential.

### **1.14 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 service expenditure in that year against the surplus / deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

### **1.15 Revenue expenditure funded from capital under statute**

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

#### **1.16 VAT**

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

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

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

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

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024;
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024;
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024; and
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024

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

## **Note 3 – Critical judgements in applying accounting policies**

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Retirement benefit obligations: the Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS19 (employee benefits). The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. The key assumptions made are set out in Note 29.
- Provisions: these are measured at the Finance Officer's best estimate of the expenditure required to settle the obligation at the Balance Sheet date and are discounted to present value where the effect is material.
- Property Valuations: the current value of land and buildings is determined by appraisal of appropriate evidence undertaken by professionally qualified valuers. The purpose of applying indexation to asset values is to ensure the value of an asset is kept materially up to date for movements in variables. The choice of index is a matter of judgement, and that judgement is made in the context that the purpose of applying indexation is to ensure asset values are adjusted for price and market movements year on year. Absolute precision is not expected, nor is it achievable.

The Authority ensures that the index used provides a reasonable estimate of the movement in the value of an asset from the prior year.

- McCloud/Sargeant Judgement:
  - The McCloud remedy window ran from 1 April 2015 to 31 March 2022. Eligible members will be able to elect which scheme they wish to receive benefits from for this period. Due to the differing benefits structures GAD expect the majority of eligible fire members to elect to take legacy scheme (1992 Scheme or 2006 Scheme) benefits for the remedy period.
  - An allowance for McCloud remedy was first included in the 2018/19 disclosures as a past service cost for four years remedy service from 2015-2019. This past service cost was attributed proportionally to the 1992 and 2006 schemes. For subsequent years to 2021/22 an allowance was made in the 2015 service costs for the annual accrual of additional remedy service.
  - Now that the remedy window is closed GAD has moved all McCloud-related liabilities for eligible members for the period 2019 to 2022 to the associated legacy schemes. This means all McCloud liability are held within the legacy scheme that they expect benefits to be paid from.
  - In the 2022/23 disclosures, this led to a past service cost in the 1992 Scheme and the 2006 Scheme and a past service gain in the 2015 Scheme.
  - GAD has now received updated membership data as at 31 March 2024, which reflects McCloud rollback from the 2015 to the legacy schemes for some eligible members. At the time of the data collection, the extent to which individual authorities had rolled-back their data varied significantly. For rolled-back members, all McCloud eligible liabilities for the period 2015 to 2022 are recorded in the appropriate legacy schemes. For other McCloud eligible members, who were not yet rolled back, GAD has made approximate adjustments to allocate additional McCloud eligible liabilities to the appropriate legacy scheme (from the 2015 Scheme).
  - It is likely that in some cases, experience revisions between the sections will appear in future years' disclosures as the rollback exercise is completed and reflected in the data provided. The likelihood, and extent, of these further adjustments may be linked to the proportion of members rolled-back in the authority's 2024 data. This refined approach is expected to be broadly neutral, relative to last year's approach, when considered at the combined all-schemes disclosure level. However, the additional data is expected to produce a more accurate allocation of liabilities between the individual schemes' disclosures. The impact of this refinement will be shown as experience items in the individual scheme disclosures.
  - Additionally, now that McCloud-related liabilities have started to move into the legacy schemes, contribution adjustments are being carried out by administrators to ensure affected members have paid the correct 'legacy rate' contributions for this portion of service. The contributions adjustments in the 2025/26 disclosures are shown as net cashflows, in line with the approach adopted last year.

## 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 2026, for which there is a significant estimation uncertainty in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant and equipment – valuations	<p>Assets are valued in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards on a five-year rolling programme basis, supported by indexation adjustments in years where assets are not valued. This involves a number of estimation techniques.</p> <p>See accounting policy 1.12 and note 12 for more details.</p>	<p>The gross book value (GBV) of the Authority's land and buildings portfolio is £102.034m as at 31 March 2026.</p> <p>A 1% change in asset valuations would equate to a £1.020m change in GBV.</p>
Property, plant and equipment - depreciation	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>See accounting policy 1.12 and note 12 for more details.</p>	<p>If the useful life of assets is reduced, annual depreciation increases and the carrying amount of the assets falls. It is estimated that the depreciation charge for buildings would increase by £0.115m for every one year that useful lives had to be reduced.</p>
Pension liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged annually to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The effect on the net pension liability from changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Local Government pension liability of £0.970m and a 0.50% increase in the discount rate assumption would result in a decrease in the Firefighters' pension liability of £38m. However, in practice the</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Further information regarding Pension Liabilities can be found in note 29.	assumptions interact in complex ways and changes may be interrelated.
Fair Value measurements – surplus assets and equity investments	<p>When the fair values of financial assets cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets.</p> <p>Where Level 1 inputs are not available, the Sunderland City Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example, for surplus assets, the Council's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the assets is disclosed in note 13.</p>	<p>Sunderland City Council use the market approach that compares the asset to be valued with the prices obtained for other similar assets and the income approach that capitalises the potential income of the asset to measure the fair value of its surplus assets.</p> <p>For the Authority's equity investments, significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value.</p>

## Note 5 – Events After the Balance Sheet date

### Adjusting post Balance Sheet events:

No events have taken place since the accounts were closed on 31 March 2026 which are judged to be adjusting post Balance Sheet events.

### Non-adjusting post Balance Sheet events:

No events have taken place since the accounts were closed on 31 March 2026 which are judged to be non-adjusting post Balance Sheet events.

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

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

2024/25			2025/26	
General Fund balance £000	Movement in unusable reserves £000		General Fund balance £000	Movement in unusable reserves £000
<b>Adjustments primarily involving the capital adjustment account: Reversal of items debited or credited to the CIES:</b>				
6,308	(6,308)	Capital expenditure charged to the GF balance	3,349	(3,349)
266	(266)	Capital grants and contributions credited to CIES	0	0
(4,282)	4,282	Depreciation, impairment and revaluation losses (charged to surplus or deficit on the provision of services) of non-current assets	(4,634)	4,634
(29)	29	Amounts of current and non-current assets written off as part of the loss on disposal	(124)	124
<b>Insertion of items not debited or credited to the CIES:</b>				
2,133	(2,133)	Provision for financing of capital investment	2,438	(2,438)
144	(144)	IFRS16 Transition	0	0
<b>Adjustments primarily involving the pensions reserve:</b>				
(3,280)	3,280	Reversal of items relating to retirement benefits debited or credited to the CIES (Notes 18, 29)	(4,470)	4,470
<b>Other adjustments between reserves:</b>				
(290)	290	Amount by which council tax and business rates are different from income in accordance with statutory requirements (Note 18)	200	(200)
2	(2)	Employee benefits accrued in-year (Note 18)	(2)	2
<b>972</b>	<b>(972)</b>	<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(3,243)</b>	<b>3,243</b>

## Note 7 – Expenditure and funding analysis

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

<b>2025/26</b>	<b>Net expenditure chargeable to the General Fund balance £000</b>	<b>Adjustments between funding and accounting basis £000</b>	<b>Net expenditure in the CIES £000</b>
Community safety	1,757	(849)	908
Firefighting and rescue operations	22,380	(6,223)	16,157
Management support services	21,268	(3,547)	17,721
Corporate support services	326	0	326
<b>Net cost of services</b>	<b>45,731</b>	<b>(10,619)</b>	<b>35,112</b>
Other income and expenditure	(35,571)	4,595	(30,976)
<b>(Surplus) or deficit</b>	<b>10,160</b>	<b>(6,024)</b>	<b>4,136</b>
Opening usable reserves (1 April 2025)	<b>29,957</b>		
Outturn underspend	1,063		
Other movements to/(from) reserves (note 8)	(1,956)		
Closing usable reserves (31 March 2026)	<b>29,064</b>		
<b>2024/25</b>	<b>Net expenditure chargeable to the General Fund balance £000</b>	<b>Adjustments between the funding and accounting basis £000</b>	<b>Net expenditure in the CIES £000</b>
Community safety	1,185	241	1,426
Firefighting and rescue operations	11,543	1,764	13,307
Management support services	22,806	(6,286)	16,520
Corporate support services	460	0	460
<b>Net cost of services</b>	<b>35,993</b>	<b>(4,281)</b>	<b>31,713</b>
Other income and expenditure	(33,416)	3,309	(30,107)
<b>(Surplus) or deficit</b>	<b>2,578</b>	<b>(972)</b>	<b>1,606</b>
Opening usable reserves (1 April 2024)	<b>32,535</b>		
Outturn underspend	2,968		
Other movements to/(from) reserves (note 8)	(5,546)		
Closing usable reserves (31 March 2025)	<b>29,957</b>		

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

<b>2025/26</b>	<b>Community safety</b>	<b>Firefighting and rescue operations</b>	<b>Corporate and democratic core</b>	<b>Non-distributed costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other service income	(141)	(256)	0	0	(397)
Government grants	(401)	(4,250)	0	0	(4,651)
Other	(215)	(51)	0	0	(266)
<b>Total income</b>	<b>(757)</b>	<b>(4,557)</b>	<b>0</b>	<b>0</b>	<b>(5,314)</b>
Employee expenses	(409)	12,454	3	131	12,179
Other service expenses	448	2,150	192	0	2,790
Support services	5,253	20,143	61	0	25,457
<b>Total expenditure</b>	<b>5,292</b>	<b>34,747</b>	<b>256</b>	<b>131</b>	<b>40,426</b>
<b>Deficit on cost of services</b>	<b>4,535</b>	<b>30,190</b>	<b>256</b>	<b>131</b>	<b>35,112</b>

<b>2024/25</b>	<b>Community safety</b>	<b>Firefighting and rescue operations</b>	<b>Corporate and democratic core</b>	<b>Non-distributed costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other service income	(137)	(216)	0	0	(353)
Government grants	(898)	(3,950)	0	0	(4,848)
Other	(169)	0	0	0	(169)
<b>Total income</b>	<b>(1,204)</b>	<b>(4,166)</b>	<b>0</b>	<b>0</b>	<b>(5,370)</b>
Employee expenses	117	10,576	2	191	10,886
Other service expenses	417	915	86	0	1,418
Support services	4,938	19,610	231	0	24,779
<b>Total expenditure</b>	<b>5,472</b>	<b>31,101</b>	<b>319</b>	<b>191</b>	<b>37,083</b>
<b>Deficit on cost of services</b>	<b>4,268</b>	<b>26,935</b>	<b>319</b>	<b>191</b>	<b>31,713</b>

## Note 8 – Movements in Usable Reserves

	Balance at 1 April 2024	Transfers out 2024/25	Transfers in 2024/25	Balance at 31 March 2025	Transfers out 2025/26	Transfers in 2025/26  Outturn Underspend £000	Transfers in 2025/26  Other Movements £000	Balance at 31 March 2026
	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund balance</b>	<b>4,072</b>	<b>0</b>	<b>0</b>	<b>4,072</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,072</b>
<b>Capital reserves</b>								
Capital Receipts Reserve	1,443	0	26	1,469	0	0	120	1,589
Capital Grants Reserve	167	(167)	0	0	0	0	0	0
<b>Total capital reserves</b>	<b>1,610</b>	<b>(167)</b>	<b>26</b>	<b>1,469</b>	<b>0</b>	<b>0</b>	<b>120</b>	<b>1,589</b>
<b>Earmarked General Fund reserves</b>								
PFI smoothing reserve	6,562	(947)	0	5,615	(522)	0	0	5,093
Insurance reserve	1,076	0	0	1,076	(246)	0	0	830
Development reserve	11,036	(3,604)	5,209	12,641	(536)	0	800	12,905
Resilience reserve	500	0	0	500	0	0	0	500
Budget carry forward reserve	1,697	(1,174)	0	523	(41)	0	15	498
New dimensions reserve	648	0	201	849	0	0	126	974
Transformation and reform reserve	500	0	0	500	(500)	0	0	0
Medium-term planning reserve	1,000	0	0	1,000	(1,000)	0	0	0
Emergency services mobile communications reserve	993	(993)	0	0	0	0	0	0
Mobilisation smoothing reserve	2,841	(1,129)	0	1,712	(1,712)	0	0	0
Firefighter safety reserve	0	0	0	0	0	1,063	1,540	2,603
<b>Total revenue reserves</b>	<b>26,853</b>	<b>(7,848)</b>	<b>5,410</b>	<b>24,416</b>	<b>(4,557)</b>	<b>1,063</b>	<b>2,481</b>	<b>23,403</b>
<b>Total reserves</b>	<b>32,535</b>	<b>(8,015)</b>	<b>5,436</b>	<b>29,957</b>	<b>(4,557)</b>	<b>1,063</b>	<b>2,601</b>	<b>29,064</b>

Detail on the purpose of each reserve is provided below:

- The **General Fund** is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.
- **PFI smoothing reserve:** Government Grants received for PFI schemes, in excess of previous levels of expenditure, were carried forward as an earmarked reserve to fund future contract expenditure. This had the effect of smoothing the impact of PFI schemes on the Authority's revenue budget over the lifetime of the scheme.
- **Insurance reserve:** this reserve is held to protect the Authority from:
  - any unexpected volatility;
  - potential future changes in legislation that could be retrospective;
  - any unknown exposures that may arise in the future; and
  - the Municipal Mutual Insurance Scheme of Arrangement reserve that was established in 1993/1994 to cover a possible shortfall in the eventual settlement of claims against MMI.
- **Development reserve:** this reserve was created to fund medium- and long-term capital developments.
- **Resilience reserve:** this reserve was established following a review of the potential liabilities arising from a major industrial dispute. Having considered the principles, criteria and framework upon which the Authority's Business Continuity Strategy should be based, the reserve is intended to ensure that the communities of Tyne and Wear are protected in the event of a major industrial dispute.
- **Budget carry forward reserve:** this reserve is used to fund the slippage of specific items of revenue expenditure.
- **New dimensions reserve:** this reserve is used to provide for any adverse effect of planned changes in funding from specific to general grant and to provide resources to meet future specific costs in relation to delivering an appropriate response.
- **Transformation and reform reserve:** this reserve was created to cover the expected costs of all major organisational changes and transformation projects required for the Authority to operate more efficiently and effectively.
- **Medium term planning reserve:** this reserve was established to plan for the impact of Government reductions in funding, due to localisation of the business rates retention system and the impact on precepting authorities of localisation of the council tax benefit scheme, and to address temporary shortfalls in the medium-term financial plan until efficiencies are realised.
- **Emergency services mobile communications reserve:** this reserve was established for the ESMCP grant received from Home Office, to be used to

implement the new wide area communications system. The funding has now been passed to the new lead authority for ESMCP.

- **Mobilisation smoothing reserve:** this reserve was established to support a new business-critical mobilisation system.
- **Firefighter safety reserve:** this reserve was established to fund projects related to enhancing firefighter safety such as training facilities and equipment.

## Note 9 – Other operating expenditure

2024/25 £000		2025/26 £000
29	(Gain)/loss on disposal of non-current assets	124
<b>29</b>	<b>Total</b>	<b>124</b>

## Note 10 – Financing and investment income and expenditure

2024/25 £000		2025/26 £000
1,717	Interest payable	1,447
32,430	Net interest on the net defined benefit liability (asset)	35,300
(1,769)	Interest and investment income	(1,625)
<b>32,378</b>	<b>Total</b>	<b>35,122</b>

## Note 11 – Taxation and non-specific grant income

2024/25 £000		2025/26 £000
(29,217)	Council tax income	(31,401)
(19,594)	Business rates income	(20,137)
(13,471)	Non-ringfenced government grants	(13,704)
(639)	Business rates section 31 grant	(512)
0	National insurance grant	(468)
(689)	Funding guarantee grant	0
(109)	Service delivery grant	0
(130)	Levy account surplus grant	0
(8)	Transparency grant	0
<b>(63,857)</b>	<b>Total</b>	<b>(66,222)</b>

## Note 12 – Property, plant and equipment

### Movement on balances 2025/26:

	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
<b>Cost or valuation at 1 April 2025</b>	<b>88,170</b>	<b>32,665</b>	<b>1,056</b>	<b>150</b>	<b>122,041</b>	<b>41,337</b>
Additions	858	2,457	34	0	3,349	88
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(26)	0	0	0	(26)	954
Disposals	0	(623)	0	0	(623)	0
Other movements in cost or valuation	157	820	(827)	(150)	0	0
<b>At 31 March 2026</b>	<b>89,159</b>	<b>35,319</b>	<b>263</b>	<b>0</b>	<b>124,741</b>	<b>42,379</b>
<b>Accumulated depreciation and impairment at 1 April 2025</b>	<b>3,535</b>	<b>20,936</b>	<b>0</b>	<b>0</b>	<b>24,471</b>	<b>1,213</b>
Depreciation charges	2,562	2,081	0	0	4,643	1,179
Depreciation written out to Revaluation Reserve	(5,909)	0	0	0	(5,909)	(2,392)
Disposals	0	(498)	0	0	(498)	0
<b>At 31 March 2026</b>	<b>188</b>	<b>22,519</b>	<b>0</b>	<b>0</b>	<b>22,707</b>	<b>0</b>
<b>Net Book Value at 31 March 2025</b>	<b>84,635</b>	<b>11,729</b>	<b>1,056</b>	<b>150</b>	<b>97,570</b>	<b>40,124</b>
<b>Net Book Value at 31 March 2026</b>	<b>88,971</b>	<b>12,800</b>	<b>263</b>	<b>0</b>	<b>102,034</b>	<b>42,379</b>

**Movement on balances 2024/25:**

	<b>Land and buildings</b>	<b>Vehicles, plant furniture &amp; equipment</b>	<b>Assets under construction</b>	<b>Assets held for sale</b>	<b>TOTAL</b>	<b>PFI assets included in property, plant and equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation at 1 April 2024</b>	<b>76,529</b>	<b>29,583</b>	<b>9,058</b>	<b>150</b>	<b>115,320</b>	<b>41,335</b>
Additions	2,743	2,775	1,056	0	6,574	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	408	0	0	0	408	0
Disposals	0	(261)	0	0	(261)	0
Other movements in cost or valuation	8,490	568	(9,058)	0	0	0
<b>At 31 March 2025</b>	<b>88,170</b>	<b>32,665</b>	<b>1,056</b>	<b>150</b>	<b>122,041</b>	<b>41,337</b>
<b>Accumulated depreciation and impairment as at 1 April 2024</b>	<b>1,258</b>	<b>19,154</b>	<b>0</b>	<b>0</b>	<b>20,412</b>	<b>0</b>
Depreciation charges	2,277	2,014	0	0	4,291	1,213
Disposals	0	(232)	0	0	(232)	0
Other Movements in cost or valuation	0	(5,901)	0	0	(5,901)	0
<b>as at 31 March 2025</b>	<b>3,535</b>	<b>20,936</b>	<b>0</b>	<b>0</b>	<b>24,471</b>	<b>1,213</b>
<b>Net Book Value at 31 March 2024</b>	<b>75,271</b>	<b>10,429</b>	<b>9,058</b>	<b>150</b>	<b>94,908</b>	<b>41,335</b>
<b>Net Book Value at 31 March 2025</b>	<b>84,635</b>	<b>11,729</b>	<b>1,056</b>	<b>150</b>	<b>97,570</b>	<b>40,124</b>

## Capital Commitments

At 31 March 2026, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2026/27, budgeted to cost £1.041m (as at 31 March 2025: £5.521m). A summary of the commitments is as follows:

- ICT software and hardware (£0.399m)
- Estates (£0.308m)
- P&E (£0.135m)
- Technical Services Centre (£0.199m)

## Revaluations

The Authority carries out a rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the four intervening years. Valuations of land and buildings are carried out by Sunderland City Council in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

Index	Average Change %	Valuation Change £000
BCIS TPI	+9.46	5,593
Residential Land	-2.00	(98)
Commercial Land	+2.00	38
Office	+4.91	237
<b>Total indexation applied in 2025/26</b>		<b>5,770</b>

	Land and buildings £000	Vehicles, plant, furniture, equipment £000	Assets under construction £000	Total £000
Carried at historic cost	0	12,800	263	<b>13,063</b>
Valued at fair value as at 31 March 2026	88,563	0	0	<b>88,563</b>
Assets held under finance leases	408	0	0	<b>408</b>
<b>Total</b>	<b>88,971</b>	<b>12,800</b>	<b>263</b>	<b>102,034</b>

## Note 13 – Financial instruments

### Categories of financial instruments

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

	Long-term		Short-term	
	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000
<b>Debtors</b>				
Financial assets carried at amortised amount	0	201	0	0
Financial assets carried at contract amount**	0	0	1,509	2,995
Assets not defined as financial instruments	0	0	6,678	5,626
<b>Total debtors</b>	<b>0</b>	<b>201</b>	<b>8,187</b>	<b>8,621</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost *	(8,787)	(9,153)	(366)	(382)
<b>Total borrowings</b>	<b>(8,787)</b>	<b>(9,153)</b>	<b>(366)</b>	<b>(382)</b>
<b>Other liabilities</b>				
PFI and finance lease liabilities	(8,378)	(10,812)	(2,250)	(1,872)
Injury pension liability	(4,139)	(4,639)	(500)	(500)
<b>Non-financial liabilities</b>				
Pension liability	(626,170)	(640,740)	0	0
<b>Total other liabilities</b>	<b>(638,687)</b>	<b>(656,191)</b>	<b>(2,750)</b>	<b>(2,372)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount**	0	0	(9,585)	(2,767)
Liabilities not defined as financial instruments	0	0	(1,544)	(1,671)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(11,129)</b>	<b>(4,438)</b>
<b>Cash and cash equivalents</b>				
Bank deposits	0	0	8,550	2,383
Investments	0	0	27,514	27,514
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>36,064</b>	<b>29,897</b>

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

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

## Income, expense, gains and losses

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

	Financial liabilities measured at amortised cost £000	Financial assets measured at amortised cost £000
<b>2025/26</b>		
Interest expense	1,447	0
Interest income	0	(1,625)
Net (gain) / loss for the year	(178)	
<b>2024/25</b>		
Interest expense	1,717	0
Interest income	0	(1,769)
Net (gain) / loss for the year	(52)	

## 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 126/26;
- 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 twelve months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables and trade and other payables is taken to be the invoiced or billed amount; and
- The fair value of the injury pension liability is taken to be the same as the carrying amount due to the nature of this liability.

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

The fair values calculated for the liabilities are as follows:

31 March 2025			31 March 2026	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
9,135	372	PWLB debt	8,782	(555)
404	275	Non-PWLB debt	375	229
382	382	Short-term borrowing	366	366
10,812	10,812	Long-term PFI and finance lease liability	8,378	8,378
1,872	1,872	Short-term PFI and finance lease liability	2,250	2,250
4,639	4,639	Long-term injury pension liability	4,139	4,139
500	500	Short-term injury pension liability	500	500
4,438	4,438	Short-term creditors	11,129	11,129
<b>32,182</b>	<b>23,290</b>	<b>Financial liabilities</b>	<b>35,919</b>	<b>26,436</b>

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

The fair value of the liabilities is greater than the carrying amount because the Authority's share of SCC's portfolio includes a number of fixed loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders above current market rates.

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

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

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

### Nature and extent of risks arising from financial instruments

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

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

The Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk

management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (both revised in 2017). Overall, these procedures require the Authority to manage risk in the following ways:

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

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

### **Credit risk**

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

### **Credit risk management practices**

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

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

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

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

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

The Authority's maximum exposure to credit risk at 31 March 2026 in relation to its investments in banks and building societies is determined to be nil and as all cash balances

are held with SCC, it cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. Recoverability risk applies to all of the Authority's deposits, but there was no evidence at 31 March 2026 that this was likely to crystallise.

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

The Authority does not generally allow credit for customers. As at 31 March 2026, £0.542m in unpaid invoices are beyond their due date for payment (£0.282m in 2024/25); of these amounts, £0.514m was less than three months overdue (£0.275m in 2024/25). From the analysis, these creditors are not considered to be bad debts at this stage.

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

All the Authority's financial assets have been assessed as Stage 1 (meaning no significant increase in credit risk) at both 31 March 2025 and 31 March 2026, which means that there has been no significant increase in their credit risk. The 12-month expected credit loss for these assets has been assessed as nil. Impairment allowances for losses in relation to receivables due from customers are shown within the debtors note to the accounts. The Authority calculates allowances based on estimated default rates in combination with specific adjustments for individual debts when appropriate. There is a rebuttable presumption in IFRS 9 that aged debt older than 30 days should be impaired. The aged debt older than 30 days, disclosed above, has been reviewed and the Authority is satisfied that the existing impairment allowance adequately provides for this.

### **Liquidity risk**

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

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

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

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

### **Refinancing and maturity risk**

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

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

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

#### **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, if all interest rates had been 1% higher (with all other variables held constant), the financial effect would be a £0.182m surplus on the provision of services as at 31 March 2026 (£0.178m as at 31 March 2025) and a £0.550m decrease in the fair value of fixed rate borrowing liabilities (£0.667m as at 31 March 2025).

## Note 14 – Short-term debtors

<b>31 March 2025 £000</b>		<b>31 March 2026 £000</b>
3,051	Central government bodies	852
(65)	Other local authorities	290
2	NHS bodies	2
2	Other public bodies	0
9,389	Other entities and individuals	11,082
<b>12,379</b>	<b>Total</b>	<b>12,226</b>

## Note 15 – Cash and cash equivalents

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

<b>31 March 2025 £000</b>		<b>31 March 2026 £000</b>
1	Cash held by the Authority	1
2,382	Bank current accounts	8,549
27,514	Short-term deposits	27,514
<b>29,897</b>	<b>Total</b>	<b>36,064</b>

## Note 16 – Short-term creditors

<b>31 March 2025 £000</b>		<b>31 March 2026 £000</b>
(1,129)	Central government bodies	(2,908)
(6,322)	Other local authorities	(10,724)
(517)	Other public bodies	(361)
(2,551)	Other entities and individuals	(3,457)
<b>(10,519)</b>	<b>Total</b>	<b>(17,450)</b>

## Note 17 – Provisions

### Insurance provision

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

### Business rates appeal provision

A provision for business rates appeals has been established to meet the identified potential costs to the Authority of appeals in relation to the valuations used in the calculation of business rates. The provision is based on the billing authorities' best estimates of the amount that will be successfully appealed (i.e. that businesses have been overcharged) in relation to 2025/26 and

previous years, regardless of when that appeal is raised or settled. Whilst the settlement of these appeals is outside of the Authority's control, it is considered likely that 2023 list appeals will be settled within the next financial year and hence are classified as a short-term provision.

	Business Rates		
	Insurance £000	Appeals £000	Total £000
<b>Balance at 31 March 2024</b>	<b>(256)</b>	<b>(658)</b>	<b>(914)</b>
Additional provisions made in 2024/25	(288)	(187)	(475)
Amounts used in 2024/25	111	274	385
<b>Balance at 31 March 2025</b>	<b>(433)</b>	<b>(571)</b>	<b>(1,004)</b>
Additional provisions made in 2025/26	(267)	(242)	(509)
Amounts used in 2025/26	83	402	485
<b>Balance at 31 March 2026</b>	<b>(617)</b>	<b>(411)</b>	<b>(1,028)</b>

## Note 18 – Unusable reserves

31 March 2025 £000		In-year movement £000	31 March 2026 £000
37,714	Revaluation Reserve	5,768	43,482
37,361	Capital Adjustment Account	1,144	38,505
(640,740)	Pensions Reserve	14,570	(626,170)
(2,892)	Collection Fund Adjustment Account	200	(2,692)
(130)	Accumulated Absence Account	(2)	(132)
<b>(568,687)</b>	<b>Total Unusable Reserves</b>	<b>21,680</b>	<b>(547,007)</b>

### Revaluation Reserve

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

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

2024/25 £000		2025/26 £000
<b>38,837</b>	<b>Balance at 1 April</b>	<b>37,714</b>
(1,531)	IFRS16 adjustment to opening balance	0
<b>37,306</b>	<b>Adjusted Balance at 1 April</b>	<b>37,714</b>
408	Upward revaluation of assets – valuation	807
0	Upward revaluation of assets - indexation	5,868
0	Downward revaluations not charged to surplus/deficit on provision of services - valuation	(694)
0	Downward revaluations not charged to surplus/deficit on provision of services - indexation	(98)
<b>37,714</b>	<b>Surplus/deficit on revaluations not posted to surplus/deficit on provision of services</b>	<b>43,597</b>
0	Difference between fair value depreciation and historical cost depreciation	(115)
<b>37,714</b>	<b>Balance at 31 March</b>	<b>43,482</b>

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

### Capital Adjustment Account

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

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

2024/25 £000		2025/26 £000
<b>32,821</b>	<b>Balance at 1 April</b>	<b>37,361</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):	
(4,292)	Charges for depreciation/impairment of non-current assets	(4,529)
(29)	Amount of non-current assets written out on disposal or sale as part of the gain/loss on disposal to the CIES	(124)
<b>28,500</b>		<b>32,708</b>
	Capital financing applied in the year:	
266	Capital grants and contributions credited to the CIES that have been applied to capital financing	0
2,277	Statutory provision for the financing of capital investment charged against the General Fund balance	2,438
6,308	Capital expenditure charged against the General Fund balance	3,349
10	Movements in the Donated Asset Account credited to the CIES	10
<b>37,361</b>	<b>Balance at 31 March</b>	<b>38,505</b>

## Pensions Reserve

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

<b>2024/25</b> <b>£000</b>		<b>2025/26</b> <b>£000</b>
<b>(698,400)</b>	<b>Balance at 1 April</b>	<b>(640,740)</b>
60,940	Re-measurement of the net defined benefit liability/(asset)	19,040
(40,110)	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on provision of services in Comprehensive Income and Expenditure Statement	(41,260)
36,830	Employer's pensions contributions and direct payments to pensioners payable in the year	36,790
<b>(640,740)</b>	<b>Balance at 31 March</b>	<b>(626,170)</b>

## 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.

<b>2024/25</b> <b>£000</b>		<b>2025/26</b> <b>£000</b>
<b>(2,602)</b>	<b>Balance at 1 April</b>	<b>(2,892)</b>
(290)	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	200
<b>(2,892)</b>	<b>Balance at 31 March</b>	<b>(2,692)</b>

## 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.

2024/25 £000		2025/26 £000
(132)	Balance at 1 April	(130)
132	Settlement or cancellation of accrual made at the end of the preceding year	130
(130)	Amounts accrued at the end of the current year	(132)
<b>(130)</b>	<b>Balance at 31 March</b>	<b>(132)</b>

## Note 19 – Cash Flow Statement – Operating activities

2024/25 £000		2025/26 £000
(4,281)	Depreciation, impairment and downward revaluations	(4,633)
(1,004)	Increase/decrease in creditors	(6,931)
(2,645)	Increase/decrease in debtors	(354)
(213)	Increase/decrease in inventories	(54)
(3,280)	Movement in pension liability	(4,470)
(90)	Contributions to/from provisions	(24)
(29)	Carrying amount of non-current assets held for sale, sold or derecognised	(124)
<b>(11,542)</b>	<b>Net cash flows from investing activities</b>	<b>(16,590)</b>

## Note 20 – Cash Flow Statement – Investing activities

2024/25 £000		2025/26 £000
6,574	Purchase of property, plant and equipment	3,349
<b>6,574</b>	<b>Net cash flows from investing activities</b>	<b>3,349</b>

## Note 21 – Cash Flow Statement – Financing activities

2024/25 £000		2025/26 £000
397	Repayments of short- and long-term borrowing	382
2,379	Other payments and financing activities	2,556
<b>2,776</b>	<b>Net cash flows from financing activities</b>	<b>2,938</b>

## Reconciliation of liabilities arising from financing activities

	1 April 2025 £000	Financing cash flows £000	31 March 2026 £000
Short- and long-term borrowing	9,535	(382)	9,153
On-Balance Sheet PFI liabilities	12,685	(2,057)	10,628
Injury pension liability	5,139	(500)	4,639
<b>Total liabilities from financing activities</b>	<b>27,359</b>	<b>(2,939)</b>	<b>24,420</b>

## Note 22 – Members’ allowances and expenses

	2024/25 £000	2025/26 £000
Total Members’ allowances and expenses	74	81

## Note 23 – Officers’ remuneration

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

Remuneration band	2024/25	2025/26
£50,000-£54,999	75	87
£55,000-£59,999	36	49
£60,000-£64,999	7	27
£65,000-£69,999	17	15
£70,000-£74,999	7	7
£75,000-£79,999	11	11
£80,000-£84,999	0	0
£85,000-£89,999	1	2
£90,000-£94,999	0	0
£95,000-£99,999	2	1
£100,000-£104,999	2	3
	<b>158</b>	<b>202</b>

The table below discloses the specific remuneration information in relation to Senior Officers (the Authority’s chief officers). The Senior Officers are those who are involved in influencing and making strategic decisions and developing policies for the organisation. For the Authority, this is the Chief Fire Officer, the Deputy Chief Fire Officer, the Assistant Chief Fire Officer and the Director of Finance, Estates and Facilities.

<b>Postholder information</b>	<b>Total Salary incl. fees and allowances*</b>	<b>Benefits in kind</b>	<b>Total remuneration excl. pension contributions</b>	<b>Total employers pension contributions</b>	<b>Total remuneration incl. pension contributions</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>2025/26</b>					
Chief Fire Officer/Chief Executive: Peter Heath** <i>(to 27.03.26)</i>	179,177	0	179,177	67,286	<b>246,463</b>
Deputy Chief Fire Officer: Stewart Nicholson <i>(CFO from 28.03.26)</i>	162,604	0	162,604	61,139	<b>223,743</b>
Assistant Chief Fire Officer <i>(seconded)</i>	152,232	0	152,232	57,239	<b>209,471</b>
Assistant Chief Fire Officer <i>(acting)</i>	147,419	0	147,419	37,837	<b>185,256</b>
Director of Finance, Estates and Facilities	94,163	2,416	96,579	16,636	<b>113,215</b>
<b>2024/25</b>					
Chief Fire Officer and Chief Executive: Peter Heath	182,544	0	182,544	69,327	<b>251,871</b>
Deputy Chief Fire Officer: Stewart Nicholson	155,163	0	155,163	58,928	<b>214,091</b>
Assistant Chief Fire Officer <i>(to 17.03.25)</i>	139,723	0	139,723	53,356	<b>193,079</b>
Finance Director <i>(to 30.04.24)</i>	3,959	0	3,959	705	<b>4,664</b>
Director of Finance, Estates and Facilities <i>(from 01.05.24)</i>	88,052	0	88,052	15,673	<b>103,725</b>

\* The total salary shown is on a cash basis and not necessarily the contractual salary for that period. Contractual salaries are reported in the Pay Policy Statement.

\*\* Peter Heath retired on 27 March 2026 and was replaced by Stewart Nicholson.

Principal Officers are provided with vehicles to support operational response requirements, including the need to respond to incidents and maintain availability outside normal working hours. These arrangements require officers to be available for duty at short notice and to retain vehicles at or near their place of residence. Vehicles are allocated in accordance with the Authority's conditions of service and vehicle policy, and in compliance with the allowances set out in the Authority's Pay Policy Statement. These are non-taxable benefits, so no formal disclosure is required for this note. In addition, non-operational directors are provided with vehicles; these are taxable benefits.

## Note 24 – External audit costs

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

	2024/25 £000	2025/26 £000
Fees paid to external auditors with regard to external audit services carried out by the appointed auditor	105	99
	<b>105</b>	<b>99</b>

An additional fee of £10,000 was paid in 2025/26 in respect of a variation to the scale fee for audit work in 2024/25, as approved by Public Sector Audit Appointments Ltd, and refunds of £26,632 were received in respect of the Redmond Review.

## Note 25 – Grant income

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

	2024/25 £000	2025/26 £000
<b>Credited to taxation and non-specific grant income:</b>		
Revenue Support Grant	(13,471)	(13,704)
Business rates	(6,881)	(7,271)
Top Up Grant	(12,713)	(12,866)
Council tax income	(29,217)	(31,401)
Business Rates S31 Grant	(639)	(512)
National Insurance Grant	0	(468)
Funding Guarantee Grant	(689)	0
Service Delivery Grant	(109)	0
Levy Account Surplus Grant	(130)	0
Transparency Grant	(8)	0
	<b>(63,857)</b>	<b>(66,222)</b>
<b>Credited to service income:</b>		
PFI	(3,358)	(3,358)
New Dimensions	(892)	(892)
Firelink	(104)	0
Pensions	(2,135)	(1,879)
New Burdens	(204)	(192)
Safer Streets	(82)	0
Protection Uplift	(179)	(179)
Enhanced Logistics Support	(30)	(30)
Fire Green Plant and Machinery	(11)	0
	<b>(6,995)</b>	<b>(6,530)</b>

## Note 26 – Related parties

The *Code of Practice on Local Authority Accounting in the United Kingdom 2025/26* requires the disclosure of any material transactions with related parties to ensure that stakeholders

are aware when these transactions take place and the amount and implications of such transactions.

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

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

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

#### **Trading arrangements: TWFRS Ltd**

The decision to close the Authority's trading company, TWFRS Ltd, was made in October 2025, with its sector-specific training activities to be continued in-house. The existing loan between the Authority and the company has been extinguished.

In 2025/26, the company made a net profit of £0.047m, which will be transferred back to the Authority, along with the £20,001 equity, during 2026/27, less any final remaining costs.

### **Note 27 – Capital expenditure and capital financing**

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

	<b>2024/25</b>	<b>2025/26</b>
	<b>£000</b>	<b>£000</b>
<b>Opening capital financing requirement</b>	<b>23,534</b>	<b>22,918</b>
Right of use IFRS16 transition – adj. to opening balance	1,531	0
Capital investment:		
Property, plant and equipment	6,574	3,349
Revenue expenditure funded from capital under statute	130	98
Sources of finance:		
Government grants and other contributions	(266)	0
Sums set aside from:		
Direct revenue contributions	(6,308)	(3,349)
Minimum revenue provision (MRP)	(2,277)	(2,438)
<b>Closing capital financing requirement</b>	<b>22,918</b>	<b>20,578</b>
Explanation of movements in year:		
Minimum revenue provision (MRP)	(2,133)	(2,438)
IFRS16 transition – minimum revenue provision (MRP)	(144)	0
<b>Increase / (decrease) in capital financing requirement</b>	<b>(2,277)</b>	<b>(2,438)</b>

## Note 28 – Private finance initiatives and similar contracts

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

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

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

2024/25 £000		2025/26 £000
12,502	<b>Balance outstanding at start of year</b>	12,162
1,530	IFRS16 transition	0
(1,870)	Repayment of capital	(2,047)
12,162	<b>Balance outstanding at the year end</b>	10,115

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:

	2026/27 £000	2027/28 - 2031/32 £000	2032/33 - 2035/36 £000	Total £000
Payment for services	3,888	8,880	1,693	14,461
Repayment of liability	2,241	6,005	1,869	10,115
Interest	972	1,786	514	3,272
<b>Total</b>	<b>7,101</b>	<b>16,671</b>	<b>4,076</b>	<b>27,848</b>

## Note 29 – Defined benefit pension schemes

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

The Authority participates in two post-employment schemes:

- The Firefighters' Pension Scheme (FPS) for operational employees is an unfunded scheme, meaning that no investment assets are 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 employer's contribution rate to the firefighters' pension fund account is 37.6%.

- The Local Government Pension Scheme (LGPS), for non-operational employees and administered by South Tyneside Council, is a funded, defined benefit scheme. The Authority and relevant employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employer's contribution rate in 2025/26 was 17.8% (14.7% from 1 April 2026).

### **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	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
	£000	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>						
Cost of services:						
Service cost comprising:						
Current service cost	1,260	1,990	1,440	2,710	2,700	4,700
Past service costs	110	0	0	0	110	0
Financing and investment income and expenditure:						
Net interest expense	(30)	(350)	35,330	32,780	35,300	32,430
<b>Total post-employment benefit charged to the surplus or deficit on provision of services</b>	<b>1,340</b>	<b>1,640</b>	<b>36,770</b>	<b>35,490</b>	<b>38,110</b>	<b>37,130</b>
<b>Other post-employment benefits charged to the CIES</b>						
Re-measurement of the net defined benefit liability comprising:						
<b>Local Government Pension Scheme (LGPS):</b>						
Return on plan assets	(2,330)	610	0	0	(2,330)	610
Actuarial (gains) and losses due to changes in demographic assumptions	230	(530)	0	0	230	(530)
Actuarial (gains) and losses due to changes in financial assumptions	(910)	(12,680)	0	0	(910)	(12,680)
Actuarial (gains) and losses due to liability experience	1,210	80	0	0	1,210	80
Adjustment loss due to restriction of surplus	2,250	19,320	0	0	2,250	19,320
<b>Firefighters' Pension Scheme (FPS):</b>						
Experience (gains) and losses arising on the defined benefit obligation	0	0	(1,900)	(960)	(1,900)	(960)
Changes in financial assumptions underlying the present value of the defined benefit obligation	0	0	(17,590)	(65,510)	(17,590)	(65,510)
Changes in demographic assumptions underlying the present value of the defined benefit obligation	0	0	0	(1,270)	0	(1,270)
<b>Total post-employment benefits charged to the CIES</b>	<b>1,790</b>	<b>8,440</b>	<b>17,280</b>	<b>(32,250)</b>	<b>19,070</b>	<b>(23,810)</b>

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(480)	(260)	4,950	3,540	4,470	3,280
<b>Actual amount charged against General Fund balance for pensions in the year:</b>						
Employer's contributions payable to the schemes	1,820	1,900	0	0	1,820	1,900
Retirement payments payable to pensioners	0	0	35,180	35,050	35,180	35,050

#### Pensions assets and liabilities recognised in the Balance Sheet

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

	LGPS		FPS		Total	
	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000
Present value of the defined benefit obligation	(65,410)	(61,990)	(625,750)	(640,290)	(691,160)	(702,280)
Fair value of plan assets	87,680	80,860	0	0	87,680	80,860
Unrecognised asset	(22,690)	(19,320)	0	0	(22,690)	(19,320)
<b>Net liability arising from defined benefit obligation</b>	<b>(420)</b>	<b>(450)</b>	<b>(625,750)</b>	<b>(640,290)</b>	<b>(626,170)</b>	<b>(640,740)</b>
<b>Net asset arising from defined benefit obligation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

	LGPS		FPS		Total	
	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000
<b>Opening balance at 1 April</b>	<b>61,990</b>	<b>71,780</b>	<b>640,290</b>	<b>704,490</b>	<b>702,280</b>	<b>776,270</b>
Current service cost	1,260	1,990	1,440	2,710	<b>2,700</b>	<b>4,700</b>
Interest cost	3,540	3,390	35,330	32,780	<b>38,870</b>	<b>36,170</b>
Contributions by scheme participants	650	680	3,150	2,980	<b>3,800</b>	<b>3,660</b>
Re-measurement (gains) and losses:						
<i>Local government scheme:</i>						
Actuarial (gains)/losses arising from changes in demographic assumptions	230	(530)	0	0	<b>230</b>	<b>(530)</b>
Actuarial (gains)/losses arising from changes in financial assumptions	(910)	(12,680)	0	0	<b>(910)</b>	<b>(12,680)</b>
Other	1,210	80	0	0	<b>1,210</b>	<b>80</b>
<i>Firefighters' scheme:</i>						
Experience (gains) and losses arising on pension liabilities	0	0	(1,900)	(960)	<b>(1,900)</b>	<b>(960)</b>
Changes in assumptions underlying the present value of the pension liabilities	0	0	(17,590)	(65,510)	<b>(17,590)</b>	<b>(65,510)</b>
Changes in demographic assumptions underlying the present value of the pension liabilities	0	0	0	(1,270)	<b>0</b>	<b>(1,270)</b>
Past service cost	110	0	0	0	<b>110</b>	<b>0</b>
Benefits paid	(2,670)	(2,720)	(35,180)	(35,050)	<b>(37,850)</b>	<b>(37,770)</b>
Pension transfers in	0	0	210	120	<b>210</b>	<b>120</b>
<b>Closing balance at 31 March</b>	<b>65,410</b>	<b>61,990</b>	<b>625,750</b>	<b>640,290</b>	<b>691,160</b>	<b>702,280</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The net liability of £626.170m has a substantial impact on the negative net worth of £517.943m recorded on the Balance Sheet of the Authority. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the Authority's share of the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- The FPS is unfunded and operates under statutory financing arrangements, with employer and employee contributions paid into the pension fund and any annual shortfall met by central government top-up grant

The total contributions expected to be made to the LGPS by the Authority in the year to 31 March 2027 is £1.52m.

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

	2025/26 £000	2024/25 £000
<b>Opening fair value of scheme assets</b>	<b>80,860</b>	<b>77,870</b>
Interest income	4,690	3,740
Re-measurement gain/(loss):		
The return on plan assets, excluding amount included in the net interest expense	2,330	(610)
Contributions from employer	1,820	1,900
Contributions from employee into the scheme	650	680
Benefits paid	(2,670)	(2,720)
<b>Closing balance at 31 March</b>	<b>87,680</b>	<b>80,860</b>

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

### LGPS assets

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

	Asset split 31 March 2026			Asset split 31 March 2025		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	36.9	11.6	48.5	36.3	11.8	48.1
Government bonds	1.2	0.0	1.2	1.1	0.0	1.1
Corporate bonds	18.4	0.0	18.4	18.1	0.0	18.1
Property	0.0	11.2	11.2	0.0	11.1	11.1
Cash	0.4	0.0	0.4	1.8	0.0	1.8
Multi asset credit	4.4	0.0	4.4	4.5	0.0	4.5
Other assets	0.0	15.9	15.9	0.0	15.3	15.3
<b>Total</b>	<b>61.3</b>	<b>38.7</b>	<b>100.0</b>	<b>61.8</b>	<b>38.2</b>	<b>100.0</b>

### Basis for estimating assets and liabilities

The liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on

assumptions about mortality rates, salary levels, etc. LGPS liabilities have been assessed by Aon Solutions UK Limited, an independent firm of actuaries, and FPS liabilities have been assessed by the Government Actuary's Department. The principal assumptions used by the actuaries are:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2025/26	2024/25	2025/26	2024/25
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.9 years	20.9 years	21.3 years	21.3 years
Women	24.4 years	24.1 years	21.3 years	21.3 years
Longevity at 65 for future pensioners (aged 45):				
Men	22.4 years	21.8 years	22.8 years	22.7 years
Women	25.1 years	25.2 years	22.8 years	22.7 years
Consumer Price Index	2.80%	2.50%	2.95%	2.70%
Rate of increase in salaries	4.30%	4.00%	3.70%	3.45%
Rate of increase in pensions	2.80%	2.50%	2.95%	2.70%
Rate for discounting scheme liabilities	6.20%	5.80%	6.10%	5.65%
Pension accounts revaluation rate	2.80%	2.50%	3.70%	3.45%
Commutation: Pre-2008	75.00%	75.00%	N/A	N/A

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

The estimations in the sensitivity analysis have followed the accounting policies for the schemes i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the defined benefit obligation			
	LGPS		FPS	
	Increase £000	Decrease £000	Increase £000	Decrease £000
Longevity (increase or decrease in 1 year)	+1,430	-1,430		
Rate of increase in salaries (0.1% change)	+60	-60		
Rate of increase in pensions (0.1% change)	+910	-910		
Rate for discounting liabilities (0.1% change)	-970	+1,040		
Longevity (increase or decrease in 1 year)			+17,000	-17,000
Rate of increase in salaries (0.50% change)			+5,000	-5,000
Rate of increase in pensions (0.50% change)			+37,000	-37,000
Rate for discounting liabilities (0.50% change)			-38,000	+38,000

### Impact on the Authority's cash flows

The weighted average duration of the defined benefit obligation for scheme members in the Local Government Pension Fund is 15.6 years (2024/25: 16 years) and in the Firefighters' Pension Scheme is 13 years (2024/25: 14 years).

## **Note 30 - Contingent liabilities**

### **Remedy for Age Discrimination in Pension Schemes**

As a consequence of the Remedy for Age Discrimination in Pension Schemes, claimant firefighters may seek compensation for injury to feelings against fire authorities, which can be awarded even where there is no financial loss. Compensation is assessed in using the Vento Bands established by *Vento v Chief Constable of West Yorkshire Police (No 2) [2003]*. At the time of assessment, the applicable ranges remain as previously set out.

Although some claims have been lodged nationally, the position remains uncertain. Not all individuals affected by the Remedy have submitted claims, however it is recognised that all affected employees could potentially bring a claim and be eligible for an award.

As at the reporting date, there is no confirmed liability or agreed level of compensation attributable to the Authority. Due to the uncertainty surrounding the number of claims that may ultimately be submitted, the success of such claims, and the level of awards within the Vento Bands, it is not possible to reliably estimate the financial impact.

The Authority continues to understand that any resulting costs are expected to be met primarily through increased employer pension contributions introduced from 1 April 2024. However, there remains a risk that some costs may fall to the Authority. Accordingly, the Authority continues to disclose this matter as a contingent liability, as no present obligation can be measured with sufficient reliability at this stage.

### **Virgin Media Limited v NTL Pension Trustees**

In June 2023, the High Court issued its judgment in the case of *Virgin Media Limited v NTL Pension Trustees*, ruling that certain pension scheme rule amendments are invalid where they were not supported by the required actuarial confirmation. This decision was subsequently appealed; this was upheld by the Court of Appeal in July 2024.

Following the Court of Appeal ruling, there has been significant uncertainty across the pensions sector regarding the validity of historic amendments to contracted-out defined benefit schemes made between April 1997 and April 2016 where the required actuarial confirmation cannot be evidenced.

The Government announced on 5 June 2025 that it would introduce legislation to address the implications of the judgment. This has been taken forward through provisions within the Pension Schemes Bill (2025–26), which are intended to enable pension schemes to obtain retrospective actuarial confirmation and thereby validate amendments that may otherwise be void. The legislative process is currently ongoing and further guidance from regulators and professional bodies is expected. While these developments are intended to provide a mechanism for resolving the uncertainty, the detailed application and impact on individual schemes remain subject to interpretation and further clarification.

In respect of the LGPS, it remains the case that the relevant actuarial certificate relating to the 2008 scheme reforms has not been located. While it is recognised that there is potential for additional pension liabilities to arise as a consequence of this issue, it is not currently possible to quantify the financial impact with sufficient reliability. The assessment of potential exposure and any associated actuarial analysis remain ongoing.

Accordingly, the Authority has concluded that a contingent liability exists. However, no provision has been recognised in the financial statements, as the existence and amount of any obligation cannot be measured with sufficient reliability at this stage.

## Supplementary Statements

### Firefighters' Pension Fund Statement

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

	2025/26 £000	2024/25 £000
<b>Contributions receivable</b>		
From employers		
- normal	(8,999)	(8,670)
- early retirement	(291)	(69)
From members	<u>(3,186)</u>	<u>(2,979)</u>
	(12,476)	(11,718)
<b>Transfers in</b>		
Individual transfers in from other schemes	(298)	(149)
<b>Benefits payable</b>		
Pensions	30,763	30,131
Commutations and lump sum retirement benefits	<u>3,632</u>	<u>2,947</u>
	34,395	33,078
<b>Deficit/surplus for the year before top-up grant receivable from/amount payable to the government</b>	<u>21,621</u>	<u>21,211</u>
Top-up grant (receivable)/amount payable to sponsoring department	(21,621)	(21,211)
<b>Net amount payable/(receivable) for the year</b>	<b>0</b>	<b>0</b>

### Firefighters' Pension Net Assets Statement

	31 March 2025 £000	31 March 2025 £000
<b>Net current assets and current liabilities</b>		
Pension top-up grant receivable from / (due to) sponsoring department	(838)	2,367
Pre-paid pension benefits	2,711	2,731
Cash overdrawn due to the General Fund	<u>(1,873)</u>	<u>(5,098)</u>
	<b>0</b>	<b>0</b>

## Notes to the Firefighters' Pension Statements

### 1. Basis of preparation

The statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2025/26*, CIPFA guidance notes for practitioners have also been referred to and applied where appropriate.

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

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

### 2. Accounting policies

The principal accounting policies are as follows:

#### 2.1 Contributions

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

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

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

#### 2.2 Benefits and refunds

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

#### 2.3 Transfer values

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

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

### 3. Fund's operations

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

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

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

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

The fund has no investment assets.

## **Glossary of Terms**

### **Accrual**

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

### **Accounting Policies**

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

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

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

### **Actuarial Gains and Losses**

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

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

### **Assets**

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

### **Balance Sheet**

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

### **Balances**

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

### **Business Rates**

With effect from April 1990 all non-domestic properties were revalued and the government determines a national rate poundage every year which is applicable to all local authorities. From 1 April 2013, only 50% of the proceeds are pooled and re-distributed by the government. The remainder are retained locally, placing risk on the billing authority to collect the business rates income due and a passed on risk of this to the Authority. Appeals and avoidance tactics can also have a significant impact on the level of income collected each year. The Authority has a business rates appeal provision based on information provided from the billing authorities.

### **Capital Charge**

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

### **Capital Expenditure**

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

### **Capital Financing Charges**

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

### **Capital Financing Requirement**

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

### **Capital Grants**

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

### **Capital Receipts**

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

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

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

### **Consistency**

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

### **Constructive Obligation**

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

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

### **Contingent Asset**

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

### **Contingent Liability**

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

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

### **Contingencies**

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

### **Council Tax**

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

### **Credit Ceiling**

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

### **Creditors**

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

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

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

### **Debt Outstanding**

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

### **Debtors**

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

### **Defined Benefit Scheme**

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

### **Depreciation**

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

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

### **Emoluments**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### **Estimation Techniques**

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

reserves.

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

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

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

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

### **Expenditure**

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

### **Fees and Charges**

Income arising from the provision of services.

### **General Fund**

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

### **Going Concern**

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

### **Government Grants**

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

### **Impairment**

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

### **Income**

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

not been received (in which case the recipient is a debtor to the Authority).

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

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

### **International Financial Reporting Standards (IFRSs) / International Accounting Standards (IASs)**

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

### **Inventories**

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

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

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

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

### **Investments (Non-Pension)**

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

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

### **Liabilities**

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

### **Liquid Resources**

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

### **Long Term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a

shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

### **Minimum Revenue Provision**

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

### **Net Book Value**

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

### **Net Current Replacement Cost**

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

### **Net Debt**

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

### **Net Realisable Value**

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Past Service Costs**

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

### **Post Balance Sheet Events**

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

### **Precept**

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

### **Prior Period Adjustments**

Those material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of

such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior periods.

### **Projected Unit Method**

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

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

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

### **Provisions**

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

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

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

### **Prudence**

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

### **Prudential Framework**

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

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

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

A Central Government agency, which lends money to Local authorities at lower interest

rates than those generally available from the private sector. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

### **Related Parties**

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

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

### **Related Party Transaction**

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

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

### **Reserves**

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

### **Residual Value**

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

### **Retirement Benefits**

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

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

### **Revenue Balances**

These are the accumulated surpluses on the General Fund. They can be applied to reduce

borrowing, reduce the Council Tax, or held to be applied in future years.

### **Revenue Contributions**

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

### **Revenue Expenditure**

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

### **Revenue Support Grant (RSG)**

A grant paid by the government to authorities to support expenditure generally and not specific services. The grant helps to bridge the gap between council tax and business rates income on one hand and the total assessment of the Authority's need to spend on the other. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **Settlement**

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### **Specific Grants**

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

### **Useful Life**

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

### **Vested Rights**

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- For deferred pensioners, their preserved benefits; and
- For pensioners, pensions to which they are entitled.

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