



**CLEVELAND
FIRE BRIGADE**

**Cleveland Fire Authority
Financial Report**

2025/26

Draft

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SECTION 1: Authority Membership 2025/26 Financial Year

Chair

Councillor D Coupe (Middlesbrough) (Conservative)

Vice-Chair

Councillor P Chaney (Redcar and Cleveland) (Labour)

Councillors

Hartlepool BC

G. Allen (Labour)
B. Buchan (Conservative)
C. Wallace (Labour) 21/05/25 to present
B Clayton (Labour) Leaver 20/05/25

Middlesbrough BC

D Coupe (Conservative)
N Hussain (Labour)
J Kabuye (Labour)
D McCabe (MICA)

Redcar and Cleveland BC

P Chaney (Labour)
S Kay (Independent Group)
M Ovens (Liberal Democrat)
D Taylor (Conservative)

Stockton-on-Tees BC

J Beall (Labour)
S Houghton (Conservative)
J Gardner (Conservative) 23/05/25 to present
A Sherris (Conservative)
M Stoker (Labour)
S Mubeen (Conservative) Leaver 22/05/25

The Authority is made up of 16 members who are appointed in proportion to the number of local government electors in each Authority area.

SECTION 2: Narrative Report

INTRODUCTION

This narrative report provides key information so that members of the public, Authority Members, partners, stakeholders, and other interested parties can have:

- A full explanation of the financial position of the Authority and the outturn for 2025/26
- Confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner
- Assurance that the financial position of the Authority is sound and secure

Cleveland Fire Authority operates in the North East of England and provides fire and rescue services to the unitary authorities of Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees. The Authority covers an area of approximately 597 square kilometres, serving a population of around 600,369 residents living in approximately 270,717 domestic dwellings. The area also contains in excess of 17,670 non-domestic premises, reflecting the mixed residential, commercial and heavy industrial nature of Teesside.

Teesside is one of the most industrialised areas in the United Kingdom and presents a highly complex risk profile. The detailed service's area includes approximately 23–26 top-tier Control of Major Accident Hazard (COMAH) sites, representing one of the highest concentrations of high-hazard industrial sites nationally. Many residential communities are located in close proximity to these sites, increasing the potential impact of major industrial incidents and creating a particularly challenging operating environment.

The area includes Teesport and the Port of Hartlepool, which together form part of the UK's largest freeport. These ports handle in excess of 40 million tonnes of cargo annually, including chemicals, bulk fuels, containers, steel, biomass and offshore energy components, generating significant transport and industrial risk.

Cleveland Fire Authority also provides risk management and operational response capability for a critical and expanding energy infrastructure. This includes:

- One nuclear power station
- Five solar energy farms
- Five onshore wind farms and one offshore wind facility
- Three anaerobic digestion plants
- Five biomass power stations, including the Tees Renewable Energy Plant – one of the largest biomass facilities in the world
- Two Battery Energy Storage Sites (BESS), one operational at Boulby Mine and one under construction at Wilton International

Demand for specialist response capability is expected to grow further following the award of UK Government Core Status to Tees Valley as a Centre for Offshore Renewable Engineering, alongside major investment in hydrogen production and Carbon Capture Utilisation and Storage (CCUS) infrastructure from 2025 onwards.

The Authority operates in an area with an extensive road, rail and port infrastructure, carrying unusually high volumes of hazardous materials. The A19 corridor, particularly where it crosses the River Tees, carries over 100,000 vehicles per day, significantly exceeding traffic volumes on comparable strategic road routes elsewhere in the UK and increasing the likelihood and complexity of major transport-related incidents.

Teesside shares many of the characteristics typically associated with large metropolitan and post-industrial areas, including:

- High-density urban development
- Large areas of older terraced housing
- Narrow road networks unsuited to modern traffic volumes
- Significant areas of brownfield and derelict land
- Ongoing economic regeneration alongside entrenched deprivation

Deprivation remains a defining feature of the Authority's operating environment. The English Indices of Deprivation 2025 identify Middlesbrough and Hartlepool as among the local authorities with the highest national concentrations of deprivation. Across the area, approximately one third of neighbourhoods fall within the most deprived 10% nationally,

SECTION 2: Narrative Report

with similar proportions of the population living in areas experiencing the highest income deprivation. All four districts have a higher proportion of children living in low-income households than the England average.

The area's communities also experience significantly poorer health outcomes than the national average, including lower life expectancy, higher long-term illness and disability rates, and below-average educational attainment. Around 21% of residents are living with a disability or long-term health condition, with approximately 10% experiencing conditions that significantly limit daily activities. These factors increase vulnerability to fire and other emergencies and place sustained demand on prevention and protection services.

Crime and antisocial behaviour continue to present challenges. The Cleveland police area has historically recorded one of the highest crime rates in England, including elevated rates of arson and deliberate fires. These conditions directly impact firefighter safety. Cleveland Fire Authority continues to experience nearly twice the national average rate of attacks on operational firefighters, reflecting the wider social pressures within the communities it serves.

Full details of the Authority's risk profile, including how these factors influence prevention, protection and response activity, are set out in the Strategic Assessment of Risk, which is available on the Authority's website.

OUR STRATEGIC DIRECTION

The strategic direction of Cleveland Fire and Rescue Authority has been simplified and strengthened during 2025/26 to provide greater clarity, coherence and assurance in how the Authority plans, prioritises and delivers its statutory responsibilities.

The Authority no longer operates through a range of separate and overlapping strategies. Instead, its planning and performance framework is built around three clearly aligned documents, providing a clear golden thread from governance to delivery:

- The Fire Authority Corporate Plan, which sets out the Authority's strategic priorities and outcomes
- A single Service Strategy, the Community Risk Management Plan (CRMP)
- A Delivery Plan, which translates strategic priorities into measurable actions and outcomes

This approach reduces complexity, improves alignment and strengthens accountability, while ensuring the Authority remains flexible and responsive to emerging risks and financial pressures.

Service Purpose and Values

During the year, the Authority replaced its previous mission and vision statements with a single, clear purpose:

Protecting People, Places and Futures

This purpose reflects the breadth of the Authority's role, encompassing prevention, protection, emergency response and wider resilience, and emphasises the importance of safeguarding communities both now and for future generations.

The Authority has retained its established PRIDE values:

- **Protect** our communities and support vulnerable people
- **Respect** one another and treat everyone with fairness and dignity
- **Innovate** and continuously improve how we deliver our services
- **Do** the right thing, acting with integrity and professionalism
- **Engage** openly, working collaboratively as one team

Aligned to the Core Code of Ethics for Fire and Rescue Services (England), PRIDE provides the foundation for ethical leadership and high performance across the Authority.

SECTION 2: Narrative Report

Service Strategy - Community Risk Management Plan

The Community Risk Management Plan, sets out how the Authority identifies, assesses and manages the risks facing its communities over both the short and longer term. It is informed by evidence, data and professional judgement, including our Strategic Assessment of Risk, and is kept under regular review to ensure it remains current and effective.

The CRMP is structured around five strategic pillars, which define our priorities and ensure a balanced and integrated approach to risk management:

- People – supporting, developing and protecting the workforce to ensure it is skilled, resilient and representative of the communities it serves
- Prevention – reducing risk and vulnerability by working with communities and partners to prevent incidents before they occur
- Protection – enforcing fire safety legislation and supporting safer buildings, businesses and environments
- Response – maintaining effective, resilient and proportionate emergency response arrangements
- Resources – managing finances, assets and infrastructure sustainably to support long-term service delivery

These pillars are underpinned by effective Strategic Planning, ensuring that decisions about risk, resources and priorities are evidence-led, aligned to available funding and capable of delivering sustainable outcomes. Strategic Planning provides the foundation that enables the Authority to anticipate change, manage financial pressures and respond to emerging and complex risks in a structured and transparent way.

Delivering the Strategy

The Delivery Plan sits beneath the Service Strategy and provides a clear mechanism for translating strategic intent into operational activity. It sets out defined objectives, actions and performance measures, enabling progress to be monitored, challenged and reported to the Fire Authority.

This framework supports robust governance, effective performance management and a clear line of sight between our purpose, strategic priorities and the outcomes delivered for communities.

OUR PERFORMANCE

Annual Performance Summary 2025/26



OUR GOVERNANCE AND DECISION MAKING

Cleveland Fire Authority (CFA) has a duty under the Local Government Act 1999 to conduct business in accordance with the law ensuring public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We are committed to the highest standards of conduct and have robust controls over the use of resources, based on open decision making, accountability and transparency.

SECTION 2: Narrative Report

The Authority takes decisions every day that impact businesses, our residents and visitors to our area. Our Constitution details how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The most significant decisions relating to our plans and strategies, such as approving our Community Risk Management Plan (CRMP), and setting the budget and Council Tax level, are taken by the CFA; policy decisions are delegated to the Executive Committee. Operational management decisions relating to CFA are taken by the Chief Fire Officer in accordance with our approved scheme of delegation.

In 2025/26 CFA comprised 16 elected Members from the four councils of Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees. The membership from each of the four Councils is based on their population and is politically balanced to reflect the make-up of the Councils. In 2025/26 the membership was:

| | | |
|----------------------|-----------|---|
| Hartlepool | 3 Members | 2 Labour, 1 Conservative |
| Middlesbrough | 4 Members | 2 Labour, 1 Conservative, 1 Middlesbrough Independent Councillors Association |
| Redcar and Cleveland | 4 Members | 1 Labour, 1 The Independent Group, 1 Liberal Democrat, 1 Conservative |
| Stockton-on-Tees | 5 Members | 2 Labour, 3 Conservative |

Our governance framework comprises systems, processes, and values through which the Authority directs and controls its activities and engages with the community. The Authority has adopted a code of corporate governance which encompasses the guidance and best practice outlined in the 'Delivering Good Governance in Local Government Framework' (2016 edition) which is published by CIPFA/SOLACE.

Corporate governance services are provided to the Fire Authority by a directly appointed Legal Advisor and Monitoring Officer and Treasurer, and by a Deputy Treasurer, Financial Management and Internal Audit functions through a Service Level Agreement with Hartlepool Borough Council.

Our Internal Auditors provide challenge and assurance over the effectiveness of our risk management, internal control, and governance arrangements. They aim to support, advise, and challenge management to assist in the development of robust, effective, and efficient systems of control, policies and procedures. The Audit Team cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

Our External Auditors (Forvis Mazars LLP) place reliance on the work of our Internal Auditors, who carry out their role in compliance with Public Sector Internal Audit Standards. Our Annual Governance Statement reviews the extent to which the Authority has complied with its code of corporate governance and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires the Authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review within the statement of accounts. The outcome of the annual review is incorporated within our Performance Management arrangements and is reported to elected Members of the Audit and Governance Committee.

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OUR SERVICE

Our employee establishment as at 31 March 2026 is 566.45 FTE; staff are located in either our Service Delivery or Strategic Planning, People and Resources Directorates. The Chief Fire Officer and two Assistant Chief Fire Officers strategically manage the Service.



Service Delivery Directorate

Our public facing and frontline Service Delivery Directorate that co-ordinates and delivers our Prevention, Protection, Emergency Response and National Resilience services.

One of the biggest factors in the number of incidents that we attend is how people behave; this includes people at home, at work, the elderly and the young. We believe that by influencing and changing behaviours the number of fires can be reduced along with the number of injuries and deaths that result from them. Our work includes safer homes visits, marketing and advice.

- Protection

Our protection services are at the heart of improving business safety and are centred on delivering the Authority's duty to enforce the Regulatory Reform (Fire Safety Order) 2005 (FSO). Our work includes advising individuals and businesses on how to keep safe and their risk management responsibilities, so that buildings are safer. In addition, fire safety regulations are enforced where necessary.

- Emergency Response

No one can predict when an emergency will happen and what type of event that will be. That's why we must be fully equipped to respond to every situation so that the right number of trained firefighters are sent with the right type of equipment to resolve the incident in the most effective way, with the lowest risk to lives, businesses and property.

Our Emergency Response service is available 24-hours a day, 365 days a year responding to fires in buildings, industrial complexes, vehicles and open spaces, rescues from the waterways around Teesside, road traffic collisions across our roads, rescues from height and other rescues, for example wildfires on Cleveland Hills, people who are cut off in snowy conditions, flooding, etc. The Authority operates one of the most stringent emergency response standards nationally.

The Government's aim is to reduce the risk from major emergencies such as natural disasters or terrorist attacks so that people can go about their business freely and with the confidence that the UK is equipped to deal with such incidents. The Authority plays an integral part in ensuring **National Resilience** and is 100% compliant with the Government's requirements in supporting national resilience. We are an active member and maintain strong links with other category 1 responders through the Cleveland Local Resilience Forum.

Strategic Planning, People and Resources Directorate

Our Strategic Planning, People and Resources Directorate delivers our enabling services that support the Authority and the Directorates in delivering their duties.

- People

We recognise the difference that every member of staff makes in keeping our local communities safe, and therefore it is only right that we continue to invest in our people.

Our people teams ensure we continue to attract, train and retain a workforce who are competent, professional and flexible, and develop leaders who are strong, resilient and embrace and model our values and ethical behaviours.

- Resources

We are committed to ensuring that we have an estate, fleet and operational equipment that is sustainable, fit for the future and meets the needs of our workforce and our communities. Our resources teams ensure that we have a fire service that is affordable, now and in the future, driving efficiencies and improved productivity across all of our activities.

- Strategic Planning

It is vitally important that we produce clear, understandable information, which is relevant, suitable and interesting for the audience. Ensuring good, effective corporate governance with golden threads running through

SECTION 2: Narrative Report

all our plans, incorporating the principles of programme and project management will ensure everything we do is aligned to our strategic vision.

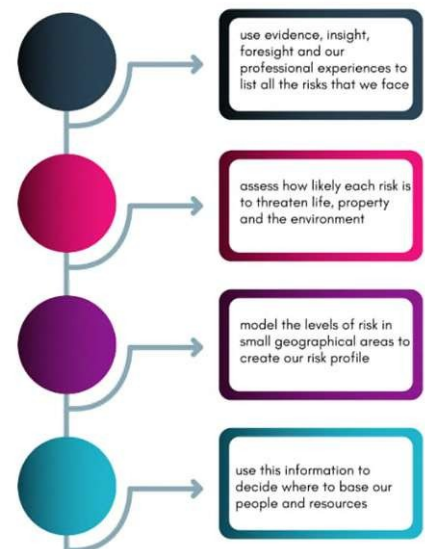
OUR RISK MANAGEMENT ARRANGEMENTS

The National Framework for Fire and Rescue Services in England (2018) identifies and places several statutory requirements for all Fire Rescue Authorities, one of which is being to: *'Identify and assess the full range of foreseeable fire and rescue related risks their area face'*.

Our Strategic Assessment of Risk sets out:

- our strategic approach to risk management through our risk identification and assessment process.
- summarises our identified risks and assessments of those risks.
- our intended deployment of resources over the medium term to address the identified risks.

Risk Identification and Assessment Process



Our Identified Risks

There are five main types of risk that we need to be prepared for and manage.

National Risks

The Government monitors the most significant emergencies that the UK could face now and in forthcoming years through its National Risk Assessment; these are captured in and managed through its National Risk Register 2025. Even though the likelihood of such events is remote, due to their potential catastrophic impacts we classify them as high risk. They include terrorist incidents, severe weather, pandemic influenza, river and coastal flooding, cyber-attack, widespread electricity failure, emerging infectious diseases, and poor air quality. The National Risk Register informs our operational preparedness and business continuity plans.

Cleveland Area Risks

As a member of the Cleveland Local Resilience Forum, we actively prepare to respond to any major emergency in the Cleveland area. The Community Risk Register sets out the area's identified risks and the likelihood and impact of them happening. These include pandemic influenza, adverse weather, hazardous transport, marine pollution, flooding, drought, wildfires, animal disease, large scale industrial action, industrial site incident, utilities, infrastructure failure and civil unrest. The Community Risk Register informs our operational preparedness and business continuity plans.

Organisational Risks

We regularly scan our operating environment to identify our political, economic, social, technological, legislative, environmental and organisational risks. Once identified these are managed through our Corporate Risk Register. Additionally, we maintain a Directorate Risk Register, to identify lower level risks before they escalate. Our newly adopted Strategic Assessment of Risk process ran alongside development of our Community Risk Management Plan for 2026-30, identifying the top operational risks to the organisation to be Large Industrial of COMAH Incidents, Chemical (Hazmat) Incidents, and Flooding. The top non-operational risks to the organisation were identified as Public Perception & Organisational Reputation, Staff Sickness, Funding Pressures, On-Call Availability and Fast Paced Technology Change.

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Operational Risks

These are the risks prevalent in our operating environment and relate to property, transport, environment, high hazard industry, technical rescues, and malicious attacks/terrorism. They are identified through our community risk management planning process and are underpinned by a suite of detailed risk assessments which are refreshed on an annual basis. Our capacity and capability to respond to these risks form a factor of our Strategic Assessment of Risk.

Emerging Risks

Our emerging risks are those that may occur over the next four years, and we monitor these risks through our Strategic Assessment of Risk analysis.

Our risk management governance arrangements remain effective and efficient with full details of our risks and their assessments captured within our Strategic Assessment of Risk document, which details our approach to risk analysis, and is available from our website.

HMICFRS Inspection

In 2024, we were delighted to welcome His Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS) to conduct our third full round HMICFRS inspection. Round 3 inspections have seen a number of changes to the inspection process, including the introduction of the adequate grading and removal of the three pillar judgments. The Authority's performance was assessed across eleven key areas, receiving 'Requires Improvement' in three areas, 'Adequate' ratings in four and 'Good' ratings in four others. The outcome is positive for the Authority and will be supported by a clear action plan to address the recommendations.

GOOD
Understanding fires and other risks
Responding to major and multi-agency incidents
Making best use of resources
Future affordability

ADEQUATE
Responding to fires and other emergencies
Getting the right people with the right skills
Ensuring fairness and promoting diversity
Managing performance and developing leaders

REQUIRES IMPROVEMENT
Preventing fires and other risks
Protecting the public through fire regulation
Promoting the right values and culture

CAUSE OF CONCERN
None highlighted

HMICFRS INSPECTION
Results 2023-25

SECTION 2: Narrative Report

OUR FINANCIAL PERFORMANCE 2025/26

The Authority spends money on a wide range of services to promote fire safety, protect people and property from fire, rescue people from road traffic collisions, deal with other emergencies such as flooding or terrorist attack and work with other organisations to develop and implement emergency and business continuity plans. This spending can be revenue on day-to-day running costs such as staffing, purchasing goods/services from third parties and utilities; or capital on assets which are used for service delivery over a longer period, such as buildings and operational vehicles.

The following sections provide more detail about the Authority's financial position.

2025/26 Approved Revenue Budget

At a national level the Government grant settlement for 2025/26 continued to rely on Council Tax increases to fund 55% of the national increase in Core Spending Power (CSP). Additional Government grant funding was provided for Social Care services and if authorities increased Council Tax in line with referendum limits the national increase in total CSP was 6%.

For Fire and Rescue Services the 2025/26 Council Tax Referendum Limit was set at £5 for a Band D property. For most Fire and Rescue Services (FRSs), including Cleveland, this was more favourable than the 2024/25 limit of 3% for all Council Tax bands, including Band D. As the Government grant settlement reduced grant funding for FRSs the national increase in CSP for FRSs was 2.8%, less than half the total national CSP increase of 6%.

The Authority approved a 2025/26 Band D Council Tax increase of £5. As the Authority has a much lower percentage of properties in Council Tax Band D than most other FRSs we raise less income from a £5 increase. Therefore, our 2025/26 CSP increase was 2.7%, slightly below the FRSs average of 2.8% and significantly below the highest FRS CSP increase of 4.2%.

Our Band D Council Tax for 2025/26 compared favourably with neighbouring authorities:

| Authority | 2025/26 Band D Council Tax |
|-----------------------|----------------------------|
| Durham and Darlington | £123.12 |
| North Yorkshire | £107.02 |
| Tyne and Wear | £100.11 |
| Cumbria | £98.19 |
| Cleveland | £94.46 |

The majority of properties in our area are not in Council Tax Band D and are in the lower Council Tax bands (Bands A, B and C), therefore for 63.8% of our households the annual increase for 2025/26 was £3.89 or less.

Government grant funding for 2025/26 decreased by £0.126m, compared to an increase in 2024/25 of £0.747m. The amount of Government funding received in 2025/26 is £4.4m less than it was in 2013/14 – a cash reduction of 23%. When account is taken of inflation the real term reduction in funding is significantly greater.

As a result of the previous recurring funding reductions, we have previously made significant changes to modernise services and achieve efficiencies. The position for 2025/26 was challenging as we faced increased inflationary pressures, including national pay awards. As a result, we faced a budget pressure of £2.522m to maintain existing services and addressed this from a combination of measures as summarised below:

Measures approved to manage 2025/26 budget pressure

| | £'m | % |
|---|--------------|------------|
| Budget Savings | 1.067 | 42 |
| Council Tax Increase | 0.813 | 32 |
| Use of Reserves | 0.294 | 12 |
| Council Tax Base Growth | 0.266 | 11 |
| Business Rate Growth (includes section 31 grants) | 0.082 | 3 |
| Total | 2.522 | 100 |

Our MTFs recognised that using reserves of £0.294m deferred part of the 2025/26 budget deficit to 2026/27 and this approach provided a slightly longer lead time to address this financial challenge.

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2025/26 Revenue Budget – Actual Outturn

External factors, including international and UK political issues and the outlook for inflation and interest rates, continued to be uncertain. Against this background the budget was managed extremely carefully, including managing vacant posts and deferring expenditure where this did not impact on operational delivery. This enabled resources to be allocated to fund future capital expenditure, one-off commitments and financial resilience. After reflecting these commitments there was a net underspend of £0.062m, which has been transferred to the Budget Support Fund.

The outturn position is summarised in the following table.

| | Approved Budget | Actual Expenditure/ (Income) | Variance from approved Budget Adverse / (Favourable) |
|--|--------------------|------------------------------------|--|
| | £000s | £000s | £000s |
| <u>Operational Costs</u> | | | |
| Employee Costs | 31,033 | 30,623 | (410) |
| Premises Costs | 2,337 | 2,270 | (67) |
| Supplies & Services | 3,031 | 2,970 | (61) |
| Transport Costs | 845 | 790 | (55) |
| Support Services | 481 | 514 | 33 |
| Capital Finance Costs | 1,009 | 692 | (317) |
| Income / Grants | (859) | (1,611) | (752) |
| Section 31 Grant - Business Rates | (2,417) | (2,477) | (60) |
| Section 31 Grant - Redmond Review | - | (27) | (27) |
| Section 31 Grant - Pension Grant | (1,063) | (1,063) | - |
| | | | |
| <u>Contribution from Reserves</u> | | | |
| Budget Support Fund | (294) | (294) | - |
| Release funding for CIC | - | (40) | (40) |
| | | | |
| <u>Contribution to Reserves</u> | | | |
| Capital Phasing Reserve | - | 358 | 358 |
| Property Reserve | - | 312 | 312 |
| IT and Cyber Security Reserve | - | 250 | 250 |
| Pay Inflation Reserve | - | 240 | 240 |
| Training Reserve | - | 170 | 170 |
| AMP Inflation Risk Reserve | - | 140 | 140 |
| Invest to Save Reserve | - | 90 | 90 |
| Budget Support Fund - Income Reserve | - | 58 | 58 |
| Commissioned Services Reserve | - | 55 | 55 |
| Fire Hydrant Reserve | - | 21 | 21 |
| | | | |
| Transfer to Budget Support Fund | 34,103 | 34,041 | (62) |

SECTION 2: Narrative Report

The Authority's budget was funded from the following sources:

| | Approved Budget |
|---|------------------------|
| | £000s |
| Government Grant | 8,027 |
| Business Rates Top Up Grant | 8,210 |
| Total Government Grants | 16,237 |
| Income from Council Tax Precept | 15,658 |
| Income from Business Rates Baseline Funding | 2,022 |
| Collection Fund Surplus | 186 |
| Total Funding | 34,103 |

Capital Expenditure

Capital expenditure relates to spend on the purchase or improvement of assets that have a long-term value to the Authority and our residents, such as community fire stations and fire appliances.

In 2025/26 total capital expenditure was £1.701m. This consists of £0.374m of property expenditure, £0.814 on equipment and vehicles, £0.467m on water tenders and £0.046m on a mobilising system. These costs were funded from a combination of Prudential Borrowing of £0.910m, the Capital Investment Programme Reserve of £0.778m and Capital Receipts of £0.013m.

Recognition of Right-of-Use assets totalling £0.048m was also capitalised at year end.

At 31 March 2026, the Authority had rephased capital expenditure, owing to the longer lead times for capital schemes, totalling £4.024m into 2026/27 of which £1.674m is funded by Capital Investment Programme Reserve and £2.350m from Prudential Borrowing.

FINANCIAL OUTLOOK 2026/27 TO 2028/29

Major reforms of the national funding system had been delayed for many years. Therefore, one-year grant settlements had been provided for seven successive years, up to 2025/26.

The provisional 2026/27 Government grant settlement was not issued until 17 December 2025, which made financial planning challenging. The final 2026/27 Government grant settlement was then issued on 9 February 2026 and covered three financial years, 2026/27 to 2028/29.

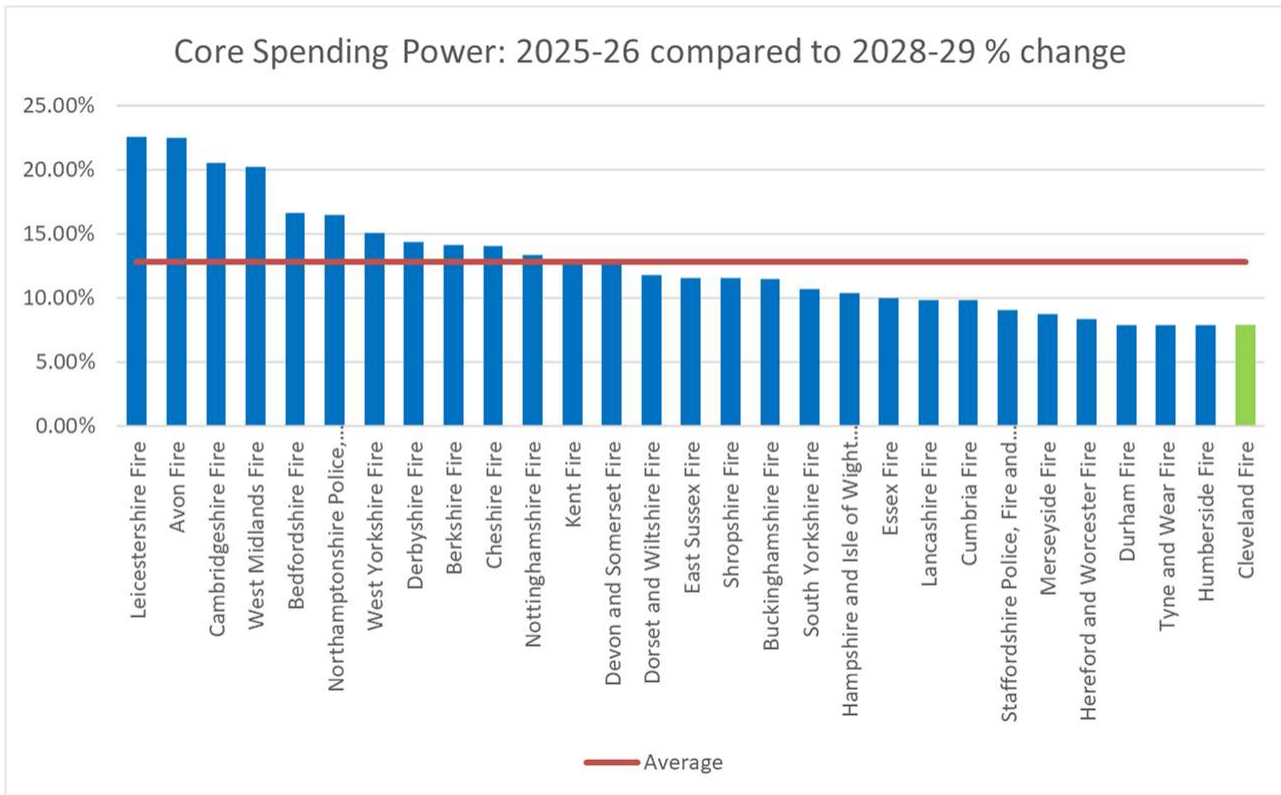
At a national level the three-year settlement forecasts an increase in total CSP between 2026/26 and 2028/29 of £11.094 billion, with 75% (£8.343 billion) of this increase being dependant on authorities increasing Council Tax and 25% (£2.751 billion) coming from increased Government grant funding. For FRSs the settlement set a Band D Council Tax limit of £5 for 2026/27 and indicated this limit is likely to apply in the following two financial years, although this is subject to an annual decision by Government.

For this Authority the three-year settlement was disappointing as it does not recognise a number of key factors, including:

- All FRSs face the same financial pressures in relation to national pay awards and inflation.
- The Authority's area has higher than average levels of deprivation, which impacts on the number of incidents we respond to and other demands on our services.
- The area's low Council Tax base (much lower than average percentage of properties in Council Tax Band D and above) means this Authority raises less income from the continuation of a £5 Council Tax referendum limit for FRSs for three years, than is the case for FRSs with a high Council Tax base (i.e. higher than average percentage of properties in Council Tax Band D and above).

As a result, the Authority will only see a 7.9% increase in CSP over the next three years. Only four other FRSs have similar low CSP increases, including Durham and Darlington, and Tyne and Wear. The average FRSs CSP increase is 12.8% and four gain increases above 20%, as highlighted in the following chart.

SECTION 2: Narrative Report



The increases in CSP forecast in the above table will only be achieved if individual FRSs increase Band D Council Tax by £5 in 2026/27, 2027/28 and 2028/29. This position underlines the importance of Council Tax increases for FRSs, including this Authority.

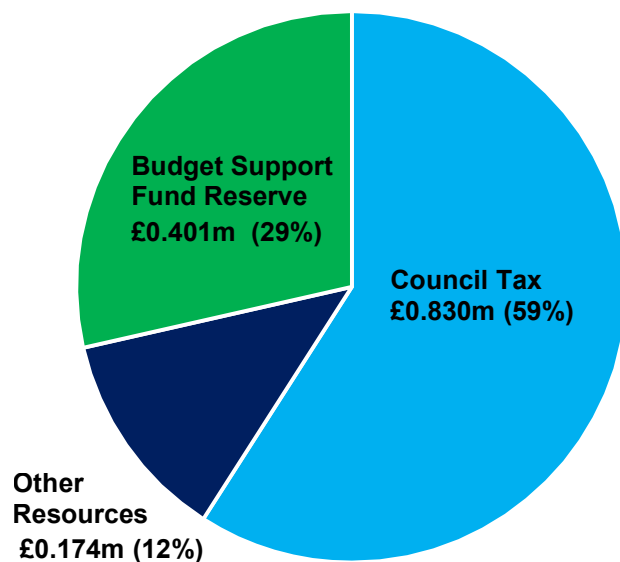
2026/27 Budget Position

On 13 February 2026 the Authority approved a three-year Medium Term Financial Strategy.

This included the impact of forecast inflation and national pay awards of £1.405m to set a 2026/27 "stand still budget".

This deficit was addressed from a combination of measures as summarised in the chart.

Summary of measures to fund forecast inflation and national pay awards of £1.405m



SECTION 2: Narrative Report

Three-year Budget Position 2026/27 to 2028/29

The approved three-year Medium Term Financial Strategy (MTFS) is based on increasing Band D Council Tax by £5 for 2026/27, with the same increases planned for 2027/28 and 2028/29, subject to annual confirmation of this limit by Government and decisions of the Authority. This measure will reduce the forecast three-year budget deficit from £3.746m to £1.198m.

The Authority has previously established a Budget Support Fund Reserve to support the budget on a temporary basis. We will use £0.401m of this reserve in 2026/27 to balance the budget. The Authority recognises that this position is not sustainable and therefore instructed the Chief Fire Officer to develop a savings plan by July 2026 to identify cuts of £1.198m, with £0.707m to be implemented from April 2027 and the remaining £0.491m from April 2028.

Achieving the above additional budget cuts needs to be considered against the changes made in previous years which reduced the workforce by 173.06 (FTE) 24%:

- Grey Book Whole-time reduced by 33% (164)
- Grey Book On-Call increased by 33% (24)
- Grey Book Control reduced by 38% (10)
- Grey Book On-call Control increased 300% (3)
- Green Book reduced by 14% (18.56)
- Gold Book reduced by 50% (2)
- Elected Members reduced by 30% (7)

Since the MTFS was approved in February 2026 the outlook for higher inflation and interest rates has increased owing to the impact of the war in the Middle East. At the April 2026 meeting of the Bank of England's Monetary Policy Committee, it was recognised that the conflict in the Middle East means that prospects of global energy prices are highly uncertain. Monetary policy cannot influence energy prices but will be set to ensure that the economic adjustment to them occurs in a way that achieves the 2% inflation target sustainably. The policy stance required to achieve this will depend on the scale and duration of the shock, and how it propagates through the economy.

The April Monetary Policy Report sets out three scenarios that help to illustrate a range of possible outcomes for the UK economy, including the impact on inflation and interest rates.

The Authority will update the MTFS forecasts later in the year, when it is hoped there will be less volatility and uncertainty. However, it is expected that the war in the Middle East will result in higher inflation and interest rates than forecast in February 2026. Consequently, the Authority will face higher budget deficits than forecast in February 2026. The latest international uncertainty highlights the continued need for the Authority maintaining a strong balance sheet, including the uncommitted Budget Support Fund (after approved support of the 2026/27 budget of £0.401m) of £2.224m, which will help the Authority manage financial uncertainty.

BORROWING FACILITIES AND INVESTMENT STRATEGY

The Authority's arrangements for borrowing accord with the approved Treasury Management Strategy, which was drawn up to comply with the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy.

In accordance with this Strategy the Authority has taken a proactive approach to managing cash investments and debt. For a number of years, the Authority has internalised borrowing by netting down borrowing against investments. The Authority continues to keep under review the most appropriate approach to borrowing. Given the continued high interest rates experienced during 2025/26, no long term borrowing has been entered into. This ensured the Authority was not exposed to increased costs at a time of volatility and relatively high interest rates. The position will be kept under review.

The continued higher interest rates during 2025/26 presented the Authority with an opportunity to maximise investment returns over the short to medium term. Detailed cash flow modelling has allowed investments to be placed for a longer time period (up to a year) with a number of institutions, so as to achieve the higher rates of investment interest now available.

SECTION 2: Narrative Report

PENSIONS

The Authority has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS19. As at 31 March 2026 the accounts showed that there was a deficit on the Local Government Pension Scheme on the Pensions Reserve of £0.088m (£0.090m deficit in 2024/25) and a deficit on the Firefighters' Pension of £327.230m (£324.465m in 2024/25). The change does not impact on the revenue budget and reflects a revised actuarial valuation. This was offset by a Pension Liability of £327.318m.

Details of the 2025/26 Local Government Pension Scheme asset values, funded and unfunded obligations, interest income and cost, cashflows, remeasurements and the asset ceiling have all been calculated by the Authority's actuary, Hymans Robertson LLP, with the detail provided in Notes 34 to the Statement of Accounts.

The Authority has separate pension arrangements for Firefighters and other staff as outlined below.

Firefighter Pension Arrangements

The Firefighters' Pension Scheme is an unfunded scheme. The Authority is required to maintain a separate Firefighters' Pension Fund Account, details of which are provided in the Pension Fund Note.

The Authority is required to make defined contributions to the Pension Account, currently 37.6%, for those who are members of the 2015 Pension Scheme. The Authority must also make defined contributions in respect of Ill Health retirements.

As these contributions, plus employee contributions, are less than payments made from the Authority's Pensions Account the Government provides a specific grant to fund the resulting shortfall.

Local Government Pension Scheme

Pensions for other staff are provided through the Local Government Pension Scheme and the Authority is a member of the Teesside Pension Fund. The statutory arrangements for this scheme mean that any IAS19 deficit does not need to be made good by increased pension contributions from the Authority or employees. A separate Pension Fund valuation is carried out every three years to determine the Authority's contribution rate which is currently 14.2%. The Pension Fund Valuation set the employer's contribution rate for the period 2023/24 to 2025/26.

STATEMENTS OF ACCOUNTS

The core financial statements comprise of:

- The Movement in Reserves Statement
- The Comprehensive Income & Expenditure Statement
- The Balance Sheet
- The Statement of Cash Flows

A brief explanation of their purpose precedes each statement.

Balance Sheet

The major movements on the Balance Sheet are as follows:

Short-Term Investments – the Authority's short-term investments have reduced by £2.770m owing to less of the Authority's cash being invested at the end of 2025/26.

Short-Term Debtors – the Authority's short-term debtors have increased by £1.092m mainly owing to an increase in government and local authority debtors.

Cash and Cash Equivalents – the Authority's Cash and Cash Equivalents have increased by £0.042m owing to the way the authority invests its liquid cash.

Short-Term Creditors – the Authority's short-term creditors owed by the Authority have increased by £0.301m as at 31 March 2026 mainly as a result of other local creditors.

Other Long-Term Liabilities – the Authority's long-term liabilities have increased by £2.756m mainly as a result of revised actuarial Pension revaluations.

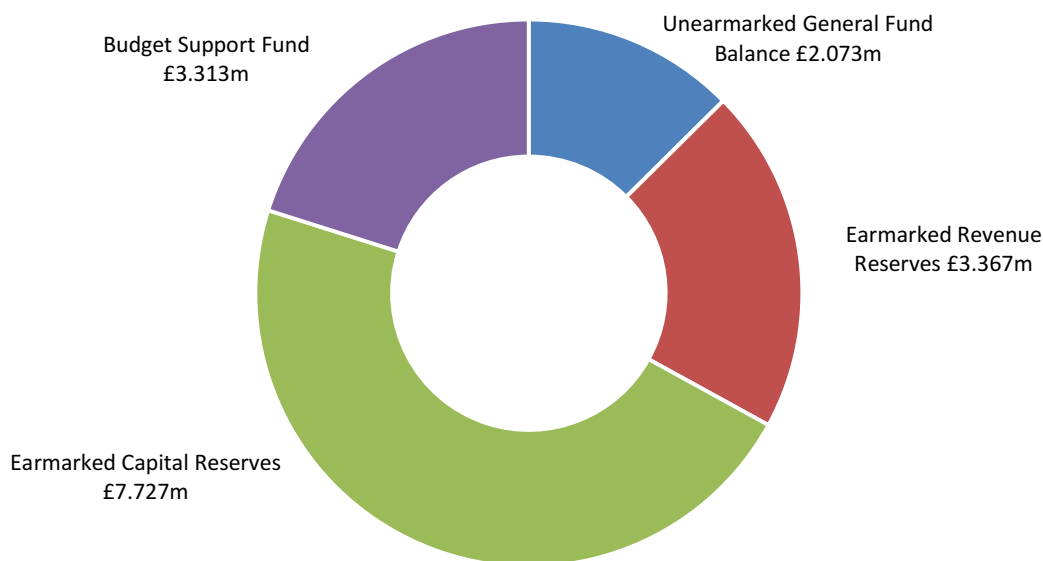
SECTION 2: Narrative Report

Summary of the Authority's Usable Reserves

As at 31 March 2026 the Authority had reserves of £16.480m (£15.245m as at 31 March 2025), which consisted of the following amounts:

- Earmarked Capital Reserves - £7.727m - this reserve is fully committed to supporting the approved Capital Investment Programme.
- Budget Support Fund - £3.313m – part of this reserve (£2.625m) is earmarked to manage potential financial risks in 2026/27 and future years arising from a range of potential changes to future funding and the costs of providing services, the remaining part of this reserve (£0.688m) is committed to supporting the Medium Term Financial Strategy on a phased basis. There is also a risk that pay awards are higher than forecast, or a reduction to the pension grant.
- Earmarked Revenue Reserves - £3.367m – these reserves are fully committed to fund a range of one-off initiatives.
- Unearmarked General Fund Reserve - £2.073m – the reserve is held to meet any unforeseen circumstances that may arise. The value of this reserve reflects a risk assessment of potential financial risks facing the Authority and equates to approximately 6% of the Authority's on-going revenue budget. In view of the increasingly challenging financial position facing the Authority this level of uncommitted reserve is prudent.

Analysis of Usable Reserves as at 31 March 2026 – Total £16.480m



Unusable Reserves as at 31 March 2026 are £288.165m (£288.469m at 31 March 2025). The movement in Unusable Reserves is shown in Note 25, with the change largely attributable to the revised actuarial valuation in relation to the Pension Reserve.

Group Statement of Accounts

The Authority has no separate subsidiaries which would require Group Financial Statement in 2025/26. The Post Balance Events note to the 2024/25 accounts explained that Authority's subsidiary, Cleveland Fire Brigade Risk Management Services Community Interest Company (CIC), went into liquidation in July 2025, and the Authority was unable to produce Group Accounts for 2024/25. The Post Balance Sheet note provided details of the impact on the Authority and third parties.

CHANGES IN AUTHORITY RESPONSIBILITIES

There were no changes in the Authority's statutory responsibilities during 2025/26.

SECTION 2: Narrative Report

ACCOUNTING POLICIES

The accounting policies adopted by the Authority comply, except where specific reference is made, with relevant recommended accounting practice.

The Authority's policies are explained fully in Section 7. For the purpose of the Statement of Accounts the Authority's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2024/25 have been shown where appropriate.

INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed, question the auditor and make objections at audit. The availability of the accounts for inspection was advertised on Cleveland Fire Authority website and in relation to the 2025/26 financial year the inspection period is 5 June 2026 to 16 July 2026.



Chris Little CPFA
Treasurer to Cleveland Fire Authority
Date: 4 June 2026

SECTION 3: Statement of Responsibilities for the Statement of Accounts

The Fire 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 is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

I confirm that the Statement of Accounts were approved by the Cleveland Fire Authority at the meeting held on XX January 2027

Chair of Cleveland Fire Authority

Date: XX January 2027

The Treasurer's Responsibilities

The Treasurer 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 Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice on Local Authority Accounting.

The Treasurer 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 Accounts by the Treasurer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts shows a true and fair view of the financial position of Cleveland Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2026.



Chris Little CPFA

Treasurer to Cleveland Fire Authority

Date: XX January 2027

SECTION 4: Statement of Accounts

Movement in Reserves Statement for the year ended 31 March 2026

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

| | General Fund Balance | Earmarked General Fund Reserves | Earmarked Reserves Revenue and Capital | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|----------------------|---------------------------------|--|--------------------------|-----------------------|-------------------|--------------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Balance at 31 March 2024 carried forward | 1,897 | 3,358 | 8,713 | - | 13,968 | (335,378) | (321,410) |
| <u>Movement in reserves during 2024/25</u> | | | | | | | |
| Surplus or (deficit) on provision of services | (16,020) | - | - | - | (16,020) | - | (16,020) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 64,206 | 64,206 |
| Total Comprehensive Income and Expenditure | (16,020) | - | - | - | (16,020) | 64,206 | 48,186 |
| Adjustments between accounting basis & funding basis under regulations | 16,953 | - | 235 | 109 | 17,297 | (17,297) | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 933 | - | 235 | 109 | 1,277 | 46,909 | 48,186 |
| Transfers to/(from) Earmarked Reserves | (757) | 129 | 628 | - | - | - | - |
| Increase/(Decrease) in Year | 176 | 129 | 863 | 109 | 1,277 | 46,909 | 48,186 |
| Balance at 31 March 2025 carried forward | 2,073 | 3,487 | 9,576 | 109 | 15,245 | (288,469) | (273,224) |
| <u>Movement in reserves during 2025/26</u> | | | | | | | |
| Surplus or (deficit) on provision of services | (13,758) | - | - | - | (13,758) | - | (13,758) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 15,297 | 15,297 |
| Total Comprehensive Income and Expenditure | (13,758) | - | - | - | (13,758) | 15,297 | 1,539 |
| Adjustments between accounting basis & funding basis under regulations (note 4) | 15,771 | - | (778) | - | 14,993 | (14,993) | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 2,013 | - | (778) | - | 1,235 | 304 | 1,539 |
| Transfers to/(from) Earmarked Reserves | (2,013) | (174) | 2,187 | - | - | - | - |
| Increase/(Decrease) in Year | - | (174) | 1,409 | - | 1,235 | 304 | 1,539 |
| Balance at 31 March 2026 carried forward | 2,073 | 3,313 | 10,985 | 109 | 16,480 | (288,165) | (271,685) |

For detail on Usable and Unusable Reserves see Notes 5 and 25.

SECTION 4: Statement of Accounts

Comprehensive Income and Expenditure Statement for the year ended 31 March 2026

This statement shows the economic cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), 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.

| 2024/25 | | | 2025/26 | | | |
|-------------------|-----------------|---------------|-------------------|-----------------|---------------|---------------|
| Gross Expenditure | Gross Income | Net | Gross Expenditure | Gross Income | Net | Note |
| £000s | £000s | £000s | £000s | £000s | £000s | |
| 28,458 | - | 28,458 | 27,215 | - | 27,215 | 6 |
| 8,364 | - | 8,364 | 7,982 | - | 7,982 | 6 |
| - | (2,169) | (2,169) | - | (2,673) | (2,673) | 6 |
| 36,822 | (2,169) | 34,653 | 35,197 | (2,673) | 32,524 | |
| | | | | | | |
| 21 | - | 21 | - | (13) | (13) | 7 |
| 19,714 | (2,986) | 16,728 | 20,991 | (3,165) | 17,826 | 8 |
| - | (35,382) | (35,382) | - | (36,579) | (36,579) | 9 |
| 56,557 | (40,537) | 16,020 | 56,188 | (42,430) | 13,758 | |
| | | | | | | |
| | | 517 | | | (3,207) | 25 Table 1 |
| | | (64,723) | | | (12,090) | 25 Table 3 |
| | | (64,206) | | | (15,297) | |
| | | (48,186) | | | (1,539) | |

SECTION 4: Statement of Accounts

Balance Sheet for the year ended 31 March 2026

The Balance Sheet shows the value of the assets and liabilities at 31 March 2026. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are classified in 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 prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Authority is not able to use to provide services. This category of reserve 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 March 2025 £000s | | 31 March 2026 £000s | Note |
|------------------------|------------------------------------|------------------------|------|
| 46,103 | Property, Plant and Equipment | 49,481 | 12 |
| 315 | Investment Assets | 315 | 13 |
| 48 | Intangible Assets | 38 | 14 |
| 13 | Long Term Debtors | 5 | 17 |
| <u>46,479</u> | Long Term Assets | <u>49,839</u> | |
| 675 | Inventories | 731 | - |
| 5,345 | Short Term Debtors | 6,437 | 18 |
| 778 | Cash and Cash Equivalents | 862 | 19 |
| 15,561 | Short Term Investments | 12,791 | 29 |
| <u>22,359</u> | Current Assets | <u>20,821</u> | |
| - | Bank Overdraft | (42) | 19 |
| (5,191) | Short Term Creditors | (5,492) | 20 |
| (647) | Provisions | (611) | 21 |
| (2,903) | Revenue Grants Receipts in Advance | (229) | 22 |
| (152) | Short Term Borrowing | (154) | 29 |
| <u>(8,893)</u> | Current Liabilities | <u>(6,528)</u> | |
| (8,589) | Long Term Borrowing | (8,481) | 23 |
| (324,580) | Other Long Term Liabilities | (327,336) | 24 |
| <u>(333,169)</u> | Long Term Liabilities | <u>(335,817)</u> | |
| <u>(273,224)</u> | Net Assets | <u>(271,685)</u> | |
| 2,073 | General Fund | 2,073 | |
| 3,487 | Budget Support Fund | 3,313 | |
| 2,269 | Earmarked Revenue Reserves | 3,367 | |
| 7,416 | Earmarked Capital Reserves | 7,727 | |
| <u>15,245</u> | | <u>16,480</u> | 5 |
| (288,469) | Unusable Reserves | (288,165) | 25 |
| <u>(273,224)</u> | Total Reserves | <u>(271,685)</u> | |

SECTION 4: Statement of Accounts

Statement Of Cash Flows for the year ended 31 March 2026

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 for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

| 2024/25 £000s | | 2025/26 £000s | Note |
|------------------|---|------------------|------|
| (16,020) | Net surplus or (deficit) on the provision of services | (13,758) | |
| 23,748 | Adjustments to net surplus or (deficit) on the provision of services for non-cash movements | 12,878 | 31 |
| (1,019) | Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities | 2,757 | 31 |
| 6,709 | Net cash (outflow)/inflow from operating activities | 1,877 | |
| (4,784) | Investing activities | (1,729) | 32 |
| (920) | Financing activities | (106) | 33 |
| 1,005 | Net increase or (decrease) in cash and cash equivalents | 42 | |
| (227) | Cash and cash equivalents at the beginning of the reporting period | 778 | |
| 778 | Cash and cash equivalents at the end of the reporting period | 820 | 19 |

An analysis of the components of cash and cash equivalents at the end of the reporting period are disclosed in Note 19.

SECTION 4: Statement of Accounts

Note 1: Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2025/26 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2026/27 Code are:

- 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.
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

These changes are not expected to have a material impact on the Authority's financial statements.

Note 2: Critical judgements in applying Accounting Policies

In applying the accounting policies set out, the Authority has had to make judgements about complex transactions or those involving uncertainty about future events.

From 1st April 2026 the Government has implemented major reforms of the national funding system and provided a three-year funding settlement for 2026/27 to 2028/29. The Authority will be developing a savings plan to address the impact of these changes. At this stage, the Authority has determined the assets of the Authority do not need to be impaired. This position will be reviewed in 2026/27 when the detailed savings plan has been developed and approved.

SECTION 4: Statement of Accounts

Note 3: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|-------------------------------|---|---|
| Property, Plant and Equipment | Assets 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. | At 31 March 2026, the Authority had land and buildings to the value of £42.996m. A 1% change in the estimation of property values would lead to a £0.430m change in the value of the Authority's land and buildings. These changes to valuations would not have a direct impact on the Authority's General Fund, since any effect charged to the CIES would be reversed to the Authority's unusable reserves. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A consulting Actuary is engaged to provide the Authority with expert advice about the assumptions to be applied. | For the Local Government Pension Scheme (LGPS) the effect on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the liability of £0.509m. However, the assumptions interact in complex ways. During 2025/26, the Authority's Actuary advised that the net pension asset for funded LGPS benefits had increased by £0.728m as a result of financial assumptions, decreased by £0.657m as a result of demographic assumptions and decreased by £2.054m as a result of liability experience. Actual pension rates are determined on an actuarial basis every 3 years. The previous valuation determined the employer's contribution for 3 years to 31 March 2026. A 0.1% increase in this rate would increase the Authority's revenue budget requirement for pension costs by £0.004m. Uncertainties do not apply to the Fire Fighters Pension Schemes as these are Unfunded Schemes where costs are fully met by government grant. |

SECTION 4: Statement of Accounts

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations

| 2025/26 | General Fund Balance £000s | Earmarked Reserves £000s | Capital Receipts Reserve £000s | Movement in Unusable Reserves £000s |
|---|-------------------------------|-----------------------------|-----------------------------------|--|
| Adjustments involving the Capital Adjustment Account: | | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i> | | | | |
| Charges for depreciation and impairment of non-current assets | 1,573 | - | - | (1,573) |
| Charges for Revaluation losses on Property, Plant & Equipment | - | - | - | - |
| Movement in the Market value of Investment Property | - | - | - | - |
| Amortisation of intangible assets | 10 | - | - | (10) |
| Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement | - | - | - | - |
| Direct Revenue Funding | - | (778) | - | 778 |
| <i>Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement</i> | | | | |
| Statutory provision for the financing of capital investment (MRP) | (693) | - | - | 693 |
| | 890 | (778) | - | (112) |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement | (13) | - | 13 | - |
| Finance Lease payments transferred from Deferred Capital Receipts | - | - | - | - |
| Application of Capital Receipts to Capital Adjustment Account | - | - | - | - |
| Use of capital receipts to fund new capital expenditure | - | - | (13) | 13 |
| | (13) | - | - | 13 |
| Adjustments involving the Deferred Capital Receipts Reserve: | | | | |
| Transfer of Sale Proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement | - | - | - | - |
| | - | - | - | - |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement | 20,821 | - | - | (20,821) |
| Employer's Pensions Contributions | (5,677) | - | - | 5,677 |
| Direct payments to pensioners payable in the year | (291) | - | - | 291 |
| | 14,853 | - | - | (14,853) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 28 | - | - | (28) |
| | 28 | - | - | (28) |
| Adjustments involving the Accumulated Absences Adjustment Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 13 | - | - | (13) |
| | 13 | - | - | (13) |
| Total Adjustments | 15,771 | (778) | - | (14,993) |

SECTION 4: Statement of Accounts

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations

| 2024/25 | General Fund Balance £000s | Earmarked Reserves £000s | Capital Receipts Reserve £000s | Movement in Unusable Reserves £000s |
|---|----------------------------------|--------------------------------|---|--|
| Adjustments involving the Capital Adjustment Account: | | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i> | | | | |
| Charges for depreciation and impairment of non-current assets | 1,595 | - | - | (1,595) |
| Charges for Revaluation losses on Property, Plant & Equipment | 26 | - | - | (26) |
| Movement in the Market value of Investment Property | (60) | - | - | 60 |
| Amortisation of intangible assets | 10 | - | - | (10) |
| Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement | 130 | - | - | (130) |
| Capital grants and contributions applied | - | - | - | - |
| Direct Revenue Funding | (1,482) | 235 | - | 1,247 |
| <i>Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement</i> | | | | |
| Statutory provision for the financing of capital investment (MRP) | (674) | - | - | 674 |
| | (455) | 235 | - | 220 |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement | (109) | - | 109 | - |
| Finance Lease payments transferred from Deferred Capital Receipts | - | - | - | - |
| Application of Capital Receipts to Capital Adjustment Account | - | - | (22) | 22 |
| Use of capital receipts to fund new capital expenditure | - | - | - | - |
| | (109) | - | 87 | 22 |
| Adjustments involving the Deferred Capital Receipts Reserve: | | | | |
| Transfer of Sale Proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement | - | - | 22 | (22) |
| | - | - | 22 | (22) |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement | 23,041 | - | - | (23,041) |
| Employer's Pensions Contributions | (5,473) | - | - | 5,473 |
| Direct payments to pensioners payable in the year | (484) | - | - | 484 |
| | 17,084 | - | - | (17,084) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 374 | - | - | (374) |
| | 374 | - | - | (374) |
| Adjustments involving the Accumulated Absences Adjustment Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 59 | - | - | (59) |
| | 59 | - | - | (59) |
| Total Adjustments | 16,953 | 235 | 109 | (17,297) |

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Note 5: Transfers to/(from) Earmarked and General Fund Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2025/26.

| | Balance at 31 March 2024 | Transfer between reserves in 2024/25 | Transfers Out 2024/25 | Transfers In 2024/25 | Balance at 31 March 2025 | Transfer between reserves in 2025/26 | Transfers Out 2025/26 | Transfers In 2025/26 | Balance at 31 March 2026 | |
|---|--------------------------------|---|-----------------------------|----------------------------|--------------------------------|--|-----------------------------|----------------------------|-----------------------------------|---|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | |
| Unearmarked General Fund Balance | | | | | | | | | | |
| General Fund Balance | 1,897 | - | - | 176 | 2,073 | - | - | - | 2,073 | a |
| | 1,897 | - | - | 176 | 2,073 | - | - | - | 2,073 | |
| Earmarked General Fund Reserves: | | | | | | | | | | |
| Budget Support Fund | 2,857 | - | - | - | 2,857 | - | (294) | 62 | 2,625 | |
| Budget Support Fund-Income | 501 | - | - | 129 | 630 | - | - | 58 | 688 | |
| | 3,358 | - | - | 129 | 3,487 | - | (294) | 120 | 3,313 | b |
| Earmarked Revenue Reserves: | | | | | | | | | | |
| Invest to Save Reserve | 848 | - | (329) | 337 | 856 | - | - | 90 | 946 | c |
| Insurance Fund | 643 | - | (74) | - | 569 | - | - | - | 569 | d |
| Innovation Fund | 453 | - | - | - | 453 | - | - | - | 453 | e |
| Commissioned Services | 253 | - | (65) | 73 | 261 | - | - | 55 | 316 | f |
| Property Reserve | - | - | - | - | - | - | - | 312 | 312 | g |
| IT and Cyber Security Reserve | - | - | - | - | - | - | - | 250 | 250 | h |
| Pay Inflation Reserve | - | - | - | - | - | - | - | 240 | 240 | i |
| Training Reserve | - | - | - | - | - | - | - | 170 | 170 | j |
| Critical Incidents Reserve | 113 | - | (23) | - | 90 | - | - | - | 90 | k |
| Fire Hydrant Reserve | - | - | - | - | - | - | - | 21 | 21 | l |
| Non-Statutory Community Projects | 9 | - | - | 31 | 40 | - | (40) | - | - | |
| Ringfenced Grants | 390 | - | (390) | - | - | - | - | - | - | |
| | 2,709 | - | (881) | 441 | 2,269 | - | (40) | 1,138 | 3,367 | |
| Earmarked Capital Reserves: | | | | | | | | | | |
| Capital Investment Programme | 3,952 | - | (1,050) | 700 | 3,602 | - | (778) | 591 | 3,415 | m |
| Capital Phasing Reserve | 1,643 | - | - | 995 | 2,638 | - | - | 358 | 2,996 | n |
| Asset Management Plan Inflation Risk | 409 | - | (124) | 782 | 1,067 | - | - | 140 | 1,207 | o |
| Capital Receipts Unapplied | - | - | (22) | 131 | 109 | - | (13) | 13 | 109 | p |
| | 6,004 | - | (1,196) | 2,608 | 7,416 | - | (791) | 1,102 | 7,727 | |
| Total Usable Reserves: | 13,968 | - | (2,077) | 3,354 | 15,245 | - | (1,125) | 2,360 | 16,480 | |

- a) This amount will be maintained to meet any unforeseen circumstances which might arise. The value of this reserve reflects the Authority's assessment of a range of financial risks which may occur over the next four years. The availability of this reserve will enable the Authority to manage these issues and avoid the need for additional in-year budget reductions over and above those already planned. These risks include the impact of potential shortfalls in the Authority's share of Business Rates income.
- b) This reserve is earmarked to support the budget in 2026/27 and future years.
- c) This reserve has been set aside to fund one-off commitments rephased to 2026/27 and future years.
- d) This reserve has been established to support the self-insured insurance fund which provides for payments that fall within the Authority's insurance policy excesses.
- e) This reserve was created primarily to fund domestic sprinkler installations and will be used over a number of years as detailed projects are identified and implemented.
- f) This reserve is earmarked to manage income volatility and to provide a longer lead time to manage temporary income reductions.
- g) This reserve was created to fund reactive maintenance investment.
- h) This reserve was created to fund a new data warehouse and enhance cyber-security.
- i) This reserve was created to fund future pay inflation pressures.
- j) This reserve was created to fund future training requirements.
- k) This reserve will support our implementation of the Grenfell Tower and Manchester Inquiry recommendations and improve resilience to major incidents.
- l) This reserve was created to fund the installation of fire hydrants.
- m) This reserve will be used to partly fund the Authority's Asset Management Plan which is designed to address operational requirements covering the Authority's buildings, including Fire Stations and operational fire fighting and rescue vehicles. It is planned to use this funding over the next two to three years. Expenditure on the Authority's buildings will ensure facilities meet operational requirements detailed in the Integrated Risk Management Plan and help deliver ongoing revenue savings in future years, including removing back log maintenance requirements. Expenditure on operational vehicles will ensure the Authority maintains its operational effectiveness and is able to respond to the significant risks within the Authority's area.
- n) This reserve will be used over a number of years to smooth the interest and loan repayment costs which are charged to the annual budget. The reserve recognises that the annual charges, which arise from the use of Prudential Borrowing to fund part of the approved Asset Management Plan, are uneven and therefore avoids temporary increases/decreases in the annual charge to the revenue budget.
- o) This reserve is earmarked to manage inflation risks in relation to the Asset Management Plan.
- p) This reserve is earmarked for future capital projects.

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Note 6: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| Net Expenditure Chargeable to the General Fund | 2024/25 | | Net Expenditure in the Comprehensive Income and Expenditure Statement | Net Expenditure Chargeable to the General Fund | 2025/26 | | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|----------|---|--|--|---------------|---|
| | Adjustments Between Funding and Accounting Basis | | | | Adjustments Between Funding and Accounting Basis | | |
| £000s | £000s | £000s | | £000s | £000s | £000s | |
| 28,747 | (289) | 28,458 | Employee Costs | 30,623 | (3,408) | 27,215 | |
| 6,881 | 1,483 | 8,364 | Operating Costs | 6,544 | 1,438 | 7,982 | |
| (116) | 116 | - | Capital Finance Costs | 692 | (692) | - | |
| (4,801) | 2,632 | (2,169) | Income | (5,178) | 2,505 | (2,673) | |
| (809) | 809 | - | Transfer from Earmarked Reserves | (334) | 334 | - | |
| 3,046 | (3,046) | - | Transfer to Earmarked Reserves | 1,694 | (1,694) | - | |
| 32,948 | 1,705 | 34,653 | Net Cost of Services | 34,041 | (1,517) | 32,524 | |
| (33,124) | 14,491 | (18,633) | Other Income and Expenditure | (34,103) | 15,337 | (18,766) | |
| (176) | 16,196 | 16,020 | (Surplus) or Deficit | (62) | 13,820 | 13,758 | |
| 1,897 | | | Opening General Fund Balance | 2,073 | | | |
| 176 | | | Less/Plus Surplus or (Deficit) on General Fund Balance in Year | 62 | | | |
| - | | | Transfer to Budget Support Fund | (62) | | | |
| 2,073 | | | Closing General Fund Balance at 31 March | 2,073 | | | |

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Note 6B: Expenditure And Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|------------------|
| | Expenditure/Income | |
| | Expenditure | |
| 28,458 | Employee Benefits Expenses | 27,216 |
| 6,733 | Other Service Expenses | 6,398 |
| 21 | Gain/Loss on the Disposal of Assets | - |
| 1,631 | Depreciation, Amortisation, Impairment | 1,583 |
| 19,714 | Interest Payments | 20,991 |
| 56,557 | Total Expenditure | 56,188 |
| | Income | |
| (587) | Revenues from External Customers | (2,639) |
| (5) | Other Revenue | (34) |
| - | Gain/Loss on the Disposal of Assets | (13) |
| (2,986) | Interest and Investment Income | (3,165) |
| (16,746) | Income from Council Tax and Business Rates | (17,838) |
| (20,213) | Government Grants and Contributions | (18,741) |
| (40,537) | Total Income | (42,430) |
| 16,020 | Surplus or deficit on the provision of services | 13,758 |

Note 7: Other Operating Expenditure

This note provides a breakdown of the various components included within the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|---|------------------|
| 21 | (Gain) or loss on the disposal of Vehicles/Land | (13) |
| 21 | | (13) |

Note 8: Financing and Investment Income and Expenditure

| 2024/25 £000s | | 2025/26 £000s | Note |
|------------------|---|------------------|------|
| (60) | Net (Gain)/Loss on Investment Properties | - | 13 |
| 294 | Interest Payable and Similar Charges | 284 | 29 |
| (937) | Interest Receivable and Similar Income | (732) | 29 |
| 17,431 | Pensions Interest Cost & Expected Return on Pensions Assets | 18,274 | 34 |
| 16,728 | | 17,826 | |

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Note 9: Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant Income comprises of the following:

| 2024/25 | | 2025/26 | Note |
|---------------|---------------------------------------|---------------|------|
| £000s | | £000s | |
| 16,746 | Council Tax and Business Rates Income | 17,838 | |
| 8,116 | NNDR Distribution - Top Up Grant | 8,210 | |
| 10,520 | Non-ringfenced Government Grants | 10,531 | |
| <u>35,382</u> | | <u>36,579</u> | 22 |

Note 10: Members' Allowances and Expenses

The amounts paid for the year ending 31 March 2026, including payments to former Members who only served on the Authority for part of the year, are shown below. It should be noted that the Authority does not pay attendance allowances and the fixed allowances paid are taxed and subject to National Insurance. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowances was £52,861.55 (£54,177.43 2024/25). An analysis of the allowances is shown in the table below:

| Member | Basic Allowance | Special Responsibility Allowance | General Travel | Car Mileage | Conference Travel | Conference Fees | Conference Subsistence | Total 2025/26 |
|-----------------------|------------------|----------------------------------|----------------|---------------|-------------------|-----------------|------------------------|------------------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Allen G | 2,238.00 | - | - | - | - | - | - | 2,238.00 |
| Beall J | 2,238.00 | 2291.95 | - | - | - | - | - | 4,529.95 |
| Buchan B | 2,238.00 | - | - | - | - | - | - | 2,238.00 |
| Chaney P | 2,238.00 | 3667.83 | - | - | - | - | - | 5,905.83 |
| Clayton B | 306.82 | 613.65 | - | - | - | - | - | 920.47 |
| Coupe D | 2,238.00 | 8952.00 | - | - | - | 395.00 | 71.83 | 11,656.83 |
| Gardner J | 1,919.15 | - | - | - | - | - | - | 1,919.15 |
| Houghton S | 2,238.00 | - | - | - | - | - | - | 2,238.00 |
| Hussain N | 2,238.00 | - | - | - | - | - | - | 2,238.00 |
| Kabuye J | 2,238.00 | - | - | - | - | - | - | 2,238.00 |
| Kay S | 2,238.00 | - | - | 261.00 | - | - | - | 2,499.00 |
| McCabe D | 2,238.00 | - | - | 144.00 | - | - | - | 2,382.00 |
| Mubeen S | 318.85 | - | - | - | - | - | - | 318.85 |
| Ovens M | 2,238.00 | 505.01 | 69.38 | - | - | - | - | 2,812.39 |
| Sherris A | 2,238.00 | - | - | - | - | - | - | 2,238.00 |
| Stoker M | 2,238.00 | - | - | 81.90 | - | - | - | 2,319.90 |
| Taylor D | 2,238.00 | - | - | - | - | - | - | 2,238.00 |
| Wallace C | 1,931.18 | - | - | - | - | - | - | 1,931.18 |
| Totals 2025/26 | 35,808.00 | 16,030.44 | 69.38 | 486.90 | - | 395.00 | 71.83 | 52,861.55 |
| Totals 2024/25 | 35,711.74 | 16,120.13 | 841.40 | 562.50 | - | 790.00 | 151.66 | 54,177.43 |

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Note 11: Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations 2015, the Authority is required to disclose details of remuneration for senior employees and those earning more than £50,000.

The statutory duty to make provision under Part 2 of the Fire and Rescue Services Act 2004 for fire safety, fire fighting, action in respect of road accidents and other emergencies, together with other functions provided for in the Act is vested with the Cleveland Fire Authority.

Details on the roles of the Authority's senior managers are summarised below. The Chief Fire Officer is Head of Paid Service with direct responsibility to the Authority for:-

- i) the efficient operation of all functions of the Authority, both in respect of the statutory duties with regard to the Fire Services Act 2004 and any other activities approved by the Fire Authority, and
- ii) all administrative and managerial activities incidental to the running of the Authority, its equipment and premises.

Senior Employees

Senior employees are defined as the Chief Fire Officer and the senior officers reporting directly to the Chief Fire Officer.

The Chief Fire Officer is appointed by the whole Authority on a full-time basis; selected on merit against objective criteria. By law, the Chief Fire Officer is not allowed to participate in any party political activity and is expected to advise and assist all elected Members irrespective of their political affiliation.

The Assistant Chief Fire Officer - Director of Service Delivery directs the Authority's prevention, protection, emergency response, national resilience, operational support, training, communications and engagement services and resources.

The Assistant Chief Fire Officer - Director of Strategic Planning, People and Resources directs the Authority's services and resources relating to strategic planning, policy development, finance, risk, performance, asset management, estates, health and safety, legal, democratic and administration, human resources, organisational development, procurement and assurance.

Details of the remuneration of the senior employees of the Authority are shown in the following tables. Table A discloses the details for 2025/26 and Table B provides the details for 2024/25. The figures disclosed for 2025/26 for the Chief Fire Officer and Assistant Chief Fire Officers include the impact of the backdated national pay award payable from 1 January 2025, a consolidated uplift of £750. A 3.2% uplift on salary which has been paid from 1 July 2025. Future pay review dates will be effective from 1 July.

2025/26 - TABLE A

| Post Title | Gross Pay (before expenses and car lease) | Other Gross Pay (Pay award prior period arrears) | Expenses Reimbursed (Note 1) | Car Lease / Allowance | Total Remuneration excluding Pension Contributions 2025/26 | Pension Contributions (Note 2) | Total Remuneration including Pension Contributions 2025/26 | Note |
|---|---|--|------------------------------|-----------------------|--|--------------------------------|--|------|
| | £ | £ | £ | £ | £ | £ | £ | |
| Operational Posts | | | | | | | | |
| Chief Fire Officer, Peter Rickard | 175,241 | 750 | - | 12,287 | 188,278 | 66,173 | 254,451 | 3 |
| Assistant Chief Fire Officer - Director of Service Delivery | 129,172 | 750 | - | 6,259 | 136,181 | 48,851 | 185,032 | 4 |
| Corporate Posts | | | | | | | | |
| Assistant Chief Fire Officer - Director of Strategic Planning, People and Resources | 129,172 | 750 | 7,150 | 6,239 | 143,311 | 18,449 | 161,760 | 5 |
| Treasurer to the Fire Authority | 27,059 | - | - | - | 27,059 | - | 27,059 | 6 |
| Legal Advisor and Monitoring Officer | 35,090 | - | - | - | 35,090 | 4,983 | 40,073 | 7 |
| | 495,734 | 2,250 | 7,150 | 24,785 | 529,919 | 138,456 | 668,375 | |

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Note 11: Officers' Remuneration

2024/25 - TABLE B

| Post Title | Gross Pay (before expenses and car lease) | Other Gross Pay (Pay award prior period arrears) | Expenses Reimbursed (Note 1) | Car Lease /Allowance | Total Remuneration excluding Pension Contributions 2024/25 | Pension Contributions (Note 2) | Total Remuneration including Pension Contributions 2024/25 |
|---|---|--|------------------------------------|-------------------------|---|--------------------------------------|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Operational Posts | | | | | | | |
| Chief Fire Officer, Ian Hayton (Retired 08/09/24) | 97,966 | 1,355 | 20 | 4,964 | 104,305 | - | 104,305 |
| Chief Fire Officer, Peter Rickard (started 05/08/24) | 111,505 | - | 12,500 | 5,626 | 129,631 | 41,926 | 171,557 |
| Assistant Chief Fire Officer - Director of Service Delivery (Temp Promotion/ Substantive) | 125,118 | 2,101 | 206 | 7,076 | 134,501 | 46,505 | 181,006 |
| Corporate Posts | | | | | | | |
| Assistant Chief Fire Officer - Director of Strategic Planning, People and Resources (Retired 03/11/24) | 73,449 | 910 | - | 4,144 | 78,503 | 10,632 | 89,135 |
| Assistant Chief Fire Officer - Director of Strategic Planning, People and Resources (started 09/12/24) | 38,982 | - | 850 | 989 | 40,821 | 5,535 | 46,356 |
| Treasurer to the Fire Authority | 25,554 | - | - | - | 25,554 | - | 25,554 |
| Legal Advisor and Monitoring Officer | 34,002 | - | - | - | 34,002 | 4,828 | 38,830 |
| | 506,576 | 4,366 | 13,576 | 22,799 | 547,317 | 109,426 | 656,743 |

Notes to Table's A and B

- Expenses relate to NHS prescriptions, dental and ophthalmic treatments, travel and subsistence in 2024/25 but there have been no expenses claimed in 2025/26. Relocation expenses for the newly appointed Chief Fire Officer in 2024/25 and the Assistant Chief Fire Officer - Director of Strategic Planning, People and Resources in 2024/25 and 2025/26. In accordance with government guidance, the Authority's policy on relocation is a contribution towards the cost of removal and other incidental expenses. Any expenses claimed above the exempt limit and up to the Authority's maximum contribution will be subject to tax and national insurance. The Authority's policy in regard to relocation costs and expenses is applicable to the acquisition of a new residence or the acquisition of a tenancy, for example legal and professional fees.
- Pension contributions only relate to the Authority's contribution to the relevant pension scheme. For operational posts these contributions are set nationally and for corporate posts they are set by the Teesside Pension Fund. In addition, the employee contributes a share of their salary to the schemes. Operational staff in the 2015 Fire Fighters scheme earning between £27,819 and £51,515 contribute 12.9%, between £51,516 and £142,500 contribute 13.5%, and earning more than £142,501 contribute 14.5%. Corporate employees earning between £45,601 and £57,700 contribute 6.8%, earning between £57,701 and £81,000 contribute 8.5%, earning between £81,001 and £114,800 contribute 9.9% and earning between £114,801 and £135,300 contribute 10.5%.
- The Chief Fire Officer is paid a single point salary. Annual increases are paid in accordance with the National Joint Council for Fire Authority Managers pay settlement and from 2025/26 the applicable date moved to July (previously January). To address this change a national increase in the annual salary of £1,500 was agreed from January 2025, which increased the annual salary from January 2025 to £171,500 (£170,000 January 2024). From July 2025 the annual salary increased by the national pay award to £176,988 (i.e. £171,500 plus 3.2%).
- The Assistant Chief Fire Officer - Director of Service Delivery is paid a single point salary. Annual increases are paid in accordance with the National Joint Council for Fire Authority Managers pay settlement and from 2025/26 the applicable date moved to July (previously January). To address this change a national increase in the annual salary of £1,500 was agreed from January 2025, which increased the annual salary from January 2025 to £126,511 (£125,011 January 2024). From July 2025 the annual salary increased by the national pay award to £130,559 (i.e. £126,511 plus 3.2%).
- The Assistant Chief Fire Officer - Director of Strategic Planning, People and Resources is paid a single point salary. Annual increases are paid in accordance with the National Joint Council for Fire Authority Managers pay settlement and from 2025/26 the applicable date moved to July (previously January). To address this change a national increase in the annual salary of £1,500 was agreed from January 2025, which increased the annual salary from January 2025 to £126,511 (£125,011 January 2024). From July 2025 the annual salary increased by the national pay award to £130,559 (i.e. £126,511 plus 3.2%).
- The Treasurer to the Fire Authority is paid on a single point salary scale which for 2025/26 was £27,471 (£26,619 2024/25). There were no pension contributions made on behalf of the Treasurer. The Treasurer received remuneration for 98.5% of the possible annualised hours for 2025/26 (96% 2024/25).
- The Legal Advisor and Monitoring Officer is paid on a single point salary scale which for 2025/26 was £35,090 (£34,002 in 2024/25).

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Note 11: Officers' Remuneration

Other employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations 2015, the number of employees of the Authority whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for Authority employees then it would be £93,122. As a result the number of employees requiring disclosure has increased.

This table excludes details of senior officers set out in Table A.

In line with the Code guidance, 'Remuneration' is measured as gross pay (before deduction of employees' pension contributions), plus compensation for loss of office and any other payments receivable on the termination of employment. Employer pension contributions are excluded.

| No. of Employees 2024/25 | Remuneration Band (£) | No. of Employees 2025/26 |
|-----------------------------|--------------------------|-----------------------------|
| 20 | 50,000 to 54,999 | 44 |
| 11 | 55,000 to 59,999 | 9 |
| 8 | 60,000 to 64,999 | 11 |
| 3 | 65,000 to 69,999 | 6 |
| 11 | 70,000 to 74,999 | 7 |
| 1 | 75,000 to 79,999 | 4 |
| 2 | 80,000 to 84,999 | 2 |
| 1 | 85,000 to 89,999 | 2 |
| - | 90,000 to 94,999 | - |
| 1 | 95,000 to 99,999 | - |
| - | 100,000 to 104,999 | 2 |
| 58 | | 87 |

Termination Costs

Termination Costs are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

- an authority's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept an offer of benefits in exchange for the termination of employment.

There were 2 redundancy payments and 1 termination payment in 2025/26. Owing to the small number of individuals involved, further disclosure is withheld to protect personal data.

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Note 12: Non-Current Assets - Property, Plant & Equipment

| Movements in 2025/26 | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | PP&E Under Construction | Surplus Assets | Right-of-Use Assets (Vehicles, Plant, Furniture & Equipment) | Total |
|--|------------------------|--|-------------------------|----------------|--|----------------|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Certified Valuation | | | | | | |
| At 1 April 2025 | 42,717 | 11,590 | 1,031 | - | 293 | 55,631 |
| Additions | 3 | 795 | 903 | - | 48 | 1,749 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 761 | - | - | - | - | 761 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | - | - | - | - | - | - |
| Indexation Increases/(decreases) | 802 | - | - | - | - | 802 |
| Assets reclassified | 463 | 21 | (484) | - | - | - |
| Derecognition-Disposals | - | - | - | - | (5) | (5) |
| Impairment recognised in Surplus/Deficit on Provision of Services | - | - | - | - | - | - |
| At 31 March 2026 | 44,746 | 12,406 | 1,450 | - | 336 | 58,938 |
| Accumulated Depreciation and Impairment | | | | | | |
| At 1 April 2025 | (2,477) | (6,916) | - | - | (135) | (9,528) |
| Depreciation Charge | (571) | (526) | - | - | (130) | (1,227) |
| Depreciation written out to the Revaluation Reserve on Historic Cost | (346) | - | - | - | - | (346) |
| Depreciation written out to the Revaluation Reserve on Revalued Assets | 1,644 | - | - | - | - | 1,644 |
| Depreciation written out to the Surplus/Deficit on Provision of service | - | - | - | - | - | - |
| Derecognition - Disposals | - | - | - | - | - | - |
| At 31 March 2026 | (1,750) | (7,442) | - | - | (265) | (9,457) |
| Net Book Value | | | | | | |
| At 31 March 2026 | 42,996 | 4,964 | 1,450 | - | 71 | 49,481 |
| Nature of Asset Holding | | | | | | |
| Owned | 42,996 | 4,964 | 1,450 | - | - | 49,410 |
| Leased | - | - | - | - | 71 | 71 |
| Total | 42,996 | 4,964 | 1,450 | - | 71 | 49,481 |
| | | | | | | |
| Movements in 2024/25 | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | PP&E Under Construction | Surplus Assets | Right-of-Use Assets (Vehicles, Plant, Furniture & Equipment) | Total |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Certified Valuation | | | | | | |
| At 1 April 2024 | 43,834 | 10,676 | 19 | 130 | - | 54,659 |
| Additions | 247 | 914 | 1,012 | - | 293 | 2,466 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (1,338) | - | - | - | - | (1,338) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (26) | - | - | - | - | (26) |
| Assets reclassified | - | - | - | - | - | - |
| Derecognition-Disposals | - | - | - | (130) | - | (130) |
| Impairment recognised in Surplus/Deficit on Provision of Services | - | - | - | - | - | - |
| At 31 March 2025 | 42,717 | 11,590 | 1,031 | - | 293 | 55,631 |
| Accumulated Depreciation and Impairment | | | | | | |
| At 1 April 2024 | (2,355) | (6,401) | - | - | - | (8,756) |
| Depreciation Charge | (574) | (515) | - | - | (135) | (1,224) |
| Depreciation written out to the Revaluation Reserve on Historic Cost | (371) | - | - | - | - | (371) |
| Depreciation written out to the Revaluation Reserve on Revalued Assets | 823 | - | - | - | - | 823 |
| Depreciation written out to the Surplus/Deficit on Provision of service | - | - | - | - | - | - |
| Derecognition - Disposals | - | - | - | - | - | - |
| At 31 March 2025 | (2,477) | (6,916) | - | - | (135) | (9,528) |
| Net Book Value | | | | | | |
| At 31 March 2025 | 40,240 | 4,674 | 1,031 | - | 158 | 46,103 |
| Nature of Asset Holding | | | | | | |
| Owned | 40,240 | 4,674 | 1,031 | - | - | 45,945 |
| Leased | - | - | - | - | 158 | 158 |
| Total | 40,240 | 4,674 | 1,031 | - | 158 | 46,103 |

SECTION 4: Statement of Accounts

Depreciation

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

- Other Land and Buildings - straight-line allocation over the useful life of the property as estimated by the valuer - 40 years.
- Vehicles, Plant, Furniture & Equipment - straight-line allocation over the useful life of the asset - up to 20 years.

Revaluation and Indexation

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued at least every five years. All valuations are carried out by Hartlepool Borough Council on behalf of the Authority as at 31 March 2026. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

| | Other Land & Buildings £000s | Vehicles, Plant, Furniture & Equipment £000s | PP&E Under Construction £000s | Surplus Assets £000s | Right-of-Use Assets £000s | Total £000s |
|--|---------------------------------|---|----------------------------------|-------------------------|------------------------------|----------------|
| Valued at Historical Cost | - | 4,964 | 1,450 | - | 71 | 6,485 |
| Valued at current value as at: | | | | | | |
| Current Year | | | | | | |
| 2025/2026 | 15,624 | - | - | - | - | 15,624 |
| 2024/2025 | 10,361 | - | - | - | - | 10,361 |
| 2023/2024 | 5,422 | - | - | - | - | 5,422 |
| 2022/2023 | 6,280 | - | - | - | - | 6,280 |
| 2021/2022 | 4,507 | - | - | - | - | 4,507 |
| Indexation Applied to Valuations above | 802 | - | - | - | - | 802 |
| Total | 42,996 | 4,964 | 1,450 | - | 71 | 49,481 |

Indexation

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.

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, those assets not subject to a formal in-year revaluation as part of the of the five-year rolling programme will be subject to indexation in the four intervening years.

The significant assumptions applied in estimating the current values of Property, Plant and Equipment are:

- A range of indices have been applied to reflect movements in asset values by asset class. Construction-based indices have been applied to specialised operational property, while market-based indices have been applied to land and other property assets. Indices have been selected based on their relevance to the asset characteristics and the availability of reliable data.
- That indexation provides a reasonable approximation of current value for the majority of assets. However, as indexation is based on general market data, it may not fully reflect asset-specific or localised variations.

| Index | Average Change % | Valuation Change £000s |
|---|------------------|---------------------------|
| Fire Stations - Building Cost Information Service - General Tees Valley | 2.7 | 547 |
| Farmland - Carter Jonas - Market Update North East | (2.5) | (1) |
| Offices - Costar - Capital Value Index Tees Valley | 3.7 | 127 |
| Industrial - Costar - Capital Value Index Tees Valley | 4.5 | 49 |
| HM Land Registry - Open Data House Price Index Hartlepool | 8.0 | 28 |
| HM Land Registry - Open Data House Price Index Redcar and Cleveland | 5.8 | 47 |
| HM Land Registry - Open Data House Price Index Middlesbrough | 1.1 | 1 |
| HM Land Registry - Open Data House Price Index Stockton-on-Tees | 0.9 | 4 |
| Total indexation applied in 2025/26 | | 802 |

SECTION 4: Statement of Accounts

Note 12: Non-Current Assets - Property, Plant & Equipment

Capital Commitments

At 31 March 2026, the Authority had rephased capital expenditure totalling £4.024m into 2026/27 of which £1.674m is funded by Capital Investment Programme Reserve and £2.350m from Prudential Borrowing. The rephased capital relates to Property Works £1.050m, Vehicles £2.034m, Mobilising System £0.599m, Specialist Equipment £0.172m, Generator Upgrades £0.082m and Other Equipment of £0.087m. The comparable capital commitment at 31 March 2025 was Property Works £1.100m, Mobilising System £0.636m, Specialist Equipment £1.229m, Vehicles £0.418m, Generator Upgrades £0.083m, Cyber Security Upgrades £0.075m and Other Equipment £0.143m.

Surplus Assets - Fair Value

As at 31 March 26 there are no surplus assets.

Revaluation Reserve Balance

The following is an analysis of the Revaluation Reserve by asset type.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|------------------------|------------------|
| 16,920 | Other Land & Buildings | 19,781 |
| 31 | Investment Properties | 31 |
| <u>16,951</u> | | <u>19,812</u> |

Note 13: Non-Current Assets - Investment Property

The Authority has one investment property. The property is rented by Cleveland Police at a peppercorn rent. This building was refurbished by the tenant in 2017/18 and there have been no operating costs associated with this building.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|------------------|
| 255 | Balance at the start of the year | 315 |
| | Additions | |
| - | Subsequent expenditure | - |
| 60 | Net gains/(losses) from fair value adjustments | - |
| | Transfers | |
| - | (To)/from Property, Plant & Equipment | - |
| <u>315</u> | Balance at the end of the year | <u>315</u> |

Investment Property - Fair Value

The asset was valued using level 2 of the fair value hierarchy.

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset or liability.

Highest and Best Use of Investment Properties

The Authority's investment property has been valued on the basis of market value. The current value of the property is the 'highest and best', most valuable use of the site.

SECTION 4: Statement of Accounts

Note 14: Non-Current Assets - Intangible Assets

The Authority accounts for its software as intangible assets and includes the purchase of software licences.

All software is given a finite useful life of up to 10 years. This is based on the assessment of the period that the software is expected to be of use to the Authority and is in line with the Authority's accounting policy.

The carrying amount of intangible assets is amortised on a straight line basis.

The amortisation of £0.010m charged to revenue in 2025/26 was charged to the Supplies and Services heading in the Cost of Services.

The movement on intangible asset balances during the year is as follows:

| 2024/25 £000s | | 2025/26 £000s |
|------------------|---|------------------|
| | Balance at the start of the year | |
| 153 | Gross carrying amounts | 153 |
| (95) | Accumulated amortisation | (105) |
| <u>58</u> | Net carrying amount at start of year | <u>48</u> |
| | | |
| - | Additions | - |
| (10) | Amortisation for the period | (10) |
| <u>48</u> | Net carrying amount at end of year | <u>38</u> |
| | | |
| | Comprising | |
| 153 | Gross carrying amounts | 153 |
| <u>(105)</u> | Accumulated amortisation | <u>(115)</u> |
| <u>48</u> | | <u>38</u> |

SECTION 4: Statement of Accounts

Note 15: Non-Current Assets - Right-of-Use Assets

The Authority adopted IFRS16 Leases with effect from 1 April 2024. The main impact of the requirements of IFRS16 is that, for some arrangements previously accounted for as an operating lease, a Right-of-Use asset and lease liability are now included on the balance sheet.

The lease liability was measured at the present value of the lease payment, discounted at the rate uplift in the lease. If this was not readily determined, the Authority applied an incremental borrowing rate specific to the term and start date of the lease using Public Works Loans Board rates.

The Authority has decided to apply recognition exemptions to short term leases that have a term of less than 12 months (including leases that expire within 12 months of 31 March 2026) and low value items of less than £0.010m. This expenditure continues to be charged to the Comprehensive Income and Expenditure Statement.

Two additional vehicles were leased in 2025/26. 25 photocopiers are exempt due to a value of less than £0.010m.

Right-of-Use assets are included within Note 12 - Property, Plant & Equipment.

Transactions under leasing

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

| 2024/25 £000s | Comprehensive Income and Expenditure Statement | 2025/26 £000s |
|------------------|---|------------------|
| 9 | Interest expenses on lease liabilities | 1 |
| 14 | Expenses on short term leases | - |
| 9 | Expenses relating to exempt leases of low value | 9 |
| | Cash Flow Statement | |
| 170 | Minimum lease payments | 143 |

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

| 2024/25 £000s | Maturity analysis of lease liabilities | 2025/26 £000s |
|------------------|---|------------------|
| 130 | Not later than one year | 37 |
| 25 | Later than one year & not later than five years | 19 |
| 1 | Finance costs payable in the future | 3 |
| 156 | | 59 |

SECTION 4: Statement of Accounts

Note 16: Operating Leases

As at 31 March 2025 the Authority had 3 vehicles and 25 photocopiers previously classed as operating leases. The 3 vehicles have been returned and the photocopiers are now classed as low value items of less than £0.010m and shown in Note 15 Right-of-Use Assets.

During 2025/26 the Authority arranged 5 vehicles for staff under a salary sacrifice scheme. These are classified as operating leases, with typical lives of five years. The future minimum lease payments due under non-cancellable leases in

| 2024/25 £000s | Authority as Lessee Future minimum lease payments due | 2025/26 £000s |
|------------------|--|------------------|
| 11 | Not later than one year | 31 |
| 18 | Later than one year & not later than five years | 76 |
| <u>29</u> | | <u>107</u> |
| 2024/25 £000s | Authority as Lessor Future minimum lease payments due | 2025/26 £000s |
| - | Not later than one year | 31 |
| - | Later than one year & not later than five years | 76 |
| <u>-</u> | | <u>107</u> |

The minimum lease payments incurred in year are as follows:

| 2024/25 £000s | Minimum Lease Payments in Year | 2025/26 £000s |
|------------------|---------------------------------------|------------------|
| 9 | Vehicles | 23 |
| 11 | Equipment | - |
| - | Sub Lease payments | (23) |
| <u>20</u> | | <u>-</u> |

Note 17: Long Term Debtors

This note sets out amounts owed to the Authority as at the 31 March 2026.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|----------------|------------------|
| 13 | Employee Other | 5 |
| <u>13</u> | | <u>5</u> |

Note 18: Short Term Debtors

This note sets out amounts owed to the Authority as at the 31 March 2026.

| 2024/25 Net Debtor £000s | | 2025/26 Net Debtor £000s |
|-----------------------------------|---|-----------------------------------|
| 1,553 | Government Bodies: | |
| 3,555 | Central Government Bodies | 2,174 |
| - | Other Local Authorities | 3,947 |
| | NHS Bodies | 1 |
| | Bodies external to general government: | |
| 164 | General and Other Debtors | 272 |
| 73 | Trade Debtors | 43 |
| <u>5,345</u> | | <u>6,437</u> |

The Central Government Bodies debtor relates mainly to the Fire Fighters Pension Scheme top up grant also disclosed in the Pension Fund Account Statement. The Other Local Authorities debtor mainly relates to year end entries required in relation to the Collection Fund.

The above Other Local Authorities debtors figure is net of an impairment allowance of £2.057m (£1.946m as at 31 March 2025).

SECTION 4: Statement of Accounts

Note 19: Cash and Cash Equivalents

This note sets out details of the Authority's cash in hand and instant access investment accounts in addition to the overdraft included in the Liabilities section of the balance sheet.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|----------------------------|------------------|
| | Current Assets | |
| 55 | Bank and Imprests | - |
| 723 | Liquidity Accounts | 862 |
| <u>778</u> | | <u>862</u> |
| | Current Liabilities | |
| - | Bank Overdraft | (42) |
| <u>-</u> | | <u>(42)</u> |
| <u>778</u> | | <u>820</u> |

Note 20: Short Term Creditors

This note sets out amounts owed by the Authority as at 31 March 2026.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|---|------------------|
| | Government Bodies | |
| 492 | Central Government Bodies | 524 |
| 569 | Collection Fund Agency Agreement | 590 |
| 2,628 | Other Local Authorities | 3,068 |
| | Bodies external to general government: | |
| 360 | Employees | 370 |
| 567 | General and Other Creditors | 533 |
| 575 | Trade Creditors | 407 |
| <u>5,191</u> | | <u>5,492</u> |

The Other Local Authorities creditor mainly relates to year end entries required in relation to the Collection Fund.

Note 21: Provisions

| 2024/25 £000s | | 2025/26 £000s |
|------------------|------------------------------------|------------------|
| 713 | Balance at 1 April | 647 |
| - | Additional provisions made in year | 67 |
| <u>(66)</u> | Amounts used in year | <u>(103)</u> |
| <u>647</u> | Balance at 31 March | <u>611</u> |

Following the implementation of the Business Rates Retention Scheme, a provision was earmarked to fund backdated rating appeals as a result of Rateable Value changes.

A provision for Pension Remedy was created in 2021/22 following the McCloud Remedy Judgement. Members were transitioned to the new Fire Fighters 2015 Scheme based on age, which has been judged to be discriminatory.

A provision for Bear Scotland was created in 2023/24, this relates to the finding of the Court of Appeal in Flowers v East of England Ambulance Trust. The appeal decided that 'voluntary overtime that is regularly worked' should be included in normal pay for holiday pay calculation purposes.

SECTION 4: Statement of Accounts

Note 22: Grant Income & Taxation

| 2024/25 £000s | | 2025/26 £000s |
|------------------|---|----------------------|
| | Credited to Taxation and Non Specific Grant Income | |
| 16,746 | Council Tax Precept & Business Rates Income | 17,838 |
| 8,116 | NNDR Distribution - Top Up Grant | 8,210 |
| 7,888 | Revenue Support Grant | 8,027 |
| 2,252 | Section 31 Grant Business Rates | 2,477 |
| 294 | Funding Guarantee Grant | - |
| 65 | Services Grant | - |
| 13 | Redmond Review | 27 |
| 8 | Transparency Code | - |
| <u>35,382</u> | Total | <u>36,579</u> |
| | Credited to Services | |
| 1,134 | Home Office Firefighters Pension Grant (Section 31) | 1,063 |
| 347 | Other Grants | 658 |
| 23 | New Dimension - Training | 40 |
| 73 | Command and Control - FireLink Project | 10 |
| <u>1,577</u> | Total | <u>1,771</u> |

The Authority has received grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned if the conditions are not met. The balances at year end are as follows:

Grants Receipts in Advance (Revenue Grants)

| 2024/25 £000s | | 2025/26 £000s |
|------------------|------------------------------|-------------------|
| 2,676 | Revenue Support Grant | - |
| 205 | New Dimension Grant | 220 |
| 10 | Fire Link | - |
| 8 | Modern Apprentice Levy Grant | 8 |
| 4 | Protection Uplift | 1 |
| <u>2,903</u> | | <u>229</u> |

Note 23: Long Term Borrowing

This note sets out details of the Authority's Long Term Borrowing.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|-------------------------------------|---------------------|
| | Loan repayments due after one year: | |
| 2,000 | Money Market | 2,000 |
| 6,589 | Public Works Loan Board | 6,481 |
| <u>8,589</u> | | <u>8,481</u> |

Note 24: Other Long Term Liabilities

The Other Long Term Liabilities relate to the Net Pensions and lease liabilities.

The Authority adopted IRFS16 as at 1 April 2024. The lease liability relates to the outstanding principle on the Authority's Right-of-Use Assets.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|------------------------|-----------------------|
| 324,555 | Net Pensions Liability | 327,318 |
| 25 | Lease Liability | 18 |
| <u>324,580</u> | | <u>327,336</u> |

SECTION 4: Statement of Accounts

Note 25: Unusable Reserves

| 2024/25 £000s | | 2025/26 £000s | Table |
|------------------|------------------------------------|-------------------------|-------|
| 16,951 | Revaluation Reserve | 19,812 | 1 |
| 19,311 | Capital Adjustment Account | 19,558 | 2 |
| (324,555) | Pensions Reserve | (327,318) | 3 |
| 181 | Collection Fund Adjustment Account | 153 | 4 |
| (357) | Accumulated Absences Account | (370) | 5 |
| <u>(288,469)</u> | Balance at 31 March | <u>(288,165)</u> | |

Table 1 - 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 the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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 balance on the Capital Adjustment Account.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|---|----------------------|
| 17,969 | Balance at 1 April | 16,951 |
| (1,482) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (570) |
| 965 | Upward revaluation of assets | 2,975 |
| - | Indexation adjustment | 802 |
| (517) | Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | 3,207 |
| (371) | Difference between fair value depreciation and historical cost depreciation | (346) |
| (130) | Accumulated gains/(losses) on assets sold, scrapped or decommissioned | - |
| (501) | Amounts written off to the Capital Adjustment Account | (346) |
| <u>16,951</u> | Balance at 31 March | <u>19,812</u> |

SECTION 4: Statement of Accounts

Table 2 - Capital Adjustment Account

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

The Account contains accumulated gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 4 provides details of the source of all the transactions posted to the Accounts apart from those involving the Revaluation Reserve.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|------------------|
| 18,568 | Balance at 1 April | 19,311 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (1,595) | Charges for depreciation and impairment of non-current assets | (1,573) |
| (26) | Revaluation losses on Property, Plant and Equipment | - |
| (10) | Amortisation of intangible assets | (10) |
| (130) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - |
| (1,761) | | (1,583) |
| 501 | Adjusting amounts written out of the Revaluation Reserve | 346 |
| (1,260) | Net written out amount of the cost of non-current assets consumed in the year | (1,237) |
| | Capital financing applied in the year: | |
| - | Application of Capital Receipts Reserve to finance capital expenditure | 13 |
| 22 | Application of Capital Receipts in relation to finance lease to reduce capital financing requirement | - |
| 674 | Statutory provision for the financing of capital investment charged against the General Fund balances | 693 |
| 1,247 | Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 778 |
| 1,943 | | 1,484 |
| 60 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | - |
| 19,311 | Balance at 31 March | 19,558 |

SECTION 4: Statement of Accounts

Table 3 - 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 pays 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.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|-------------------------|
| (372,194) | Balance at 1 April | (324,555) |
| 69,458 | Remeasurement of defined pension liability on pensions assets and liabilities | 12,025 |
| (4,735) | Impact of Asset Ceiling | 65 |
| (23,041) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (20,821) |
| 5,473 | Employer's pension contributions | 5,677 |
| 484 | Direct payments to pensioners payable in year | 291 |
| <u>(324,555)</u> | Balance at 31 March | <u>(327,318)</u> |

Table 4 - Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates precept income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts set by the billing authorities.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|-------------------|
| 555 | Balance at 1 April | 181 |
| (374) | Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (28) |
| <u>181</u> | Balance at 31 March | <u>153</u> |

SECTION 4: Statement of Accounts

Table 5 - 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 2026. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|---|---------------------|
| (298) | Balance at 1 April | (357) |
| (59) | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (13) |
| <u>(357)</u> | Balance at 31 March | <u>(370)</u> |

Note 26: Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

Central Government

Central Government have effective control over the general operations of the Authority. It is responsible for providing the Statutory framework within which the Authority operates, and provides the majority of funding in the form of general or specific grants.

Local Government

The Authority obtains part of its income from Precepts and Business Rates levied on the collection authorities in its area. During the year, transactions with related parties were as follows:

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|----------------------|
| | Council Tax Precepts/Business Rates Retention | |
| 2,631 | Hartlepool Borough Council | 2,846 |
| 3,755 | Middlesbrough Borough Council | 3,911 |
| 4,106 | Redcar and Cleveland Borough Council | 4,191 |
| <u>6,254</u> | Stockton-on-Tees Borough Council | <u>6,890</u> |
| <u>16,746</u> | | <u>17,838</u> |

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 Fire Officer and Directors' interests are also required to be reported. After consultation with the Chief Fire Officer and Directors there are no disclosures to report.

Land & Property

The Authority has an operating lease with a peppercorn rent, relating to Land and Property, with the Police and Crime Commissioner for use of part of Grangetown Fire Station.

Other Relevant Information

The cost of services provided by the Authority to the four constituent authorities total £0.102m (£0.107m in 2024/25). The cost of services received by the Authority from Hartlepool Borough Council total £0.240m (£0.255m in 2024/25).

SECTION 4: Statement of Accounts

Note 27: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and to non-audit services provided by the Authority's external auditors:

| RESTATED 2024/25 £000s | | 2025/26 £000s |
|------------------------------|---|------------------|
| 101 | Fees payable in respect of external audit services carried out by the appointed auditor for the year | 110 |
| 5 | Additional fee owing to work required for audit of the Group Accounts | - |
| (15) | Adjustment for work not completed | - |
| 26 | Additional fee owing to work required to consider the impact of the liquidation of Cleveland Fire Brigade Risk Management | - |
| <u>117</u> | | <u>110</u> |

The above shows fees payable in respect of external audit services carried out by the appointed auditor Forvis Mazars LLP. The 2024/25 figures have been updated to reflect the actual cost of the 2024/25 audit. Previously reported fees were £0.106m. The 2025/26 figures are based on an estimate. The Authority received £0.027m from the Ministry of Housing, Communities, and Local Government (MHCLG) in relation to the Redmond Review for 2025/26. This is not reflected above.

Note 28: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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. The CFR is analysed in the second part of this note.

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|------------------|
| 9,680 | Opening Capital Financing Requirement | 10,203 |
| | Capital investment | |
| 1,161 | Property, Plant and Equipment | 798 |
| 1,012 | Assets Under Construction | 903 |
| 293 | Right-of -Use Assets | 48 |
| | Sources of Finance | |
| | <i>Sums set aside from revenue:</i> | |
| (1,247) | Direct Revenue Contributions | (778) |
| - | Application of Capital Receipts | (13) |
| (22) | Application of Capital Receipts in relation to finance lease to reduce Capital Financing Requirement | - |
| (674) | Minimum Revenue Provision (MRP) | (693) |
| <u>10,203</u> | Closing Capital Financing Requirement | <u>10,468</u> |
| | Explanation of movements in year | |
| 926 | Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance) | 910 |
| 293 | Increase/(decrease) in lease obligations | 48 |
| (22) | Application of Capital Receipts in relation to finance lease to reduce Capital Financing Requirement | - |
| (674) | Minimum Revenue Provision (MRP) | (693) |
| <u>523</u> | Increase/(decrease) in Capital Financing Requirement | <u>265</u> |

SECTION 4: Statement of Accounts

Note 29: Financial Instruments

Categories of Financial Instruments

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

| 2024/25 | | | 2025/26 | |
|--------------------|------------------|---|--------------------|------------------|
| Long Term £000s | Current £000s | | Long Term £000s | Current £000s |
| | | Investments at Amortised Cost | | |
| - | 723 | Liquidity Accounts included in Cash Equivalents | - | 862 |
| - | 15,561 | Loans and receivables at Amortised Cost | - | 12,791 |
| - | 16,284 | Total Investments at Amortised Cost | - | 13,653 |
| | | Debtors | | |
| 13 | 237 | Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors) | 5 | 315 |
| 13 | 237 | Total debtors | 5 | 315 |
| | | Borrowings at Amortised Cost | | |
| 8,589 | 152 | Financial liabilities at amortised cost (Note 1) | 8,481 | 154 |
| 8,589 | 152 | Total borrowings at Amortised Cost | 8,481 | 154 |
| | | Other Long Term liabilities | | |
| 25 | - | Lease liabilities | 18 | - |
| 25 | - | Total Other Long Term Liabilities | 18 | - |
| | | Creditors | | |
| - | 1,142 | Financial liabilities carried at contract amount (Trade Creditors, General and Other Creditors) | - | 940 |
| - | 1,142 | Total Creditors | - | 940 |

Note 1 - As required accrued interest relating to long term borrowing is disclosed within the short term borrowing figure on the balance sheet.

SECTION 4: Statement of Accounts

Note 29: Financial Instruments

Income, Expense, Gains and Losses

This note comprises details of income, expenses and revaluation losses that relate specifically to financial instruments. Interest expense, interest income and gains or losses on revaluations are included along with other non financial instrument related income and expenditure within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

| 2024/25 | | | | 2025/26 | | |
|--|---|-------|-------------------------------------|--|---|--------------|
| Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables at amortised cost | Total | | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables at amortised cost | Total |
| £000s | £000s | £000s | | £000s | £000s | £000s |
| 294 | - | 294 | Interest expense | 284 | - | 284 |
| - | (937) | (937) | Interest income | - | (732) | (732) |
| 294 | (937) | (643) | Net (gain)/loss for the year | 284 | (732) | (448) |

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

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. However disclosure of their value is required and is set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Input to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the "fair value hierarchy," as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities;
- Level 2 - Inputs other than quoted market prices that are either directly or indirectly observable;
- Level 3 - Unobservable inputs.

The fair value of the assets and liabilities below has been assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments (Level 2 in the fair value hierarchy), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans payable, premature market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

SECTION 4: Statement of Accounts

Note 29: Financial Instruments

The fair values calculated are as follows:

| 31 March 2025 | | | 31 March 2026 | |
|--------------------------|---------------------|--|--------------------------|---------------------|
| Carrying Amount £000s | Fair Value £000s | | Carrying Amount £000s | Fair Value £000s |
| | | Financial Assets | | |
| 15,561 | 15,561 | Investments maturing within one year | 12,791 | 12,791 |
| 723 | 723 | Liquidity Accounts | 862 | 862 |
| 237 | 237 | Short Term Debtors | 315 | 315 |
| 13 | 13 | Long Term Debtors | 5 | 5 |
| 16,534 | 16,534 | | 13,973 | 13,973 |
| | | Financial liabilities | | |
| 2,001 | 2,366 | Market Loans | 2,000 | 2,280 |
| 6,740 | 5,084 | Public Works Loan Board | 6,635 | 4,852 |
| 1,142 | 1,142 | Trade Creditors, General and Other Creditors | 940 | 940 |
| 25 | 25 | Long Term Lease Liability | 18 | 18 |
| 9,908 | 8,617 | | 9,593 | 8,090 |

The fair value of Public Works Loan Board (PWLB) loans of £4.852m 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 is calculated by applying the PWLB redemption interest rates, which are lower than the borrowing interest rates. The fair value therefore measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, taken to be these lower redemption interest rates. However, it should be noted that the borrowing interest rates on the debt drawn equated to the prevailing borrowing, as opposed to redemption rates at the balance sheet date.

However, the Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £6.635m would be valued at £4.354m. However, if the Authority were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would give a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £6.635m less a discount for the reduced interest income of £1.783m totalling £4.852m.

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional gain (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders below current market rates.

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

Changes in Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

SECTION 4: Statement of Accounts

Note 30: 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;
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements;
- re-financing risk - the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

The Authority's overall risk management procedures focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by Hartlepool Borough Council's Treasury Management team as part of the Service Level Agreement under policies approved by the Authority in the annual Treasury Management Strategy. These are in accordance with the Local Government Act 2003 and associated regulations and require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Authority's overall borrowing;
 - its maximum and minimum exposures to the maturity structure of its debt;
 - its maximum and minimum exposures to fixed and variable rates;
 - its management of interest rate exposure;
 - its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The annual Treasury Management Strategy, which incorporates the prudential indicators, was approved by the Fire Authority on 28 March 2025 and is available on the Fire Authority website. The key issues within the strategy were:

- the Authorised Limit for 2025/26 was set at £17.0m (£18.0m in 2024/25). This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was set at £15.0m (£16.0m in 2024/25). This is the expected level of debt and other long term liabilities during the year;
- the maximum amounts of gross fixed interest rate exposure for borrowing and investments was set at 100% and 100% respectively;
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at 75% and 100% respectively.

These items are reported within the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is reported quarterly to Members. The role of the Audit & Governance Committee includes the scrutiny of treasury activities.

Credit Risk

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

This 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 Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Authority now operates a very restricted counterparty list which is actively managed to reflect continuing developments in the banking and financial sector.

The Investment Strategy for 2025/26 is included within the Authority's Treasury Management Strategy.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £13.361m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2026 that this was likely to crystallise.

SECTION 4: Statement of Accounts

Note 30: Nature and Extent of Risks Arising from Financial Instruments

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

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

Amounts Arising from Expected Credit Losses

The Authority has made no loss allowance for financial assets as the Authority has assessed that any risk of default in relation to borrowers or trade, general and other debtors are not material.

The Authority does not generally allow credit for customers, such that £0.077m of the £0.315m Debtors (Financial Assets) balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

| 31 March 2025 £000s | | 31 March 2026 £000s |
|------------------------|------------------------|------------------------|
| 61 | Less than three months | 58 |
| 12 | Three to six months | 8 |
| 36 | Six months to one year | 11 |
| 33 | More than one year | - |
| <u>142</u> | | <u>77</u> |

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and upper limit to 100%.

The maturity structure of borrowing at the year end was as follows:

| 31 March 2025 £000s | | 31 March 2026 £000s |
|------------------------|--|------------------------|
| 105 | Less than one year | 108 |
| 452 | Between one and five years | 465 |
| 644 | Between five and ten years | 663 |
| 744 | Between ten and fifteen years | 766 |
| 861 | Between fifteen and twenty years | 886 |
| 995 | Between twenty and twenty-five years | 1,024 |
| 2,651 | Between twenty-five years and thirty years | 2,529 |
| 242 | Between thirty and thirty-five years | 147 |
| - | Between thirty-five and forty years | - |
| - | Between forty and forty-five years | - |
| 2,000 | More than forty-five years | 2,000 |
| <u>8,694</u> | | <u>8,588</u> |

All trade and other payables are due to be paid in less than one year.

SECTION 4: Statement of Accounts

Note 30: Nature and Extent of Risks Arising from Financial Instruments

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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

The Authority holds £2m of long term borrowing in the form of a LOBO (Lender Option Borrower Option) loan from the money markets, which is subject to periodic "calls" from the lender. Where the lender decides to "call" a loan, they increase the interest rate of the loan and the Authority then has the opportunity to accept the increased rate or to repay the loan. In accordance with the Code of Practice, the Authority's LOBO is included in the maturity analysis according to the end date of the loan rather than when the next call date falls.

The Authority's view is that the risk of these loans being called is low and there is therefore minimum refinancing risk. The Authority manages this risk through the Treasury Management Strategy.

The intention is to move to fixed rate borrowing when rates are at an appropriate level and may require the use of variable rate borrowing in the interim. The Authority has maximised the use of its balances to defer borrowing and avoid the risk of default on investments.

According to this assessment strategy, at 31 March 2026, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £000s |
|---|--------------|
| Increase in interest payable on borrowings | 85 |
| Increase in interest receivable on variable rate investments | (137) |
| Impact on Surplus or Deficit on the Provision of Services | (52) |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement) | (985) |

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

Price Risk

The Authority does not invest in equity shares and is consequently not exposed to losses arising from movements in the prices of the shares.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Collateral Risk

During the reporting period the Authority held no collateral as security and is therefore not exposed to losses arising from this risk.

SECTION 4: Statement of Accounts

Note 31: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2024/25 £000s | | 2025/26 £000s |
|------------------|-------------------|------------------|
| 937 | Interest received | 732 |
| (294) | Interest paid | (284) |

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|------------------|
| 1,595 | Depreciation | 1,573 |
| 26 | Impairment and downward valuations | - |
| 10 | Amortisation | 10 |
| 3,874 | Increase/(decrease) in creditors | (2,373) |
| 1,118 | (Increase)/decrease in debtors | (1,092) |
| 37 | (Increase)/decrease in inventories | (56) |
| 17,084 | Pension Liability | 14,853 |
| (126) | Other non-cash items | (37) |
| 130 | Carrying amount of non-current assets sold | - |
| <u>23,748</u> | | <u>12,878</u> |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|------------------|
| (910) | Proceeds from short-term and long-term investments | 2,770 |
| (109) | Proceeds from sale of property, plant and equipment, investment property and intangible assets | (13) |
| <u>(1,019)</u> | | <u>2,757</u> |

Note 32: Cash Flow Statement - Investing Activities

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--|------------------|
| (2,590) | Purchase of property, plant and equipment and investment property | (1,749) |
| (3,235) | Purchase of short-term and long-term investments | - |
| - | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 13 |
| 131 | Other receipts from investing activities | 7 |
| 910 | Proceeds from short-term and long-term investments | - |
| <u>(4,784)</u> | Net cash flows from investing activities | <u>(1,729)</u> |

Note 33: Cash Flow Statement - Financing Activities

| 2024/25 £000s | | 2025/26 £000s |
|------------------|---|------------------|
| - | Cash receipts of short- and long-term borrowing | 2 |
| (920) | Repayments of short- and long-term borrowing | (108) |
| <u>(920)</u> | Net cash flows from financing activities | <u>(106)</u> |

SECTION 4: Statement of Accounts

Note 34: Defined Benefit Pension Schemes

Participation in 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 and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two pension schemes (see Statement of Accounting Policies for further details).

- The Local Government Pension Scheme.
- The Firefighters' Pension Scheme. New arrangements were introduced from 1 April, 2015.

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

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

Transactions Relating to Post-employment Benefits

The 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 the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| | LGPS (funded benefits) | LGPS (unfunded benefits) | FFPS 1992 (Old Scheme) | FFPS (Comp'n Scheme) | FFPS 2006 (New Scheme) | FFPS 2015 (New Scheme) | Total |
|---|------------------------------|--------------------------------|------------------------------|----------------------------|---------------------------------|---------------------------------|-----------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| 2025/26 | | | | | | | |
| Comprehensive Income and Expenditure Statement | | | | | | | |
| Cost of Services: | | | | | | | |
| Current Service cost | 626 | - | - | 29 | - | 786 | 1,441 |
| Past Service cost (including curtailments) | - | - | - | - | 1,106 | - | 1,106 |
| Financing and Investment Income and Expenditure: | | | | | | | |
| Net Interest Expense | (735) | 5 | 16,440 | 172 | 869 | 790 | 17,541 |
| Interest on effect of the Asset Ceiling | 733 | - | - | - | - | - | 733 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 624 | 5 | 16,440 | 201 | 1,975 | 1,576 | 20,821 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | | | | |
| Remeasurement of the net defined benefit liability: | | | | | | | |
| Return on plan assets (excl amount in net interest expense) | (1,884) | - | - | - | - | - | (1,884) |
| Actuarial (gains) and losses - financial assumptions | (728) | 2 | (2,964) | (24) | (317) | (367) | (4,398) |
| Actuarial (gains) and losses - demographic assumptions | 657 | - | 3,052 | 31 | 101 | 73 | 3,914 |
| Actuarial (gains) and losses - liability experience | 2,054 | 3 | 1,290 | 13 | 28 | 11 | 3,399 |
| Other | - | - | (18,963) | - | (653) | 6,560 | (13,056) |
| Asset Ceiling Adjustment | (65) | - | - | - | - | - | (65) |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 658 | 10 | (1,145) | 221 | 1,134 | 7,853 | 8,731 |
| Movement in Reserves Statement | | | | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (624) | (5) | (16,440) | (201) | (1,975) | (1,576) | (20,821) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | | |
| Employers' contributions payable to the scheme | 658 | - | - | - | - | 5,019 | 5,677 |
| Retirement benefits payable to pensioners | - | 12 | - | 279 | - | - | 291 |
| Transfer from Pension Reserve | 34 | 7 | (16,440) | 78 | (1,975) | 3,443 | (14,853) |

SECTION 4: Statement of Accounts

Note 34: Defined Benefit Pension Schemes

| | LGPS (funded benefits) £000s | LGPS (unfunded benefits) £000s | FFPS 1992 (Old Scheme) £000s | FFPS (Comp'n Scheme) £000s | FFPS 2006 (New Scheme) £000s | FFPS 2015 (New Scheme) £000s | Total £000s |
|---|---------------------------------------|---|---------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|----------------|
| 2024/25 | | | | | | | |
| Comprehensive Income and Expenditure Statement | | | | | | | |
| Cost of Services: | | | | | | | |
| Current Service cost | 803 | - | - | 37 | - | 1,698 | 2,538 |
| Past Service cost (including curtailments) | - | - | 16 | - | 3,056 | - | 3,072 |
| Financing and Investment Income and Expenditure: | | | | | | | |
| Net Interest Expense | (364) | 5 | 15,776 | 169 | 798 | 681 | 17,065 |
| Interest on effect of the Asset Ceiling | 366 | - | - | - | - | - | 366 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 805 | 5 | 15,792 | 206 | 3,854 | 2,379 | 23,041 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | | | | |
| Remeasurement of the net defined benefit liability: | | | | | | | |
| Return on plan assets (excl amount in net interest expense) | 833 | - | - | - | - | - | 833 |
| Actuarial (gains) and losses - financial assumptions | (5,357) | (2) | (41,217) | (372) | (4,421) | (4,372) | (55,741) |
| Actuarial (gains) and losses - demographic assumptions | (59) | - | (2,004) | (22) | (125) | (136) | (2,346) |
| Actuarial (gains) and losses - liability experience | (288) | 5 | 567 | 6 | 8 | 4 | 302 |
| Other | - | - | (17,768) | - | (1,146) | 6,408 | (12,506) |
| Asset Ceiling Adjustment | 4,735 | - | - | - | - | - | 4,735 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 669 | 8 | (44,630) | (182) | (1,830) | 4,283 | (41,682) |
| Movement in Reserves Statement | | | | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (805) | (5) | (15,792) | (206) | (3,854) | (2,379) | (23,041) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | | |
| Employers' contributions payable to the scheme | 623 | - | 16 | - | - | 4,834 | 5,473 |
| Retirement benefits payable to pensioners | - | 12 | - | 472 | - | - | 484 |
| Transfer from Pension Reserve | (182) | 7 | (15,776) | 266 | (3,854) | 2,455 | (17,084) |

Pension 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 (funded benefits) £000s | LGPS (unfunded benefits) £000s | FFPS 1992 (Old Scheme) £000s | FFPS (Comp'n Scheme) £000s | FFPS 2006 (New Scheme) £000s | FFPS 2015 (New Scheme) £000s | Total £000s |
|--|---------------------------------------|---|---------------------------------------|-------------------------------------|--|--|----------------|
| 2025/26 | | | | | | | |
| Present Value of the defined benefit obligation | 32,793 | 88 | 291,990 | 3,048 | 16,500 | 15,692 | 360,111 |
| Fair Value of Assets | (46,100) | - | - | - | - | - | (46,100) |
| Funded Status | (13,307) | 88 | 291,990 | 3,048 | 16,500 | 15,692 | 314,011 |
| Impact of minimum funding requirement/asset ceiling | 13,307 | - | - | - | - | - | 13,307 |
| Net liability arising from defined benefit obligation | - | 88 | 291,990 | 3,048 | 16,500 | 15,692 | 327,318 |
| 2024/25 | | | | | | | |
| Present Value of the defined benefit obligation | 29,454 | 90 | 293,136 | 3,106 | 15,365 | 12,858 | 354,009 |
| Fair Value of Assets | (42,093) | - | - | - | - | - | (42,093) |
| Funded Status | (12,639) | 90 | 293,136 | 3,106 | 15,365 | 12,858 | 311,916 |
| Impact of minimum funding requirement/asset ceiling | 12,639 | - | - | - | - | - | 12,639 |
| Net liability arising from defined benefit obligation | - | 90 | 293,136 | 3,106 | 15,365 | 12,858 | 324,555 |

SECTION 4: Statement of Accounts

Note 34: Defined Benefit Pension Schemes

Reconciliation of fair value of the scheme (plan) assets:

| | LGPS (funded benefits) | LGPS (unfunded benefits) | FFPS 1992 (Old Scheme) | FFPS (Comp'n Scheme) | FFPS 2006 (New Scheme) | FFPS 2015 (New Scheme) | Total |
|--|------------------------------|--------------------------------|------------------------------|----------------------------|---------------------------------|---------------------------------|---------------|
| <u>2025/26</u> | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Opening balance at 1 April | 42,093 | - | - | - | - | - | 42,093 |
| Interest income on assets | 2,433 | - | - | - | - | - | 2,433 |
| Remeasurement gains/(losses) - return on plan assets | 1,884 | - | - | - | - | - | 1,884 |
| Remeasurement - other | - | - | 18,963 | - | 653 | (6,560) | 13,056 |
| Employer contributions | 658 | 12 | - | 279 | - | 5,019 | 5,968 |
| Contributions by scheme participants | 300 | - | 31 | - | 118 | 1,731 | 2,180 |
| Benefits paid | (1,268) | (12) | (18,994) | (279) | (771) | (190) | (21,514) |
| Closing balance at 31 March | 46,100 | - | - | - | - | - | 46,100 |

2024/25

| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
|--|---------|-------|----------|-------|---------|---------|----------|
| Opening balance at 1 April | 41,150 | - | - | - | - | - | 41,150 |
| Interest income on assets | 1,989 | - | - | - | - | - | 1,989 |
| Remeasurement gains/(losses) - return on plan assets | (833) | - | - | - | - | - | (833) |
| Remeasurement - other | - | - | 17,769 | - | 1,146 | (6,408) | 12,507 |
| Employer contributions | 623 | 12 | 16 | 472 | - | 4,834 | 5,957 |
| Contributions by scheme participants | 283 | - | 22 | - | 11 | 1,653 | 1,969 |
| Benefits paid | (1,119) | (12) | (17,807) | (472) | (1,157) | (79) | (20,646) |
| Closing balance at 31 March | 42,093 | - | - | - | - | - | 42,093 |

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

| | LGPS (funded benefits) | LGPS (unfunded benefits) | FFPS 1992 (Old Scheme) | FFPS (Comp'n Scheme) | FFPS 2006 (New Scheme) | FFPS 2015 (New Scheme) | Total |
|---|------------------------------|--------------------------------|------------------------------|----------------------------|---------------------------------|---------------------------------|----------------|
| <u>2025/26</u> | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Opening balance at 1 April | 29,454 | 90 | 293,135 | 3,106 | 15,365 | 12,858 | 354,008 |
| Current Service Cost | 626 | - | - | 29 | - | 786 | 1,441 |
| Interest Cost | 1,698 | 5 | 16,440 | 172 | 869 | 790 | 19,974 |
| Contributions by scheme participants | 300 | - | 31 | - | 118 | 1,731 | 2,180 |
| Actuarial gains and (losses) on liabilities - financial assumptions | (728) | 2 | (2,964) | (24) | (316) | (367) | (4,397) |
| Actuarial gains and (losses) on liabilities - demographic assumptions | 657 | - | 3,052 | 31 | 101 | 73 | 3,914 |
| Actuarial gains and (losses) on liabilities - experience | 2,054 | 3 | 1,290 | 13 | 28 | 11 | 3,399 |
| Benefits paid | (1,268) | (12) | (18,994) | (279) | (771) | (190) | (21,514) |
| Past Service cost (incl curtailments) | - | - | - | - | 1,106 | - | 1,106 |
| Past Service Costs | - | - | - | - | - | - | - |
| Closing balance at 31 March | 32,793 | 88 | 291,990 | 3,048 | 16,500 | 15,692 | 360,111 |

2024/25

| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
|---|---------|-------|----------|-------|---------|---------|----------|
| Opening balance at 1 April | 33,564 | 98 | 337,781 | 3,760 | 17,195 | 13,409 | 405,807 |
| Current Service Cost | 803 | - | - | 37 | - | 1,698 | 2,538 |
| Interest Cost | 1,624 | 6 | 15,776 | 169 | 798 | 681 | 19,054 |
| Contributions by scheme participants | 283 | - | 22 | - | 11 | 1,653 | 1,969 |
| Actuarial gains and (losses) on liabilities - financial assumptions | (5,354) | (7) | (41,216) | (372) | (4,421) | (4,372) | (55,742) |
| Actuarial gains and (losses) on liabilities - demographic assumptions | (59) | - | (2,004) | (22) | (125) | (136) | (2,346) |
| Actuarial gains and (losses) on liabilities - experience | (288) | 5 | 567 | 6 | 8 | 4 | 302 |
| Benefits paid | (1,119) | (12) | (17,807) | (472) | (1,157) | (79) | (20,646) |
| Past Service cost (incl curtailments) | - | - | 16 | - | 3,056 | - | 3,072 |
| Closing balance at 31 March | 29,454 | 90 | 293,136 | 3,106 | 15,365 | 12,858 | 354,009 |

SECTION 4: Statement of Accounts

Note 34: Defined Benefit Pension Schemes

Asset Ceiling

Following the pensions valuation by the Authority's actuary, Hymans Robertson LLP, the Authority determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2026 resulting in a pension plan asset. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of the surplus in the defined benefit plan and the asset ceiling calculation.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Authority's actuary calculated the asset ceiling as the net present value of future service costs less net present value of future contributions. The Authority has therefore limited the pension asset recognised in its balance sheet to the asset ceiling, which was nil in 2025/26. The remaining £0.088m represents the unfunded liabilities which are not included in the asset ceiling adjustment and any liabilities as a result of past contributions. The adjustment has been recognised within Other Comprehensive Income and Expenditure of the Comprehensive Income and Expenditure Statement.

Therefore, based on the actuary's calculation the asset ceiling has limited the net pension asset to nil. The adjustment taken through the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement to reflect the asset ceiling adjustment in the pension reserve is £13.307m.

High Court Ruling

In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees. The ruling was that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. This ruling has potential implications for the local government pension scheme liabilities. Scheme actuaries are in the process of considering scheme rule amendments and locating actuarial confirmations. There remains uncertainty on the applicability of the case to the local government pension scheme schemes and the impact cannot be reliably estimated. There are also further legal actions that may be taken regarding the case. Management will continue to monitor this case and any potential impact on the local government pension scheme liabilities. No adjustments have been made to the accounts to reflect the ruling.

The Local Government Pension Scheme Assets

The Local Government Pension Scheme assets comprised:

| 2024/25 £000s | | 2025/26 £000s |
|------------------|--------------------|------------------|
| 27,700 | Equity investments | 31,499 |
| 4,611 | Property | 4,390 |
| 3,436 | Cash | 3,421 |
| 6,346 | Other | 6,790 |
| <u>42,093</u> | | <u>46,100</u> |

Basis for Estimating Assets and Liabilities

Assets and 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. The Authority's liabilities have been assessed by AON Hewitt for the four Firefighters' Pension Schemes and by Hymans Robertson LLP for the LGPS both independent firms of actuaries. Estimates for the Authority are based on the latest full valuation of the schemes being 31 March 2025 for LGPS funded and unfunded schemes. All four Firefighters' Pension Schemes were valued on 31 March 2023.

SECTION 4: Statement of Accounts

Note 34: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

| | LGPS (funded benefits) | LGPS (unfunded benefits) | FFPS 1992 (Old Scheme) | FFPS (Comp'n Scheme) | FFPS 2006 (New Scheme) | FFPS 2015 (New Scheme) |
|--|------------------------------|--------------------------------|------------------------------|----------------------------|---------------------------------|---------------------------------|
| 2025/26 | | | | | | |
| Long-term expected rate of return on assets in the scheme: | | | | | | |
| Equity investments | 6.2% | n/a | n/a | n/a | n/a | n/a |
| Government Bonds | 6.2% | n/a | n/a | n/a | n/a | n/a |
| Bonds | 6.2% | n/a | n/a | n/a | n/a | n/a |
| Property | 6.2% | n/a | n/a | n/a | n/a | n/a |
| Cash | 6.2% | n/a | n/a | n/a | n/a | n/a |
| Other | 6.2% | n/a | n/a | n/a | n/a | n/a |
| Mortality assumptions: | | | | | | |
| Longevity at 65 for current pensioners: | | | | | | |
| Men | 21.0 | 21.0 | 21.6 | 21.6 | 21.6 | 21.6 |
| Women | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Longevity at 65 for future pensioners: | | | | | | |
| Men | 21.8 | n/a | 22.9 | 22.9 | 22.9 | 22.9 |
| Women | 25.3 | n/a | 25.4 | 25.4 | 25.4 | 25.4 |
| Other assumptions: | | | | | | |
| Rate of inflation (CPI) | 3.0% | n/a | 2.8% | 2.8% | 2.8% | 2.8% |
| Rate of increase in salaries | 4.0% | n/a | 3.8% | 3.8% | 3.8% | 3.8% |
| Rate of increase in pensions | 3.0% | n/a | 2.8% | 2.8% | 2.8% | 2.8% |
| Rate for discounting scheme liabilities | 6.2% | n/a | 6.2% | 6.2% | 6.2% | 6.2% |
| Take-up of option to convert annual pension into retirement lump sum | 75% | n/a | 90% | n/a | 80% | 80% |
| | LGPS (funded benefits) | LGPS (unfunded benefits) | FFPS 1992 (Old Scheme) | FFPS (Comp'n Scheme) | FFPS 2006 (New Scheme) | FFPS 2015 (New Scheme) |
| 2024/25 | | | | | | |
| Long-term expected rate of return on assets in the scheme: | | | | | | |
| Equity investments | 5.8% | n/a | n/a | n/a | n/a | n/a |
| Government Bonds | 5.8% | n/a | n/a | n/a | n/a | n/a |
| Bonds | 5.8% | n/a | n/a | n/a | n/a | n/a |
| Property | 5.8% | n/a | n/a | n/a | n/a | n/a |
| Cash | 5.8% | n/a | n/a | n/a | n/a | n/a |
| Other | 5.8% | n/a | n/a | n/a | n/a | n/a |
| Mortality assumptions: | | | | | | |
| Longevity at 65 for current pensioners: | | | | | | |
| Men | 20.4 | 20.4 | 21.0 | 21.0 | 21.0 | 21.0 |
| Women | 23.4 | 23.4 | 23.7 | 23.7 | 23.7 | 23.7 |
| Longevity at 65 for future pensioners: | | | | | | |
| Men | 21.2 | n/a | 22.3 | 22.3 | 22.3 | 22.8 |
| Women | 24.9 | n/a | 25.1 | 25.1 | 25.1 | 25.1 |
| Other assumptions: | | | | | | |
| Rate of inflation (RPI) | n/a | n/a | n/a | n/a | n/a | n/a |
| Rate of inflation (CPI) | 2.8% | 2.8% | 2.5% | 2.5% | 2.5% | 2.5% |
| Rate of increase in salaries | 3.8% | 3.8% | 3.5% | 3.5% | 3.5% | 3.5% |
| Rate of increase in pensions | 2.8% | 2.8% | 2.5% | 2.5% | 2.5% | 2.5% |
| Rate for discounting scheme liabilities | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% |
| Take-up of option to convert annual pension into retirement lump sum | 80% | n/a | 90% | n/a | 80% | 80% |

SECTION 4: Statement of Accounts

Note 34: Defined Benefit Pension Schemes

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on Defined Benefit Obligation in the Scheme

| | LGPS (funded benefits) | LGPS (unfunded benefits) | FFPS 1992 (Old Scheme) | FFPS (Comp'n Scheme) | FFPS 2006 (New Scheme) | FFPS 2015 (New Scheme) |
|--|------------------------------|--------------------------------|------------------------------|----------------------------|---------------------------------|---------------------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Increase In Assumptions | | | | | | |
| Adjustment to Discount rate (+ 0.1%) | 509 | n/a | 3,500 | 27 | 396 | 408 |
| Adjustment to Salary increase rate (+ 0.1%) | 30 | n/a | - | - | 149 | 204 |
| Adjustment to Pension increase rate (+ 0.1%) | 479 | n/a | 3,500 | 27 | 264 | 204 |
| Adjustment to Longevity (decrease 1 year) | 1,315 | n/a | 6,417 | 67 | 363 | 345 |
| Decrease in Assumptions | | | | | | |
| Adjustment to Discount rate (- 0.1%) | 509 | n/a | 3,500 | 27 | 413 | 408 |
| Adjustment to Salary increase rate (- 0.1%) | 30 | n/a | - | - | 148 | 204 |
| Adjustment to Pension increase rate (- 0.1%) | 479 | n/a | 3,500 | 27 | 247 | 204 |
| Adjustment to Longevity (increase 1 year) | 1,315 | n/a | 6,417 | 67 | 363 | 345 |

Impact on the Authority's Cash Flows

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. The current funding level of the scheme is 141%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be calculated as at 31 March 2028.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2027 is £0.589m and the total contributions expected to be made to the Firefighters' Pension Scheme by the Authority in the same year is £15.765m including the Government Pensions Top Up Grant.

The weighted average duration of the defined benefit obligation for scheme members is 12.8 years in 2025/26 (12.9 years in 2024/25).

Note 35: Contingent Liabilities

Employment Tribunals

One claimant brought a complaint during 2024 against CFA, with proceedings instituted. The matter has progressed to a remedy hearing, and the outcome is currently awaited.

In such cases, the claimant is required to submit a 'Schedule of Loss' to the Employment Tribunal, setting out the financial compensation sought. As CFA is unable to insure against such claims, a contingent liability has been recognised within the accounts.

Note 36: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Treasurer on 4 June 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

SECTION 4: Statement of Accounts

Pension Fund Account Statement

The Pension Fund is an unfunded scheme established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006, administered by the Authority. The scheme has no investment assets and does not account for benefits payable in the future. The difference between contributions from employers and employees and the benefits payable is funded by top up grant from the Government. Any surplus on the fund is repaid to the Government.

The accounts are prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting Policies.

Any Government funding payable is paid in two instalments, 80% of the estimated annual amount at the start of the year and the actual balance paid following completion of the accounts for the year.

Fund Account

| 2024/25 Expenditure / (Income) £000s | | 2025/26 Expenditure / (Income) £000s |
|---|---|---|
| | Contributions receivable | |
| (4,850) | From employer | (5,019) |
| (1,686) | From members | (1,880) |
| <u>(6,536)</u> | | <u>(6,899)</u> |
| | Firefighters' Pension Schemes - Contributions Refund Grant | |
| | Transfers in | |
| - | Individual transfers in from other schemes | (56) |
| <u>-</u> | | <u>(56)</u> |
| | Benefits payable | |
| 16,660 | Pensions | 18,392 |
| 2,383 | Commutation and lump sum retirement benefits | 1,307 |
| - | Death Grant Lump Sum | 270 |
| - | Other payments | 43 |
| <u>19,043</u> | | <u>20,012</u> |
| | Payment to and account of leavers | |
| - | Individual transfers out to other schemes | - |
| <u>-</u> | | <u>-</u> |
| <u>12,507</u> | Net amount payable for the year | <u>13,057</u> |
| <u>(12,507)</u> | Top-up grant payable by the Government | <u>(13,057)</u> |
| <u><u>-</u></u> | | <u><u>-</u></u> |

Net Assets Statement

| 2024/25 £000s | | 2025/26 £000s |
|------------------|---|------------------|
| | Net current assets and liabilities | |
| (1,187) | Debtor: Pension top-up grant receivable from the Government | (1,918) |
| 1,187 | Amount owing to the General Fund | 1,918 |
| <u>-</u> | Net assets | <u>-</u> |
| <u><u>-</u></u> | | <u><u>-</u></u> |

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. Accordingly, although in accordance with the Code the statements refer to benefits payable, the fund is maintained on a cash basis and reflects all benefits paid in the year.

Further information about IAS 19 liability is contained in Note 34.

In accordance with the requirements of IAS 19 the actual cost of pensions required for Council Tax precepting purposes is replaced by the current service cost of pensions in the Comprehensive Income and Expenditure Account and reversed out.

SECTION 5: Annual Governance Statement 2025/2026

SCOPE OF RESPONSIBILITY

Cleveland Fire Authority (CFA) is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards.
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, CFA must ensure that there are proper arrangements in place for the governance of its affairs, and sound systems of internal control that support the Authority in the effective exercising of its functions and responsibilities including arrangements for the management of risk.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises of systems, processes, culture and values by which the Authority directs and controls its activities for which it is accountable for and engages with the community. It enables the Authority to monitor the achievement of its strategic priorities and consider whether those have resulted in the delivery of appropriate, effective and cost-effective services.

The systems of internal control are a significant part of the framework and are designed to manage risk to a reasonable level, they cannot eliminate all risk of failing to achieve priorities and can therefore only provide reasonable and not absolute assurance of their effectiveness. The systems of internal control are based on ongoing processes designed to identify, evaluate and prioritise the risks to the achievement of Cleveland Fire Authority's priorities, evaluate the likelihood of those risks occurring, assess the impact should they be realised and thereby manage them efficiently, effectively and economically.

The governance framework has been in place at CFA for the year ended 31 March 2026.

THE INTERNAL CONTROL GOVERNANCE FRAMEWORK

The key elements of the Authority's policy, decision making and internal control governance framework are outlined in the CFA Constitution which details the Authority's Corporate and Ethical Governance arrangements and the Member Development Framework.

The Authority has approved and adopted a revised 'Local Code of Corporate Governance' which encompasses the guidance and best practice as outlined in the 'Delivering Good Governance in Local Government Framework' (2016 edition) that is published by CIPFA / SOLACE. The Code draws strongly on the good practices already established and outlines the way in which the Authority will meet that commitment.

Financial services are provided to the Authority through a Service Level Agreement with Hartlepool Borough Council, which includes the provision of the Deputy Treasurer. The Treasurer is responsible for ensuring the proper administration of the Authority's financial affairs and has a duty to report formally any adverse financial governance issues. The Treasurer reports annually to the Audit and Governance Committee on how the Authority's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Authority has appointed a Legal Adviser and Monitoring Officer who is responsible for ensuring that the Authority acts within its legal powers at all times and has a duty to report formally any adverse issues.

The Authority operates an Integrated Personal Development System and associated Training and Education framework to ensure services are delivered by trained and competent personnel. All posts have job descriptions and person specifications and induction training is provided to all staff. All training and development is tailored to job needs/requirements based on an annual needs assessment and analysis.

The Authority publishes the following key documents:

- A Community Risk Management Plan (CRMP) 2026-2030 which sets out its strategic direction, financial position, risk assessments and intended deployment of resources over the medium term. This plan replaces the Fire Authority's previous CRMP which outlined the services strategic plan from 2022-2026. It additionally replaces the Resource Plan 2022-2026 and People Plan 2022-2026.
- Our Service Plan sets out our strategic objectives and priorities for the next 12 months, and is underpinned by a four year delivery plan spanning across the CRMP timeframe from 2026-2030.
- A Performance and Efficiency Report which provides information on the Authority's performance, risk, finance and efficiency over the previous 12 months.
- An Annual Statement of Assurance that provides the Government and the public with assurance on our operational, financial and governance arrangements.

SECTION 5: Annual Governance Statement 2025/2026

The Authority has robust systems for identifying, evaluating and managing all significant risks. A Risk Management Framework consisting of a risk management policy, procedure and systems is in place and embedded across the organisation and communicated to all staff. A Strategic Assessment of Risk for the Authority's area that is underpinned by a suite of detailed risk assessments, is produced and publicly available to staff and public detailing the foreseeable risks facing the Authority.

Through this dynamic Risk Management Framework, risk assessment and management of risks is embedded into the Integrated Strategic, Risk and Financial Planning Framework which helps inform business and resource decisions. The Community Risk Management Plan 2026-2030 is the key output from this framework which links resources to our risks, strategic goals, aims and outcomes. To ensure services contribute to the achievement of the Authority's vision, goals, aims and outcomes and represent value for money, a robust and comprehensive performance management framework has been established.

The Authority strives for continuous improvement and as part of its Strategic Integrated Risk and Finance and Business planning cycle, outcomes from the Risk and Performance Management Frameworks assists the Authority to identify, prioritise and inform resource allocation decisions to drive continuous improvement in services. The Service is currently reviewing the Strategic Integrated Risk and Finance Framework and associated planning cycle to ensure effectiveness and efficiency, with changes approved by the Authority and embedded in future service plans.

A robust Performance Management Framework is in place which uses a traffic light system to indicate areas of compliance and non-compliance. Improvement plans are produced on a risk basis to address areas of partial or full non-compliance and any issues identified by Internal Audit and other external inspections. Performance management is embedded and operates throughout the organisation.

Performance outcomes are reported regularly to the Executive Leadership Team, Directorate Management Teams, managers, staff and the public. On a monthly basis performance information is shared to directorates and operational staff review performance data at a Performance Clinic. The workforce utilises a growing suite of live performance dashboards to access service data. On a quarterly basis detailed reports are reported to the Executive Leadership Team and the Audit and Governance Committee and then made publicly available. This framework has been externally assessed and validated by the Authority's External Auditors (Mazars Forvis LLP), to ensure it provides a realistic, reliable and transparent view of the Authority's performance.

Procedures are in place to enable Internal Audit to report on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control and provide recommendations for improvement. Of the 15 Internal Audits in the Audit Programme for 2025/26, 14 achieved satisfactory assurance. One audit resulted in no assurance and work is ongoing to make improvements in this area, with an action plan detailing progress recommendations. Progress against the action plan is monitored monthly via formal meetings and a report is submitted to the Fire Authority on a quarterly basis. Internal Audit performance is measured against standards agreed by management and elected Members.

Over the coming year, we are undertaking a review of our governance arrangements. This will include an internal audit of our Fire Authority Governance and a separate review of our internal meeting structures and governance framework. Any actions arising from these reviews will then be added to our Delivery Plan to ensure that progress against completion is tracked and reported on.

On an annual basis, as prescribed in the National Framework for Fire and Rescue Services in England 2018, the Authority publishes its Annual Statement of Assurance which provides a summary and assurance on the operational, financial and governance arrangements within the Authority. The latest statement was published in November 2025.

Other review bodies external to the Authority make regular reports on compliance with our statutory duties, operational arrangements and the efficiency and effectiveness of the Authority.

The Service was inspected by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in 2024 and achieved a rating of 'Good' in four areas, 'Adequate' in four areas and 'Requires Improvement' in three areas. The Service have created a clear action plan to address the recommendations and Areas for Improvement identified by the inspectorate.

REVIEW OF EFFECTIVENESS

The Treasurer of the Fire Authority has the responsibility for conducting, at least annually, a review of the internal control governance framework. The review of the effectiveness of internal control is informed by the work of Internal Audit and Senior Managers who have responsibility for the development and maintenance of the internal control environment. Additional information by external audit and other review agencies and inspectorates can also contribute to this review.

The arrangements that are in place for maintaining and reviewing the effectiveness of the system of internal control include:

- Internal Audit – the Treasurer of the Fire Authority has the responsibility for maintaining and reviewing the system of financial internal control. In practice, the Fire Authority, and its External Auditor, actively use the assurance from the work of Internal Audit. In fulfilling this responsibility Internal Audit;
 - Operates to CIPFA’s Code of Internal Audit Practice and the Institute of Internal Auditors’ Guidance and Code of Ethics.
 - An internal audit plan is formulated on a risk assessed basis on an annual basis.
 - Internal Audit reports from this plan are provided to the Assistant Chief Fire Officer (Director of Strategic Planning, People and Resources) and the Audit and Governance Committee.
 - Annually the Head of Internal Audit at Hartlepool Borough Council provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.
- External Audit, as part of their Audit Completion Report, provide opinions on the corporate governance and performance management arrangements in place within the CFA are provided. External Audit also expresses an opinion on the adequacy of Internal Audit work during the year.

ANNUAL REVIEW OF CORPORATE GOVERNANCE ARRANGEMENTS - ACTION PLAN FOR 2026/27

Introduction

This annual review of corporate governance arrangements and action plan is aligned to the strategic direction set out within the Community Risk Management Plan (CRMP). The CRMP is structured around five key pillars: People, Prevention, Protection, Response and Resources, all underpinned by strong and enabling Strategic Planning.

It is through this Strategic Planning that the Service defines and strengthens its corporate governance arrangements, ensuring that decision-making, accountability, and organisational oversight are effective, transparent, and aligned to our long-term ambitions. Robust governance is fundamental to enabling the Service to deliver safe, efficient and high-quality outcomes for our communities, while responding proactively to risk and opportunity.

The Strategic Planning element of the CRMP identifies seven key priorities for the period 2026–2030, which collectively set the direction for how the organisation will enhance its governance maturity and organisational effectiveness. These priorities are:

- Information and intelligence to drive better outcomes.
- Embedding effective governance and programme management.
- Collaborating and sharing learning.
- Taking a proactive and strategic approach to risk and opportunity.
- Driving service improvement through change and organisational learning.
- Enhancing communication to build trust and engagement.
- Driving forward workplace safety through leadership, learning, and risk management.

These priorities are directly translated into seven clear and deliverable actions for 2026/27. The actions set out in this document represent the corporate governance action plan for the year ahead and provide a focused framework for strengthening governance, improving organisational learning and supporting evidence-based decision-making across the Service.

SECTION 5: Annual Governance Statement 2025/2026

Together, these actions will support the continued development of a cohesive, transparent, and forward-looking governance framework, ensuring the Service is well positioned to meet both current demands and future challenges:

- Establishment and implementation of a refreshed corporate governance framework that facilitates effective organisational oversight, strengthens interaction across the organisation and enhances engagement with external partners and audit bodies at a strategic level.
- Work within the new Fire Standards framework to move from an operational learning service to an organisational learning service. Using this as a driver for continuous improvement increasing cross functional working, knowledge sharing and external partnership engagement.
- Develop and implement a standardised, organisation wide approach to programme and project management to ensure consistency, improved delivery, assurance and alignment with Strategic priorities.
- Work in partnership with the Head of Finance and Procurement to review and optimise the governance of the capital planning cycle, ensuring robust decision making that supports sustainable medium and long term financial planning.
- Lead a Power BI discovery programme to define a strategic roadmap for advanced analytics, improving data availability, reporting capability and evidence based decision making across the organisation.
- Design and implement a continuous improvement strategy that leverages external networks and sector best practice to translate operational insights into organisation wide learning and service enhancement. Moving the service from operational learning to organisational learning.
- Develop a cohesive and collaborative approach to Health & Safety reviews, audits, and assurance activity that strengthens organisational understanding of risk and informs effective mitigation strategies.

CHAIR OF CLEVELAND FIRE AUTHORITY:

DATE: XX January 2027

CHIEF FIRE OFFICER:

DATE: XX January 2027

MONITORING OFFICER:

DATE: XX January 2027

TREASURER TO THE FIRE AUTHORITY:

DATE: XX January 2027

SECTION 6: Independent Auditor's Report

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The Statements reflect the requirements of general accounting principals and concepts of:

Relevance - the financial statements provide information about the Authority's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

Reliability - the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place are free from deliberate or systematic bias and material error and have been prudently prepared.

Comparability - the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Fire Authorities.

Understandability – the statements have been prepared to ensure they are as easy to understand as possible.

Materiality - the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Authority.

Faithful Representation - the financial statements faithfully represent economic issues in words and numbers. They have been prepared on the basis that they are complete, neutral and free from error.

Accruals - other than the cash flow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

Going Concern - the financial statements have been prepared on the assumption that the Authority has continuity of Service Provision and will continue to provide those operational Services for the foreseeable future.

Legality - where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

For detail on Usable and Unusable Reserves see Notes 5 and 25.

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, this has been disclosed separately.

Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

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.

There are no transactions which require the Authority to split the Other Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement into two groups as per IAS 1 Presentation of Financial Statements.

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:

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.

SECTION 7: Summary of Material Accounting Policies

- Employees costs are charged to the accounts in the period within which the employees worked, which includes 12 monthly payments.
- Supplies and services 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.
- Works are charged as expenditure when they are completed, before which they are carried as Works in Progress on the Balance Sheet.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments are made or received in advance of a service being provided or received, a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 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.

3. Cash and Cash Equivalents

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

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

4. Capital Expenditure

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) has been capitalised on an accruals basis. Expenditure on the acquisition of PPE, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised provided that it yields benefits to the Authority and the services it provides are for a period of more than one year.

Capital expenditure is defined as the acquisition, reclamation, enhancement, acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and the acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

The definition of enhancement is works that are intended to lengthen substantially the useful life of the asset, or increase substantially the market value of the asset, or increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Authority.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that the long term asset maintains its previously assessed standard of performance is recognised in the revenue account as it is incurred.

Assets acquired on terms meeting the definition of a Right-of-Use Asset are capitalised and included together with a liability to pay future rentals.

Where a long term asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the Balance Sheet at fair value.

The Authority does not have a de-minimis level for capital expenditure.

5. Property, Plant and Equipment

Property, Plant and Equipment (PPE) is initially measured at cost. Only those costs that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement.

SECTION 7: Summary of Material Accounting Policies

Property is valued on a five-year rolling programme. From 1 April 2025, those assets not subject to a formal revaluation as part of the five-year rolling programme will be subject to indexation in the four intervening years. The current asset valuations are carried out by Hartlepool Borough Council which provides valuation services for the Authority certificates or indexation based on indices issued by the Council's Estates and Asset Management Section. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. From 1 April 2007, increases in asset valuations are credited to the Revaluation Reserve.

PPE is held or occupied, used or consumed by the Authority in the direct delivery of those services for which it has either statutory or discretionary responsibility, or for the service or strategic objectives of the Authority. Non-specialised PPE has been valued on the basis of Fair Value - Existing Use Value (EUV). Specialised PPE has been valued on a Depreciated Replacement Cost (DRC) basis. This is because their specialised nature means they are rarely, if ever, sold or let on the open market for their existing use. Assets that have been declared surplus to requirements have been valued at Market Value. Assets under construction are valued at historic cost.

The asset valuations have been prepared using the following assumptions:

- The Authority has good marketable title, free from any onerous or restrictive covenants.
- There are no hazardous substances or latent defects in the properties and there is no contamination present.
- Details of tenure, planning consents and other relevant information are assumed to be correct.
- That properties and their value are unaffected by any matters that would be revealed by a local search, replies to usual enquiries or by any statutory notice.
- It is assumed that the present use is lawful and that there are no adverse conditions attached. It is further assumed that there are no adverse planning proposals in existence that may affect the property in the future.
- No allowance has been made for any taxation, acquisition, realisation or disposal costs or other expenses.
- No soil surveys have been carried out or services tested.

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the Valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by officers of Hartlepool Borough Council's Estates and Asset Management Section of all the Authority's property assets. As allowable under the Code, depreciated historical cost is used as a proxy for some non-property assets that have short useful lives and/or low values.

Where an item of Property, Plant or Equipment is acquired under a Right-of-Use asset, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Authority's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

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.

PPE included in the Balance Sheet at Fair Value - EUV is revalued sufficiently regularly to ensure that the carrying amount is not materially different from the fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to an expenditure category.

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

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

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

SECTION 7: Summary of Material Accounting Policies

6. Charges to Revenue for Non-Current Assets

Expenditure categories are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the expenditure category,
- revaluation and impairment losses on assets used by the expenditure category where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise Council Tax precept to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision 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.

7. Impairments

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

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

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

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

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.

8. Disposals

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

Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of 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.

9. Depreciation

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction). Depreciation has been charged using the straight-line method on the closing balances over the asset's estimated useful life.

SECTION 7: Summary of Material Accounting Policies

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of an item of Property, Plant or Equipment is revised, the carrying amount of the item is depreciated over the revised remaining useful life. Depreciation is not charged in the year of acquisition or disposal but is charged in the year of enhancement.

Depreciation has been charged on a straight-line basis and calculated as follows:

- Fire Stations and HQ - 40 years,
- Vehicles, Plant and Equipment - 5 to 20 years,
- Intangible Assets - 5 to 10 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, or has a significantly different useful life, the components are recognised separately and depreciated based on the components useful economic life.

10. Intangible Assets

Expenditure on assets that do not have physical substance and are identifiable and controlled by the Authority (e.g. Software Licences) is capitalised when it will bring benefits to the Authority for more than one financial year. The cost is charged to the relevant expenditure category over the economic life to reflect the pattern of consumption of benefits.

11. Inventories

Inventories are included in the Balance Sheet at the lower of average cost price or net realisable value. Where inventories have been identified as being of no further use to the Authority and the appropriate procedures have been complied with, the obsolete stock has been written off, or an allowance has been made for obsolescence.

12. 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 to be financed from a reserve is incurred, it is charged to the appropriate expenditure category in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

13. Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate expenditure category in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Where some or all 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 expenditure category if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

SECTION 7: Summary of Material Accounting Policies

Contingent Liabilities

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

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

Impairment of Bad and Doubtful Debts

The Authority recognises that debts are not always paid and makes provision for impairment of bad debts. Bad debt impairment is calculated using a percentage based on known historic collection rates. This is applied to current outstanding debt.

14. Employee Benefits

Benefits Payable During Employment

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

Termination Costs

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

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

Post Employment Benefits

The Authority participates in two pension schemes:

Firefighters

The Firefighters Pension scheme is an unfunded scheme. The Authority is required to maintain a separate Firefighters Pension Fund Account, details of which are provided in the Pension Fund Statements (Fund Accounts and Net Assets Statement).

The Authority is required to make defined contributions to the Pension Account, currently 37.6% for those who are members of the 2015 Pension Scheme. The Authority must also make defined contributions in respect of Ill Health retirements.

As these contributions, plus employee contributions, are less than the payments made from the Authority's Pensions Account, the Government provide a specific grant to fund the resulting shortfall.

The Local Government Pension Scheme

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

SECTION 7: Summary of Material Accounting Policies

The liabilities of the Teesside 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 projections of projected earnings for current employees.

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

Service cost comprising:-

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- **net interest on the defined benefit liability/(asset) i.e. net interest expense for the Authority** – the change during the period in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period, taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:-

- **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability/(asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Teesside Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

15. Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

SECTION 7: Summary of Material Accounting Policies

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as a Lessee

Property, Plant and Equipment held under Right-of-Use Assets are recognised on the Balance Sheet at the commencement of the lease. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under Right-of-Use Assets are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on Right-of-Use assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

SECTION 7: Summary of Material Accounting Policies

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

16. Value Added Tax

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

17. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

18. Events After the Balance Sheet Date

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

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

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

19. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For existing borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For Public Works Loans Board (PWLB) loans, the fair value of each loan has been determined by information supplied by the PWLB. For market loans, the redemption rules of the PWLB have been used to approximate the fair value of loans held. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.

SECTION 7: Summary of Material Accounting Policies

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of the interest for the instrument. For most 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 the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

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 arrive in the Surplus or Deficit on the Provision of Services.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in the Fair Value through Other Comprehensive Income. The Authority will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

The Authority currently holds no financial assets at FVPL.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

Equity instruments may be irrevocably designated at Fair Value through Other Comprehensive Income (FVOCI) on the basis that they are held for non-contractual benefits. They are not held for trading but for strategic purposes. Such assets were previously classified as Available-For-Sale Financial Asset.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in the Surplus or Deficit on the Provision of Services.

The Authority currently holds no financial assets measured at FVOCI.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), 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 receivables (debtors) held by the Authority.

SECTION 7: Summary of Material Accounting Policies

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

20. Fair Value Measurement

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

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

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

21. Council Tax Precept Income and Collection Fund

Council Tax precept income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

22. Government Grants and Contributions

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

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

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

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

SECTION 7: Summary of Material Accounting Policies

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

23. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value (i.e. market value), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are reviewed annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

24. Exceptional Items

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

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices 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 do not include estimation techniques.

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 Comprehensive Income and Expenditure Statement or Balance Sheet it is to be presented.

ASSET CEILING

Maximum amount of surplus that can be recognised on a Authority's Balance Sheet from its share of LGPS assets.

CAPITAL EXPENDITURE

Expenditure on the acquisition of an asset or expenditure that adds to and not merely maintains the value of an existing asset.

COMMUNITY RISK MANAGEMENT PLAN (CRMP)

The plan identifies the strategic issues to be addressed and how the Authority will address them over the medium term.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Chartered Institute of Public Finance and Accounting (CIPFA) Code sets out the accounting concepts and accounting principles which underpin the statement of accounts.

CONSISTENCY

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

CONSTRUCTIVE OBLIGATION

- a) 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
- b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

CONTINGENT LIABILITY

A contingent liability is either:

- a) 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;
- b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORE SPENDING POWER

The Government's definition of total revenue resources, which consists of Council Tax, retained Business Rates and Government Grants.

CREDITORS

Amounts owed by the Authority for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

CURRENT ASSETS

Assets which can be expected to be consumed or realised during the next accounting period, e.g. debtors and stocks.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period e.g. creditors, cash overdrawn.

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.

SECTION 8: Glossary

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of an employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

DEBTORS

Amounts due to the Authority for works done, goods received or services rendered before the end of the accounting period, but for which payments have not been received by the end of that accounting period.

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

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

DISCRETIONARY BENEFITS

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

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, 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:

- a) 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 an asset consumed in a period.
- b) difference methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

EXCEPTIONAL ITEMS

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

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.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

SECTION 8: Glossary

FINANCE LEASE

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

FINANCIAL INSTRUMENT

A legally enforceable agreement between two or more parties, expressing a contractual right or a right to the payment of money. Typical examples include investments, loans, trade creditors and trade debtors.

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

IMPAIRMENT

A reduction in the value of Property, Plant and Equipment below its carrying amount on the Balance Sheet.

INCREMENTAL BORROWING RATE

The interest rate an authority would pay to borrow funds over a similar term to lease an asset.

INDEXATION

Indexation is a tool used to apply an inflationary increase to assets in the years between professional valuations.

INTANGIBLE ASSETS

Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

INTEREST COST (PENSIONS)

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 ACCOUNTING STANDARDS (IAS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

INVENTORIES

The amount of unused or unconsumed stocks 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.

Inventories comprise the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- 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.

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions 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.

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.

SECTION 8: Glossary

MINIMUM REVENUE PROVISION (MRP)

The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on the Capital Financing Requirement.

NET BOOK VALUE

The amount at which 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 the particular asset in its existing condition and in its existing use, that is the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

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

NON-CURRENT ASSET

Assets that yield benefits to the Authority, and the services it provides, for a period of more than one year.

OPERATING LEASES

A lease other than a finance lease (where the Authority is the lessor).

OPERATIONAL ASSETS

Assets held and occupied, used or consumed by the 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 COST

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.

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:

- a) 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
- b) the accrued benefits for members in service at the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROPERTY, PLANT AND EQUIPMENT

This covers all assets with physical substance that are for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

PROVISION

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

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.

Examples of related parties of an Authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its Councillors;
- its Chief Fire Officer and Directors; and
- its Pension Fund.

SECTION 8: Glossary

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- Trustees and Advisors.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTIONS

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 of 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;
- 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 payment of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

REMEASUREMENT OF DEFINED LIABILITY

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);
- the actuarial assumptions have changed.

REMUNERATION

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 the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

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 costs 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.

RIGHT-OF-USE ASSET

An asset that represents a lessee's right to use an underlying asset for the lease term.

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.

SECTION 8: Glossary

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.

USEFUL LIFE

The period over which the Authority will derive benefits from the use of an asset.

FURTHER INFORMATION

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via Type talk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.