

South Tyneside Council | 5 December 2024

# Financial Statements Audited 2022-23



South Tyneside Council

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The Financial Statements are available on the Council's website at:

<https://www.southtyneside.gov.uk/article/38543/Financial-Statements>

Hard copies (for a charge) can be requested by writing to:

Director Business and Resources  
Town Hall and Civic Offices  
Westoe Road  
South Shields  
NE33 2RL

If you know someone who would like this information in a different format, please contact Members Support on **0191 427 1717**.

We are committed to improving the information that we provide to you and would be grateful for any suggestions or comments you may wish to make about our published Financial Statements. Please let us have your views by contacting us at the above address.

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# Section 1 – Narrative Statement by Director Business and Resources

## 1. Introduction

These accounts set out the results of the Council's financial activities for the year ended 31 March 2023 and outline our financial position at that date. The narrative statement provides:

- A review of the Council's financial results and financial standing for the year.
- Information about the activities and significant matters that took place during the year that had an impact on Council finances.
- An explanation of the principal financial statements.
- An assessment of the future financial prospects of the Council.

South Tyneside Council seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. This is a responsibility shared by Members and officers of the Council with the Council's Chief Financial Officer, the Director Business and Resources, having a specific role in ensuring the adequacy of resources and proper financial administration. Our Medium Term Financial Plan (MTFP) sets out how we will achieve this over a future five-year horizon. The Statement of Accounts looks back at our results over the past financial year.

## 2. Our South Tyneside – 20-year Vision and core 'Ambitions'

Our 20 year vision is for South Tyneside to be **a place where people live healthy, happy and fulfilled lives**. This is underpinned by 5 core 'Ambitions' – the things we want to achieve to help deliver the vision. We want all people in South Tyneside to be:

- **Financially secure** - Residents will be financially secure. They will have what they need for a good standard of living.
- **Healthy and well** - Residents will enjoy good mental wellbeing and physical health throughout their lives. They will have the best start in life and be able to live and age well.
- **Connected to jobs** - Residents will have access to jobs, skills, and learning. They will have the skills and confidence to apply for a wide range of quality local jobs. These jobs will be in key and growing areas of employment and will benefit all of our borough.
- **Part of strong communities** - Residents will live in clean, green, and connected communities where they feel safe.
- **Targeting support to make things fairer** - We will target support at the residents and parts of our borough that need it the most, reducing inequalities and making things fairer.

These ambitions have been informed and shaped by a robust evidence base and engagement activity, with the aim that they reflect the most important issues facing people in South Tyneside.

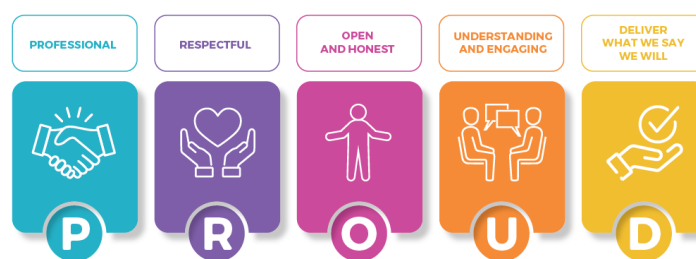
To achieve the Vision and Ambitions we have developed a three-year Strategy, which identifies a set of 'Priorities' under each core 'Ambition', complete with detail on the actions that the Council will take to make progress over the next three years (2023-2026). The areas of focus, work and projects set out in the three-year Strategy have been developed



# Section 1 – Narrative Statement by Director Business and Resources

with close consideration to the strategic objectives, priorities, and actions contained within the wider framework of strategies and plans which guide service activity across the Council and wider partnerships. The aim is to align our resources more closely with delivery of the Vision and Ambitions.

We have also at the same time undertaken work to refresh the Council's values, in recognition that the most appropriate organisational values, behaviour and culture are an integral element in working towards and delivering against the Vision and Ambitions. Hundreds of Council employees, Elected Members, and residents have contributed to the development of the Council's new core values. Themes around professionalism, respect, transparency, empathy, and reliability recurred consistently throughout these discussions and have been brought together into the acronym 'Proud', which also represents the huge sense of pride people feel for the place and the work they do.



WE ARE **PROUD** TO MAKE A DIFFERENCE

We are committed to the delivery of high quality, environmentally sustainable and value for money services, we must do this in a different way, taking a much more integrated and collaborative approach exploiting the potential of digital to work more flexibly as has been demonstrated during the pandemic. With real drive and energy, we will work more effectively across services and organisational boundaries applying evidence and insight, ensuring provision is targeted at a local level where it is most needed to reduce inequalities and remove inefficiencies by reducing overlap and duplication. The changes we are now making will become embedded across the organisation and underpin delivery of our priorities.

## 3. Revenue Financial Summary for the Year

Revenue expenditure relates to the day-to-day running costs of providing Council services, including pay costs, property running costs and supplies and services. These costs are largely funded by a combination of grants from central Government and local taxation (council tax and non-domestic rates).

The following table summarises our in-year revenue spending position including expenditure by schools. The Council overspent its budget by £2.715m in the year after accounting for transfers to and from earmarked reserves. The overall change in earmarked reserves can be seen in more detail in note 6 to the core Financial Statements.

# Section 1 – Narrative Statement by Director Business and Resources

Revenue financial summary	Original budget £m	Actual outturn £m	Variance from budget £m <i>Note 1</i>
<b>Revenue spending</b>			
Adult Social Care & Commissioning Directorate	60.521	62.503	1.982
Children's Social Care, Learning & Early Help Directorate	39.366	47.248	7.882
Public Health Directorate	14.326	13.874	(0.452)
Business and Resources Directorate	(9.766)	(18.679)	(8.913)
Governance and Corporate Affairs Directorate	6.299	6.679	0.380
Regeneration and Environment Directorate	26.074	27.910	1.836
<b>Net cost of services and operating expenditure</b>	<b>136.820</b>	<b>139.535</b>	<b>2.715</b>
<b>Funding sources</b>			
General government grants	(53.795)	(53.795)	-
Non-domestic rates retained	(12.850)	(12.850)	-
Contribution to Collection Fund	1.546	1.546	-
Contribution from earmarked reserves	(3.704)	(3.704)	-
Council tax payers	(68.017)	(68.017)	-
<b>Total revenue funding</b>	<b>(136.820)</b>	<b>(136.820)</b>	<b>-</b>
<b>Contribution (to)/ from General Fund balance for the year</b>	<b>-</b>	<b>2.715</b>	<b>2.715</b>

Note 1 : reported variance from budget is after accounting for any year end movement in earmarked reserves

The actual outturn position is shown in the Statement of Accounts as the net expenditure chargeable to the General Fund and HRA balances column of the expenditure funding analysis. This column also includes the outturn for the Housing Revenue Account (HRA) the results of which are reported in section 8 of the Narrative Statement.

## Adult Social Care & Commissioning Directorate

The major services provided by the Adult Social Care & Commissioning Directorate relate to the assessment, commissioning and provision of social care for elderly and vulnerable adults and support to adults with disabilities.

The Directorate overspent its budget by £1.982m due to significant pressures from hospital discharges, which was partly assisted by additional in-year Government funding provided.

## Children's Social Care, Learning & Early Help Directorate

The major services provided by the Children's Social Care, Learning & Early Help Directorate include protection of children at risk from abuse or neglect, support to children with disabilities, and a range of educational and support services for young people from early years through school age to youth provision and further learning.

The revenue spending highlights during the year were as follows:

- The cost of looked after children through foster placements, social work staffing levels and out of borough child placements continues to be a pressure for the Council exacerbated by the impact of the Covid-19 pandemic with this service exceeding budget by £5.1m in the year. The Council continues to manage these demand-led pressures through pro-active intervention to support families,

## Section 1 – Narrative Statement by Director Business and Resources

- increasing provision within the Borough to minimise more expensive costs, improved professional practice, adopting a multi-agency approach and aligning expenditure more closely to meet need. This is safely limiting the numbers of looked after children contrary to national trends although the level of new referrals remains high. The Council's Children's Services function has recently been assessed by Ofsted as inadequate, however the Council has already implemented an action plan to address the issues raised, which will have the impact of additional costs to the service, which will be subject to rigorous monitoring during 2023/24.
- Within the Learning and Early Help service there were cost pressures of £2.7m primarily relating to an increase in the number of pupils with special educational needs requiring transport to school. As well as the numbers of pupils requiring transport increasing, the cost of each journey has increased due to fuel and national living wage increases.

### Public Health Directorate

The major services provided by the Public Health Directorate include provision of statutory public health services such as sexual health, substance misuse, smoking cessation, NHS health checks, infection control and working in partnership to improve the health, wellbeing and quality of life for children, adults and families and reduce health inequalities, to help people live longer and healthier lives.

The directorate underspent its budget by £0.4m due to utilisation of additional grant funding for staff salaries.

### Business and Resources Directorate

The major services provided by the Business and Resources Directorate include culture, leisure and libraries, customer services and a range of support services to ensure the proper functioning of the Council.

The revenue spending highlights during the year were as follows:

- A pressure of £0.1m in relation to social care inflation being higher than budgeted due to current high levels of inflation, which has been adjusted for as part of the 2023/24 budget;
- A pressure of £0.1m relating to the increased cost of insurance premiums.
- £0.1m pressure on culture due to the increased events programme, including the summer, winter and remembrance day events
- An £0.8m underspend on Libraries and Leisure due to the increased performance of the Leisure service in returning memberships to pre-covid levels.
- The Council maintained a reasonable income collection performance despite the impact of the cost of living upon communities within the borough. During the year, 94% of council tax income due was collected in year (93% in 2021/22). Most of the



# Section 1 – Narrative Statement by Director Business and Resources

amounts outstanding will be received after the year-end. The comparative figure for business rates collection was 97% (97% in 2021/22).

## Governance and Corporate Affairs Directorate

The major services provided by the Governance and Corporate Affairs Directorate include legal and governance, performance and change management, communications and engagement and a range of support services to ensure the proper functioning of the Council.

The revenue spending highlights during the year were as follows:

- A pressure of £0.3m relating to the increased cost of temporary legal staff to cover vacant posts and increased workload.
- An underspend of £0.2m on Members Support and Elected Members in relation to members allowances and subsistence.

## Regeneration and Environment Directorate

The major services provided by the Regeneration and Environment Group include Environment encompassing maintenance of open spaces, street cleaning and waste management, encouraging the creation of new jobs through supporting new and existing business, enhancing the skills of local people and management of the Council's highways infrastructure and other land and buildings.

The revenue spending highlights during the year were as follows:

- Within Environment there were underspends of £0.4m primarily relating to waste disposal costs, which have reduced due to reduced levels of waste being produced compared to during the covid-19 pandemic.
- Within Regeneration & Housing there was a cost pressure of £1.2m relating to energy cost increases across the property portfolio as a result of the global increase in energy prices. There was also a pressure of £0.3m in Bereavement services during the year due to the temporary closure of South Shields crematorium for improvement works to be carried out.

## 4. Capital Investment Financial Summary for the Year

The following table summarises capital investment of £89.6m during the year and the capital funding the Council has used to finance this spending. The original capital budget, agreed as part of the 2022-27 MTFP, has been revised to reflect the full impact of known contractual commitments from the previous year and new funding approvals received in year. £49.5m of funding has been provisionally carried forward to support ongoing schemes in future years. Investment during the year continued the Council's commitment to apply available capital resources in a targeted manner to regenerate and transform the borough.

# Section 1 – Narrative Statement by Director Business and Resources

Capital investment summary	Revised budget £m	Actual outturn £m	Carry forward £m	Variance from budget £m
Children, Learning and Early Help	8.101	4.108	3.859	(0.134)
Business and Resources	3.794	3.055	0.756	0.017
Adult Social Care & Commissioning	2.619	1.521	1.098	-
Regeneration and Environment	97.660	55.721	41.495	(0.444)
Public Sector Housing	27.482	25.192	2.291	0.001
<b>Total capital investment</b>	<b>139.656</b>	<b>89.597</b>	<b>49.499</b>	<b>(0.560)</b>

Capital financing summary	Actual funding £m
Unsupported borrowing	(30.456)
Capital receipts	(5.600)
Funding from the General Fund and HRA	(2.499)
Funding from the major repairs reserve	(24.077)
Government grant and other contributions	(26.965)
<b>Total capital funding</b>	<b>(89.597)</b>

The capital investment highlights during the year were as follows:

## Adult Social Care & Commissioning Directorate

- £1.5m has been invested in adaptations to private dwellings such as walk in showers and stair lifts. This allows people to live independently for longer within their own home rather than requiring residential care.

## Children, Learning and Early Help Directorate

- £0.4m was invested in the construction of two new children's social care facilities within the borough, with construction expected to be completed during 2023/24.
- £3.6m was spent during the year on school improvements funded from devolved formula and other specific education capital grants.

## Business and Resources Directorate

- £1.7m was invested in technology to ensure our computing and digital facilities and infrastructure continue to be effective and resilient, able to meet the changing expectations of residents on how they receive services and improve the productivity of staff.
- £0.5m was spent on neighbourhood improvements to meet the priorities of local communities.
- £0.8m was spent on improvements to Monkton Stadium to complement and improve the overall high quality leisure offer in the borough.

# Section 1 – Narrative Statement by Director Business and Resources

## Regeneration and Environment Directorate

- £10.2m has been invested in a variety of infrastructure schemes ranging from road safety measures, resurfacing highways, renewal of footbridges and improved footpaths throughout the borough.
- £16.4m was invested into energy efficiency schemes to reduce the Council's carbon footprint and lower energy costs. Schemes included replacing lighting with light emitting diode (LED), the purchase of lower emission fleet vehicles and the development of the Viking and Hebburn Mine Water Energy Networks.
- £3.7m has been spent on measures to remodel the Council's building estate so that it is fit for purpose and meets the need of occupants. This allows for a reduction in the number of buildings maintained generating savings in running costs and receipts from the sale of any surplus assets.
- £3.4m has been invested in the regeneration of town centres.
- £13.8m has been invested in land at Holborn, South Shields to support regeneration of the riverside.
- £0.6m has been spent on improvements to South Shields Crematorium.
- £1.0m has been spent on playgrounds, playing fields and pitches
- £1.7m has been spent on fleet replacement to reduce the number of more expensive hire vehicles utilized and contribute towards carbon reduction through more environmentally friendly vehicles.
- £0.5m has been spent on flood alleviation and coastal improvement schemes across the borough.

## Public Sector Housing

- £15.7m has been spent on improving 2,033 homes to the South Tyneside decent homes standard, including £2.5m spent on communal area improvements and updating fire safety measures with low/ high rise blocks.
- £1.9m was spent on improving energy efficiency to 246 homes through the governments' Green Homes grant scheme.
- £1.0m was spent on improvements to vacant properties to bring them back into occupation, £1.6m invested in adaptations to properties for tenants with special needs, £1.0m on improvements to infrastructure, £1.5m to support demolitions and area redevelopment schemes and £0.8m on local estate improvements.

## 5. Significant Matters

### Government Funding and Strategic Planning

## Section 1 – Narrative Statement by Director Business and Resources

Grant support from the Government has reduced by 54% in cash terms since 2010. Since that date and including the current year, the Council will have delivered efficiencies of £190m. This has been achieved through a relentless focus upon value for money, delivering services through new and innovative means and prioritising resources to meet the Council's strategic objectives as set out in its plans.

The 2022 Autumn Budget and Spending Review provided allocations for Government Departmental funding over the coming three years. It was confirmed that core local government spending power is set to rise 3.7% per year over three years, which will fall to 1% a year in real terms for the following 2 years. Despite requests for certainty over our funding, the funding allocation received from Government to individual Councils was for 2023/24 only. The net financial impact of these changes is at the present time very unclear, especially given the local, national and global economic uncertainty resulting from the aftermath of the Covid-19 pandemic and current high levels of inflation, which are expected to fall over the next year, are substantially increasing the level of future financial risk faced by councils.

The context for future financial planning is challenging. The impact of Covid-19 and the current cost of living crisis continues to impact significantly upon the delivery of local services especially social care. There remains huge uncertainty around the delivery of the government fair funding review and changes to the business rates funding regime, which have both stalled and their future is uncertain. Amid very fluid circumstances, the Council will continue to chart a steady and prudent course on its strategic and financial plans.

Opportunities for new investment may present as a result of the regional devolution deal agreed with central government, which is expected to bring up to £4.2 billion of investment over 30 years, and see additional powers transferred from central government to local people with better knowledge and experience of our communities.

The current financial planning programme is split between service areas within the Council and by a range of cross-cutting themes. This will support closer integration of services within the Council but also with partners and other organisations. It will also strengthen its commissioning approach to ensure that services meet identified need in the most cost-effective manner that maximises benefits for residents and the borough and identifies new income streams.

In common with many areas, the Council is facing significant demographic pressures. The number of residents over 85 years old is expected to double in the next twenty years. This places huge pressure upon services such as adult social care especially as Government funding continues to be reduced in real terms. The Council recognises that effective demand management of adult social care services is integral to securing financial sustainability and in response is implementing a programme of system change and working in an integrated way across the health and social care system.

### **Defined Benefit Obligation**

As at year end the Council had a defined benefit obligation with the Tyne and Wear Pension Fund of £21.5m (£322.6m in 2021/22). If the Council ceased operations, this obligation would have to be taken over by the successor body or ultimately funded by Central Government.

# Section 1 – Narrative Statement by Director Business and Resources

## South Tyneside Housing Ventures Trust Limited (STHVTL)

In 2013/14, the Council supported the formation of an independent not for profit company (STHVTL) to increase the number of affordable homes in the borough. The Council has minority representation on the board of STHVTL. The Council has provided a loan facility of up to £40.0m to STHVTL which is secured on the value of the sites to be developed or assets acquired. The loans allow the company to fund initial build and acquisition costs for dwellings and its cost will be serviced from rental and sales income those assets generate. There were no new loans advanced during the year (£0.3m in 2021/22), with principal repayment received of £0.473m, resulting in a revised balance of £38.327m owed.

## Centaurea Homes Limited (CHL)

In March 2017 the Council established Centaurea Homes Limited, a wholly owned private limited company, in order to develop high quality housing for sale within the borough. Loans are provided to CHL by the Council at a market rate in order to provide development finance and working capital. During the year the Council issued £nil in new loans (£nil in 2021/22).

## 6. Material Movements in Assets and Liabilities

The value of Council dwellings has increased by £25.1m primarily as a result of an upturn in property values as demand for housing continues to increase.

The value of other property plant and equipment increased by £40.7m primarily due to the investment in assets through the capital investment programme.

Cash and cash equivalents reduced by £22.8m during the year as cash levels reduced back to normal levels compared to the higher cash levels at the end of 21-22 to meet the additional costs of the numerous grants schemes administered from Covid-19. To deliver the capital programme coming out of Covid-19 restrictions and minimise the requirement for additional borrowing, short term investments reduced by £39.6m this year.

The value of short-term debtors increased by £6.8m during the year, mainly due to continued increases in levels of Council tax debtors as recovery action was only re-commenced during the year after the Covid-19 pandemic.

The value of short-term creditors reduced by £9.7m during the year which mostly relates to higher levels of additional ringfenced Government Covid-19 funding received at the end of 21/22 but has now been spent in 22/23.

Short term borrowing has increased by £8.4m due to more cash being spent in year on day to day services. Long term borrowing reduced by £15.0m to reflect the repayment of maturing loans.

Capital grants received in advance reduced by £8.0m during the year due to spending of those grants as part of the capital investment programme in 2022/23.

The liability relating to the defined benefit obligation has reduced by £301.1m or 93.3% compared to the previous year. This is primarily due to changes in the financial assumptions that underpin the liability.

# Section 1 – Narrative Statement by Director Business and Resources

## 7. Reserves and Balances

As at year end the Council held earmarked reserves of £58.3m (£66.4m in 2021/22). School balances have a surplus of £4m (£7.2m surplus in 2021/22). Our strategic reserve is intended to cover emergency or unforeseen events and is maintained at no less than 2% of the net budget as part of a risk-based assessment. As at year end the Council held £3.0m or 2.2% of net budget in this reserve (£3.0m and 2.3% in 2021/22).

Another key reserve that we hold to deal with our specific risks is the future funding reserve. As at year end the Council held £15.1m in this reserve (£16.2m in 2021/22). Throughout the Covid-19 pandemic the Council was provided with grants from central Government to assist with the additional costs of running Council services. We hold a temporary reserve from the balance of these grants of £13.0m (£19.2m in 2021/22) which will be applied in the course of 2023/24 and beyond including the funding of additional investment and to help meet future budget pressures arising from the legacy of the pandemic.

As at year end the Council held £3.0m (£1.6m in 2021/22) in capital receipts for the purposes of investing in our assets in future years.

The Council has agreed a new reserves policy as part of its 2023-28 Medium Term Financial Plan in which it has established a minimum balance of £10m for its unearmarked general fund reserve and £10m within its future funding reserve.

## 8. Group Results

The Group Accounts fully incorporate the results of STHL and CHL which are both subsidiary companies of the Council. They also reflect the Council's share as associate of STHVTL and 50% share of IAMP LLP as a joint venture. Further details about these relationships can be found in the Group introduction on page 101 of these accounts. The Group results revealed a deficit for the year of £41.4m (£20.5m in 2021/22) incorporating a net deficit of £7.6m (£7.8m in 2021/22) from STHL and CHL. The net assets of the Group stood at £639.9m at year end (£233.8m in 2021/22).

## 9. Housing Revenue Account (HRA)

The HRA is ring-fenced, relating to the management and maintenance of the Council's housing stock. All expenditure must be met from rents and other charges. The increase in year on the HRA balance was £1.273m (increase of £1.694m in 2021/22). Revenue reserves at year end stood at £24.563m (£23.290m in 2021/22) which will be used to support future years' expenditure on housing including anticipated liabilities to meet longer-term stock maintenance requirements.

## 10. Private Finance Initiative (PFI) Expenditure for the Year

Net expenditure on PFI schemes during the year was £23.037m (£23.659m in 2021/22). Revenue contributions provided funding of £11.911m (£12.533m in 2021/22), or 51%, and the remaining £11.126m (£11.126m in 2021/22) was funded using PFI credits from Government.



# Section 1 – Narrative Statement by Director Business and Resources

## 11. Borrowing Facilities

The Council has established a set of prudential indicators and developed a measurement and reporting process that highlights any breaches of these indicators. There were no breaches during the year. The Council reduced its debt having taken no new long-term loans in the year (£50.000m in 2021/22) from the Public Works Loan Board (PWLB), but a new short term loan was taken for £6.0m from the public sector (£nil in 2021/22). At 31 March 2023 the Council had £6.117m borrowing repayable within twelve months (£0.077m in 2021/22) from other local authorities, pension funds and the private sector and £18.619m with the PWLB (£16.5m in 2021/22). Loans to the value of £12.351m were repaid during the year (£20.000m in 2021/22).

## 12. Medium Term Prospects

Our MTFP for 2023 to 2028 was approved by Council and published in February 2023. Our key stakeholders, including our trade unions, business sector and voluntary sector partners, members of the public and our own staff helped us to make decisions to ensure that our limited resources are directed to the top priorities for the residents of the borough. Our MTFP identifies what we need to spend to maintain current services, what our priority-led spending plans are and our plans to redirect current spending from lower priority areas in line with our new emerging strategic plans. In addition, the plans include our financial strategy on what level of reserves we plan to hold and how these are to be utilised. Due to restrictions in Government funding and additional costs pressures arising from a sustained period of higher rates of inflation, revenue savings will need to continue to be delivered over the medium-term.

Our strategic planning is prioritised by a focus on large and high-risk areas of spend, ensuring targeted investment to deal with issues at an early stage to prevent costs escalating into the future. As a result, all significant budgets were reviewed and revised as appropriate. This will ensure that the Council is best placed to manage future pressures and benefit from opportunities through working with a wide range of partners. We will also continue to invest through our capital programme on a range of environmental, regeneration and housing schemes whilst continuing to ensure that debt servicing costs remain affordable.

## 13. Changes to the Statement of Accounts

The proposed implementation of a new accounting standard IFRS 16 for leases has been postponed for a further two years by central Government and will not now come into force until 1 April 2024.

## 14. The Statement of Accounts

The Statement of Accounts are set out on pages 19 to 172. They consist of the following statements that are required to be prepared under the Code of Practice:

- **Statement of Responsibilities for the Accounts** (page 18) that explains both the Council's and the Director Business and Resources' responsibilities in respect of the Statement of Accounts.

# Section 1 – Narrative Statement by Director Business and Resources

- **Independent Auditors' Report** (page 19) sets out the opinion of our auditors Ernst and Young LLP following their audit of the Statement of Accounts.

The **Core Financial Statements** in Section 4 are:

- **Movement in Reserves Statement** (page 22) reconciles items included in the Comprehensive Income and Expenditure Statement, which by statute are not charged to the council tax payer or housing rent payer.
- **Comprehensive Income and Expenditure Statement** (page 23) reports the income and expenditure relating to all services provided by the Council and how the net costs of these services have been financed from general government grants and income from local taxpayers.
- **Balance Sheet** (page 24) shows what assets the Council owns and its level of indebtedness. This statement also details the level of reserves that the Council can call upon to meet future expenditure.
- **Cash Flow Statement** (page 25) summarising the activities during the year in terms of cash inflows and outflows reconciling to the cash and cash equivalent balances held on the Balance Sheet.
- **Expenditure and Funding Analysis (EFA) and Notes** (pages 26 to 94). The EFA shows how annual expenditure is used and funded from resources available to the Council compared to resources consumed or earned in accordance with proper accounting practices.

The **Supplementary Financial Statements** in Section 5 are:

- **Housing Revenue Account Income and Expenditure Statement and Notes** (pages 95 to 100) dealing with the provision and maintenance of Council housing. There is a statutory requirement to keep this account separately and consolidate the figures within the Comprehensive Income and Expenditure Statement.
- **Collection Fund Statement and Notes** (pages 101 to 102) showing the income the Council receives from council tax and non-domestic rates and how this income has been distributed to precepting authorities (Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority) and central Government.

The **Group Financial Statements and Notes in Section 6** (pages 103 to 118) reports the financial picture of all activities conducted by the Council, including those delivered through partnership and separate undertakings owned by the Council.

The **Tyne and Wear Pension Fund Statements and Notes in Section 7** (pages 119 to 163) record the year's activities in relation to the Pension Fund. The Council is required to publish these statements as administering authority for the Fund.

# **Section 1 – Narrative Statement by Director Business and Resources**

## **15. The Annual Governance Statement**

To accompany the Statement of Accounts the leadership of the Council prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Council's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

**Stuart Reid**

**Director Business and Resources**

**30 June 2023 and 05 December 2024**

## Section 2 – Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of both its financial affairs and those of the Tyne and Wear Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For South Tyneside Council and the Tyne and Wear Pension Fund, that officer is the Director Business and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Responsibilities of the Director Business and Resources

The Director Business and Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). In preparing the Statement of Accounts, the Director Business and Resources:

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

The Director Business and Resources has also:

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

#### Director Business and Resources Certificate

I hereby certify that the Statement of Accounts, set out in pages 19 to 172, gives a true and fair view of the financial position of South Tyneside Council and the Tyne and Wear Pension Fund as at the Balance Sheet date, and their income and expenditure for the year ended 31 March 2023.

Signed:



Date: 05 December 2024

Stuart Reid, Director Business and Resources

#### Chair of General Purposes Committee Certificate

I can confirm that these accounts were approved by the General Purposes Committee at its meeting held in December 2024.

Signed:



Date: 05 December 2024

Councillor Tracey Dixon, Chair of General Purposes Committee

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH TYNESIDE COUNCIL

## Disclaimer of opinion

We were engaged to audit the financial statements of South Tyneside Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Consolidated Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 43 to the Council financial statements, the Expenditure and Funding Analysis and the Group Accounts Introduction, and related notes 1 to 14 to the Group financial statements including a summary of significant accounting policies
- Housing Revenue Account Income and Expenditure Statement and the related notes 1 to 9
- Collection Fund Statement Balance and the related notes 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024.

We completed the audit of the 2021/22 financial statements in May 2024 and issued our audit opinion on 15 May 2024.

The backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

## Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH TYNESIDE COUNCIL (CONTINUED)**

- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

### **Responsibility of the Director Business and Resources**

As explained more fully in the Statement of the Director Business and Resources' Responsibilities set out on page 18, the Director Business and Resources is responsible for the preparation of the Statement of Accounts, which includes the Group and Council, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director Business and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director Business and Resources is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether South Tyneside Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Tyneside Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, South Tyneside Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH TYNESIDE COUNCIL (CONTINUED)

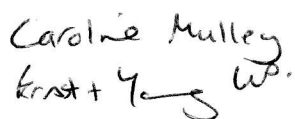
We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We certify that we have completed the audit of the accounts of South Tyneside Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of South Tyneside Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.



Caroline Mulley (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Newcastle upon Tyne  
6 December 2024

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 19 November 2024, available on the Council's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

## Section 4 – Core Financial Statements

### Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with proper accounting practices and the statutory adjustments required to return to the amounts chargeable to taxation (or rents) for the year. The (increase) or decrease lines show the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	Note	General fund balances	Housing revenue account	Capital receipts reserve	Major repairs reserve	Total usable reserves	Unusable reserves	Total Council reserves
		£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2021 carried forward</b>		<b>(64.228)</b>	<b>(21.596)</b>	<b>(3.902)</b>	<b>(7.110)</b>	<b>(96.836)</b>	<b>(1.804)</b>	<b>(98.640)</b>
<b>Movement in reserves during 2021/22</b>								
Total comprehensive (income) and expenditure		20.610	(7.961)	-	-	12.649	(194.190)	(181.541)
Adjustments between accounting basis and funding basis under regulations	3	(30.512)	6.267	2.300	1.731	(20.214)	20.214	-
<b>(Increase) or decrease in 2021/22</b>		<b>(9.902)</b>	<b>(1.694)</b>	<b>2.300</b>	<b>1.731</b>	<b>(7.565)</b>	<b>(173.976)</b>	<b>(181.541)</b>
<b>Balance at 31 March 2022 carried forward</b>		<b>(74.130)</b>	<b>(23.290)</b>	<b>(1.602)</b>	<b>(5.379)</b>	<b>(104.401)</b>	<b>(175.780)</b>	<b>(280.181)</b>
<b>Movement in reserves during 2022/23</b>								
Total comprehensive (income) and expenditure		42.392	(8.447)	-	-	33.945	(371.186)	(337.241)
Adjustments between accounting basis and funding basis under regulations	3	(31.358)	7.173	(1.517)	4.405	(21.297)	21.297	-
<b>(Increase) or decrease in 2022/23</b>		<b>11.034</b>	<b>(1.274)</b>	<b>(1.517)</b>	<b>4.405</b>	<b>12.648</b>	<b>(349.889)</b>	<b>(337.241)</b>
<b>Balance at 31 March 2023 carried forward</b>		<b>(63.096)</b>	<b>(24.564)</b>	<b>(3.119)</b>	<b>(0.974)</b>	<b>(91.753)</b>	<b>(525.669)</b>	<b>(617.422)</b>

## Section 4 – Core Financial Statements

### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with proper accounting practices, rather than the amount to be funded from taxation (or rents). Councils raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/22	2021/22	2021/22	Note	2022/23	2022/23	2022/23	
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure	
£m	£m	£m		£m	£m	£m	
104.221	(58.101)	46.120	Adult social care	114.609	(58.533)	56.076	
2.662	(0.864)	1.798	Commissioning and quality assurance	2.567	(0.863)	1.704	
<b>106.883</b>	<b>(58.965)</b>	<b>47.918</b>	<b>Sub total adult social care and commissioning</b>	<b>117.176</b>	<b>(59.396)</b>	<b>57.780</b>	
34.530	(7.021)	27.509	Children and families social care	40.813	(7.655)	33.158	
138.247	(120.967)	17.280	Learning and early help	150.073	(122.786)	27.287	
<b>172.777</b>	<b>(127.988)</b>	<b>44.789</b>	<b>Sub total children's social care, learning and early help</b>	<b>190.886</b>	<b>(130.441)</b>	<b>60.445</b>	
15.580	(15.490)	0.090	Public health	16.229	(17.453)	(1.224)	
<b>15.580</b>	<b>(15.490)</b>	<b>0.090</b>	<b>Sub total public health</b>	<b>16.229</b>	<b>(17.453)</b>	<b>(1.224)</b>	
75.412	(70.018)	5.394	Corporate finance	62.252	(58.340)	3.912	
8.451	(3.409)	5.042	Libraries and leisure	10.757	(5.205)	5.552	
7.129	(1.301)	5.828	Digital and ICT services	8.417	(1.326)	7.091	
7.602	(2.443)	5.159	Other business and resources services	8.141	(2.791)	5.350	
<b>98.594</b>	<b>(77.171)</b>	<b>21.423</b>	<b>Sub total business and resources</b>	<b>89.567</b>	<b>(67.662)</b>	<b>21.905</b>	
6.139	(0.800)	5.339	Performance and communications	7.337	(0.947)	6.390	
2.943	(1.215)	1.728	Corporate Governance	3.204	(1.101)	2.103	
<b>9.082</b>	<b>(2.015)</b>	<b>7.067</b>	<b>Sub total governance and corporate affairs</b>	<b>10.541</b>	<b>(2.048)</b>	<b>8.493</b>	
24.689	(9.098)	15.591	Environment	27.664	(9.239)	18.425	
31.789	(13.308)	18.481	Regeneration and housing	40.722	(12.085)	28.637	
15.916	(9.244)	6.672	Transport and infrastructure	17.372	(10.532)	6.840	
7.847	(5.192)	2.655	Other regeneration and environment services	6.782	(5.287)	1.495	
<b>80.241</b>	<b>(36.842)</b>	<b>43.399</b>	<b>Sub total regeneration and environment</b>	<b>92.540</b>	<b>(37.143)</b>	<b>55.397</b>	
<b>47.509</b>	<b>(66.129)</b>	<b>(18.620)</b>	<b>Local authority housing (HRA)</b>	<b>50.119</b>	<b>(69.099)</b>	<b>(18.980)</b>	
<b>530.666</b>	<b>(384.600)</b>	<b>146.066</b>	<b>Cost of services</b>	<b>567.058</b>	<b>(383.242)</b>	<b>183.816</b>	
18.451	(5.764)	12.687	Other operating income and expenditure	8	15.044	(5.489)	9.555
41.572	(2.800)	38.772	Financing and investment income and expenditure	9	40.294	(3.845)	36.449
-	(184.876)	(184.876)	Taxation and non-specific grant income	10	-	(195.875)	(195.875)
<b>590.689</b>	<b>(578.040)</b>	<b>12.649</b>	<b>Deficit on the provision of services</b>	<b>622.396</b>	<b>(588.451)</b>	<b>33.945</b>	
			<b>Items that will not be reclassified to the deficit on the provision of services</b>				
		(46.152)	Surplus on revaluation of property, plant and equipment			(52.307)	
		(1.725)	Deficit or (surplus) from investments in equity instruments designated as fair value through other comprehensive income			-	
		11.207	Impairment losses on non-current assets charged to the revaluation reserve			13.361	
		(157.520)	Remeasurements of the defined benefit obligation	41		(332.240)	
		<b>(194.190)</b>	<b>Other comprehensive (income) and expenditure</b>			<b>(371.186)</b>	
		<b>(181.541)</b>	<b>Total comprehensive (income) and expenditure</b>			<b>(337.241)</b>	

# Section 4 – Core Financial Statements

## Balance Sheet

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the usable and unusable reserves. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that cannot be used to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences as shown in the “adjustments between accounting basis and funding basis under regulations” line in the Movement in Reserves Statement.

These financial statements replace the unaudited financial statements confirmed by Stuart Reid on 05 December 2024



31 March 2022 £m	Note	31 March 2023 £m
<b>Non-current assets</b>		
531.890	Council dwellings 11	557.027
684.899	Other property, plant and equipment 11	725.599
3.170	Heritage assets	3.146
2.300	Investment properties	-
1.426	Intangible assets 12	2.010
8.112	Long term investments 13	8.112
58.511	Long term debtors 13	57.342
<b>1,290.308</b>	<b>Total non-current assets</b>	<b>1,353.236</b>
<b>Current assets</b>		
64.385	Short term investments 13	24.774
0.808	Inventories	0.820
46.720	Short term debtors 14	53.502
31.830	Cash and cash equivalents 15	11.440
1.586	Assets held for sale 16	1.289
<b>145.329</b>	<b>Total current assets</b>	<b>91.825</b>
<b>Current liabilities</b>		
(68.645)	Short term creditors 17	(58.920)
-	Cash and cash equivalents - bank overdraft 15	(2.493)
(16.341)	Short term borrowing 13	(24.736)
(4.650)	PFI liability due in less than one year 19	(5.445)
(13.653)	Capital grants receipts in advance 31	(5.565)
(0.983)	Short term provisions 18	(1.089)
<b>(104.272)</b>	<b>Total current liabilities</b>	<b>(98.248)</b>
<b>41.057</b>	<b>Total net current assets or (liabilities)</b>	<b>(6.423)</b>
<b>Non-current liabilities</b>		
(0.550)	Long term creditors 13	(0.543)
(2.578)	Long term provisions 18	(2.458)
(643.770)	Long term borrowing 13	(628.745)
(80.093)	Long term PFI liability 19	(74.648)
(322.570)	Liability related to defined benefit obligation 41	(21.460)
(1.623)	Other long term liabilities 13	(1.537)
<b>(1,051.184)</b>	<b>Total non-current liabilities</b>	<b>(729.391)</b>
<b>280.181</b>	<b>Total net assets</b>	<b>617.422</b>
<b>Reserves</b>		
(104.401)	Usable reserves 20	(91.753)
(175.780)	Unusable reserves 21	(525.669)
<b>(280.181)</b>	<b>Total reserves</b>	<b>(617.422)</b>

## Section 4 – Core Financial Statements

### Cash Flow Statement

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

2021/22		Note	2022/23
£m			£m
<b>(12.649)</b>	<b>Cash and non-cash outflow from the provision of services</b>		<b>(33.945)</b>
114.638	Adjustment to the deficit on the provision of services for non-cash movements	22	189.981
(63.218)	Adjustment for items included in the deficit on the provision of services that are investing and financing activities	22	(165.166)
<b>38.771</b>	<b>Net cash flow from operating activities</b>		<b>(9.130)</b>
(74.119)	Investing activities	23	(2.562)
29.222	Financing activities	24	(11.191)
<b>(6.126)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(22.883)</b>
<b>37.956</b>	<b>Cash and cash equivalents at the start of the year</b>		<b>31.830</b>
<b>31.830</b>	<b>Cash and cash equivalents at the end of the year</b>		<b>8.947</b>

The notes to the core financial statements are presented on pages 26 to 92 and form part of the Statement of Accounts.

# Section 4 – Notes to the Core Financial Statements

## 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 non-domestic rates) by the Council in comparison with those resources consumed or earned in accordance with proper accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Groups. Income and expenditure accounted for under proper accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23	2022/23	2022/23
Net expenditure chargeable to the General Fund and HRA balances	Adjustments between the funding and accounting basis (note 5)	Net expenditure in the Comprehensive Income and Expenditure Statement		Outturn as reported to Cabinet	Movement in earmarked reserves	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between the funding and accounting basis (note 5)	Net expenditure in the Comprehensive Income and Expenditure Statement
£m	£m	£m		£m	£m	£m	£m	£m
52.048	(5.928)	46.120	Adult social care	61.235	2.203	63.438	(7.362)	56.076
1.295	0.503	1.798	Commissioning and quality assurance	1.268	(0.054)	1.214	0.490	1.704
<b>53.343</b>	<b>(5.425)</b>	<b>47.918</b>	<b>Sub total adult social care and commissioning</b>	<b>62.503</b>	<b>2.149</b>	<b>64.652</b>	<b>(6.872)</b>	<b>57.780</b>
24.283	3.226	27.509	Children and families social care	29.720	0.699	30.419	2.739	33.158
10.824	6.456	17.280	Learning and early help	17.528	2.949	20.477	6.810	27.287
<b>35.107</b>	<b>9.682</b>	<b>44.789</b>	<b>Sub total children's social care, learning and early help</b>	<b>47.248</b>	<b>3.648</b>	<b>50.896</b>	<b>9.549</b>	<b>60.445</b>
12.892	(12.802)	0.090	Public health	13.874	(1.354)	12.520	(13.744)	(1.224)
<b>12.892</b>	<b>(12.802)</b>	<b>0.090</b>	<b>Sub total public health</b>	<b>13.874</b>	<b>(1.354)</b>	<b>12.520</b>	<b>(13.744)</b>	<b>(1.224)</b>
(18.256)	23.650	5.394	Corporate finance	(28.997)	3.952	(25.045)	28.957	3.912
1.430	3.612	5.042	Libraries and leisure	1.298	(0.130)	1.168	4.384	5.552
4.417	1.411	5.828	Digital and ICT services	4.990	0.160	5.150	1.941	7.091
3.897	1.262	5.159	Other business and resources services	4.030	(0.024)	4.006	1.344	5.350
<b>(8.512)</b>	<b>29.935</b>	<b>21.423</b>	<b>Sub total business and resources</b>	<b>(18.679)</b>	<b>3.958</b>	<b>(14.721)</b>	<b>36.626</b>	<b>21.905</b>
4.262	1.077	5.339	Performance and communications	5.093	-	5.093	1.297	6.390
1.222	0.506	1.728	Corporate Governance	1.586	0.100	1.686	0.417	2.103
<b>5.484</b>	<b>1.583</b>	<b>7.067</b>	<b>Sub total governance and corporate affairs</b>	<b>6.679</b>	<b>0.100</b>	<b>6.779</b>	<b>1.714</b>	<b>8.493</b>
14.335	1.256	15.591	Environment	13.733	(0.127)	13.606	4.819	18.425
11.457	7.024	18.481	Regeneration and housing	14.160	(0.780)	13.380	15.257	28.637
(0.746)	7.418	6.672	Transport and infrastructure	(0.808)	-	(0.808)	7.648	6.840
0.942	1.713	2.655	Other regeneration and environment services	0.825	0.496	1.321	0.174	1.495
<b>25.988</b>	<b>17.411</b>	<b>43.399</b>	<b>Sub total regeneration and environment</b>	<b>27.910</b>	<b>(0.411)</b>	<b>27.499</b>	<b>27.898</b>	<b>55.397</b>
<b>(1.694)</b>	<b>(16.926)</b>	<b>(18.620)</b>	<b>Local authority housing (HRA)</b>	<b>(1.273)</b>	<b>-</b>	<b>(1.273)</b>	<b>(17.707)</b>	<b>(18.980)</b>
<b>122.608</b>	<b>23.458</b>	<b>146.066</b>	<b>Cost of services</b>	<b>138.262</b>	<b>8.090</b>	<b>146.352</b>	<b>37.464</b>	<b>183.816</b>
-	12.687	12.687	Other operating income and expenditure	-	-	-	9.555	9.555
-	38.772	38.772	Financing and investment income and expenditure	-	-	-	36.449	36.449
(129.723)	(55.153)	(184.876)	Taxation and non-specific grant income	(136.820)	-	(136.820)	(59.055)	(195.875)
<b>(7.115)</b>	<b>19.764</b>	<b>12.649</b>	<b>Deficit on the provision of services</b>	<b>1.442</b>	<b>8.090</b>	<b>9.532</b>	<b>24.413</b>	<b>33.945</b>
(21.596)			HRA balance at start of year			(23.290)		
(6.260)			General Fund unallocated balance at start of year			(7.722)		
<b>(27.856)</b>			<b>Total balances at start of year</b>			<b>(31.012)</b>		
(1.694)			Movement in HRA balance in year			(1.273)		
(1.461)			Movement in General Fund unallocated balance in year			2.915		
<b>(3.155)</b>			<b>Total movement in balances for the year</b>			<b>1.642</b>		
(23.290)			HRA balance at end of year			(24.563)		
(7.722)			General Fund unallocated balance at end of year			(4.808)		
<b>(31.012)</b>			<b>Total balances at end of year</b>			<b>(29.371)</b>		



## Section 4 – Notes to the Core Financial Statements

### Note 1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 43, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are set out in this note.

#### Government Funding

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

#### Accounting for Assets – Balance Sheet Recognition

The Council has four types of schools within the borough – community, voluntary aided (VA), trust and academy. Only community schools are recognised on the Balance Sheet as the other categories are not deemed to be under the ownership of the Council.

The table below details the number of schools in each category as at 31 March 2023:

	Nursery, Primary or Special	Secondary
Community	33	3
VA	2	0
Academy	17	4
Trust	2	1
	<b>54</b>	<b>8</b>

#### Private Finance Initiatives (PFI)

The Council is deemed to control the services provided under the PFI agreements for three schools, street lighting in the borough and a share of a waste recycling facility on Teesside. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and assets totalling £97.567m (£98.858m in 2021/22) are recognised as property, plant and equipment on the Council's Balance Sheet. Further information can be found in notes 11 and 19.

#### Leases

The Council constructed a new office facility at Harton Quay, South Shields in 2011. The office was leased to British Telecommunications PLC on 29 September 2011 for an initial lease term of 14½ years. The primary purpose of the office facility is to secure new jobs for the borough and facilitate regeneration of the riverside area. Although the asset generates rental income and may result in capital appreciation, these were not the primary purposes of the project. The Council has reviewed the terms of the lease agreement and concluded that this is an operating lease. For this reason, the Council has accounted for this asset as property, plant and equipment on the Balance Sheet with a value at 31 March 2023 of £8.259m (£8.607m in 2021/22).

The Council owns assets leased to third parties e.g. factory and retail units, with a value at 31 March 2023 of £33.447m (£33.174m in 2021/22). Whilst the Council does receive rental income, the primary purpose of holding these assets is job creation and regeneration of the borough. The assets have therefore been accounted for as property, plant and equipment rather than investment properties on the Balance Sheet.

## Section 4 – Notes to the Core Financial Statements

### Newcastle Airport Holding

The Council is one of seven local authorities (the 'LA7') who hold an overall 51% shareholding in Newcastle Airport. The fair value of these shares is based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations. A full valuation took place as at 31 March 2022 and contains several assumptions around future income cash flows for the company and the marketability of the shares before arriving at the fair value. The current valuation is in line with recent stock market movements for shares in other worldwide airports as at the Balance sheet date.

### Note 2. Assumptions made about the Future and Other Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about what may happen in 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 these assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are described in this note.

### Approach to Fair Value

When the fair values of financial assets or liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using valuation techniques. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing their fair values. These judgements typically include considerations such as uncertainty and risk. The significant unobservable inputs used include management assumptions regarding rent growth and discount rates adjusted for regional factors. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for surplus assets and financial instruments.

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 11 and 13.

### Beacon Approach to Valuations

The Council adopts a beacon approach to the valuation of dwellings and sheltered housing units. This involves valuing a single property in an area and then applying that valuation to properties in a similar location and with similar characteristics. The Council has identified 251 beacon properties to cover the whole borough (251 in 2021/22). Property values are affected by several factors and a 1% movement on the assumed valuation would change the reported value of dwellings by £3.816m (£5.318m in 2021/22) and other land and buildings by £0.361m (£0.467m in 2021/22).

### Other Land and Property Valuations

For other valuations the Council adopts a rolling programme which results in material assets being revalued at least once every five years. A 1% movement in valuations prior to 1 April 2022 would change the reported value of other land and buildings and surplus assets by £3.215m (£2.225m in 2021/22).

### Useful Economic Lives

Property, plant and equipment are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to

## Section 4 – Notes to the Core Financial Statements

individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £3.640m (£3.034m in 2021/22) for every year that useful lives had to be reduced.

### **Newcastle Airport Valuation**

The valuation of the investment in Newcastle Airport is subject to a number of complex judgements relating to the discount rate used, the levels of income that will be generated by the company in future years, the current value of any surplus assets available to the company and a discount factor to reflect the lack of marketability of the shares. An expert firm of accountants was engaged to provide the Council with a valuation as at 31 March 2022. A further 10% movement in the value of the shareholding would adjust the balance sheet by £0.811m (£0.811m in 2021/22).

### **Liability relating to the Defined Benefit Obligation**

Estimation of the defined benefit obligation to pay pensions depends on several 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. An expert firm of actuaries is engaged to provide the Council with advice about the assumptions applied. The effects on the net defined benefit obligation of changes in individual assumptions can be measured. The results can be found in the sensitivity analysis section of note 41 on pages 72 and 73.

However, the assumptions interact in complex ways. During 2022/23 the Council's actuaries advised that the defined benefit obligation for funded liabilities had increased by £95.670m (decrease of £11.880m in 2021/22) as a result of estimates being corrected for experience and decreased by £457.830m (£83.670m in 2021/22) due to updating of financial and demographic assumptions. Re-measurement of Fund assets led to a £33.180m increase (£36.960m decrease in 2021/22).

### **Note 3. Adjustments between Accounting Basis and Funding Basis under Regulations**

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

## Section 4 – Notes to the Core Financial Statements

2022/23	General Fund balance £m	Usable reserves		Major repairs reserve £m	Movement in unusable reserves £m
		Housing revenue account £m	Capital receipts reserve £m		
<b>Adjustments primarily involving the capital adjustment account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	(34.946)	(27.296)	-	-	62.242
Contribution towards the major repairs reserve	-	19.672	-	(19.672)	-
Revaluation (losses) or gains on property, plant and equipment	(1.482)	14.117	-	-	(12.635)
Amortisation of intangible assets	(0.505)	(0.020)	-	-	0.525
Capital grants and contributions applied	25.862	1.103	-	-	(26.965)
Capital receipts not linked to non-current assets	0.022	0.067	(6.379)	-	6.290
Revenue expenditure funded from capital under statute	(4.247)	(0.144)	-	-	4.391
Amounts of current and non-current assets written off as part of the loss on disposal	(4.039)	(6.181)	-	-	10.220
Other movements	-	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Provision for the financing of capital investment	11.139	-	-	-	(11.139)
Capital expenditure charged against balances	2.491	0.008	-	-	(2.499)
<b>Adjustments primarily involving the capital receipts reserve and the major repairs reserve:</b>					
Transfer of cash sale proceeds credited as part of the loss on disposal	5.621	6.025	(11.646)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	5.600	-	(5.600)
Use of the capital receipts reserve in lieu of debt set aside	-	-	10.730	-	(10.730)
Contribution towards administrative costs of non-current asset disposals	-	(0.178)	0.178	-	-
Contribution towards the payments to the Government capital receipts pool	-	-	-	-	-
Use of the major repairs reserve to finance new capital expenditure	-	-	-	24.077	(24.077)
<b>Adjustments primarily involving the pensions reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 41)	(50.040)	-	-	-	50.040
Employer's pensions contributions and direct payments to pensioners payable in the year	18.910	-	-	-	(18.910)
<b>Other adjustments to unusable reserves:</b>					
Amount by which finance costs charged are different from finance costs chargeable in accordance with statutory requirements	0.180	-	-	-	(0.180)
Amount by which council tax and non-domestic rates are different from income in accordance with statutory requirements	1.554	-	-	-	(1.554)
Adjustment between the General Fund and DSG Adjustment Account	(1.106)	-	-	-	1.106
Employee benefits accrued during the year	(0.772)	-	-	-	0.772
<b>Total adjustments</b>	<b>(31.358)</b>	<b>7.173</b>	<b>(1.517)</b>	<b>4.405</b>	<b>21.297</b>

## Section 4 – Notes to the Core Financial Statements

The equivalent figures for the previous year are as follows:

2021/22	General Fund balance £m	Usable reserves			Movement in unusable reserves £m
		Housing revenue account £m	Capital receipts reserve £m	Major repairs reserve £m	
<b>Adjustments primarily involving the capital adjustment account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	(30.270)	(26.007)	-	-	56.277
Contribution towards the major repairs reserve	-	19.059	-	(19.059)	-
Revaluation (losses) or gains on property, plant and equipment	0.005	13.163	-	-	(13.168)
Amortisation of intangible assets	(0.334)	-	-	-	0.334
Capital grants and contributions applied	22.093	0.143	-	-	(22.236)
Capital receipts not linked to non-current assets	-	0.152	(2.558)	-	2.406
Revenue expenditure funded from capital under statute	(1.934)	(0.265)	-	-	2.199
Amounts of current and non-current assets written off as part of the loss on disposal	(1.255)	(6.487)	-	-	7.742
Other movements	-	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Provision for the financing of capital investment	11.158	-	-	-	(11.158)
Capital expenditure charged against balances	2.291	-	-	-	(2.291)
<b>Adjustments primarily involving the capital receipts reserve and the major repairs reserve:</b>					
Transfer of cash sale proceeds credited as part of the loss on disposal	0.150	6.713	(6.863)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	2.642	-	(2.642)
Use of the capital receipts reserve in lieu of debt set aside	-	-	6.706	-	(6.706)
Contribution towards administrative costs of non-current asset disposals	(0.001)	(0.204)	0.205	-	-
Contribution towards the payments to the Government capital receipts pool	(2.168)	-	2.168	-	-
Use of the major repairs reserve to finance new capital expenditure	-	-	-	20.790	(20.790)
<b>Adjustments primarily involving the pensions reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 41)	(48.170)	-	-	-	48.170
Employer's pensions contributions and direct payments to pensioners payable in the year	17.270	-	-	-	(17.270)
<b>Other adjustments to unusable reserves:</b>					
Amount by which finance costs charged are different from finance costs chargeable in accordance with statutory requirements	0.089	-	-	-	(0.089)
Amount by which council tax and non-domestic rates are different from income in accordance with statutory requirements	4.119	-	-	-	(4.119)
Adjustment between the General Fund and DSG Adjustment Account	(4.480)	-	-	-	4.480
Employee benefits accrued during the year	0.925	-	-	-	(0.925)
<b>Total adjustments</b>	<b>(30.512)</b>	<b>6.267</b>	<b>2.300</b>	<b>1.731</b>	<b>20.214</b>

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

### General Fund Balance

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

## **Section 4 – Notes to the Core Financial Statements**

### **Housing Revenue Account (HRA) Balance**

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

### **Capital Receipts Reserve**

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

### **Major Repairs Reserve**

The Council is required to maintain the major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the end of the year.

### **Note 4. Major Items of Income and Expenditure**

In 2021/22 £10.143m of revaluation losses accounted for on dwellings in prior years was reversed back into the local authority housing (HRA) line of the Comprehensive Income and Expenditure Statement. The equivalent figure for 2022/23 is £14.215m.

### **Note 5. Expenditure and Funding Analysis Note**

## Section 4 – Notes to the Core Financial Statements

2022/23	Adjustments for capital purposes	Net change for the pension adjustments	Adjustments for PFI and leasing purposes	Other differences	Total adjustments
	£m	£m	£m	£m	£m
Adult social care	0.306	2.395	-	(10.064)	(7.362)
Commissioning and quality assurance	(0.000)	0.353	-	0.137	0.490
<b>Sub total adult social care and commissioning</b>	<b>0.306</b>	<b>2.748</b>	<b>-</b>	<b>(9.927)</b>	<b>(6.872)</b>
Children and families social care	0.212	2.334	-	0.193	2.739
Learning and early help	4.868	6.122	(5.931)	1.751	6.810
<b>Sub total children's social care, learning and early help</b>	<b>5.080</b>	<b>8.456</b>	<b>(5.931)</b>	<b>1.944</b>	<b>9.549</b>
Public health	-	0.196	-	(13.939)	(13.744)
<b>Sub total public health</b>	<b>-</b>	<b>0.196</b>	<b>-</b>	<b>(13.939)</b>	<b>(13.744)</b>
Corporate finance	(0.023)	0.118	11.126	17.736	28.957
Libraries and leisure	3.917	0.970	-	(0.503)	4.384
Digital and ICT services	1.950	0.780	-	(0.789)	1.941
Other business and resources services	0.511	0.721	-	0.113	1.344
<b>Sub total business and resources</b>	<b>6.355</b>	<b>2.589</b>	<b>11.126</b>	<b>16.557</b>	<b>36.626</b>
Performance and communications	-	1.015	-	0.282	1.297
Corporate Governance	0.014	0.324	-	0.080	0.417
<b>Sub total governance and corporate affairs</b>	<b>0.014</b>	<b>1.339</b>	<b>-</b>	<b>0.361</b>	<b>1.714</b>
Environment	5.294	1.507	(2.620)	0.638	4.819
Regeneration and housing	14.833	1.952	(2.724)	1.195	15.257
Transport and infrastructure	6.824	0.843	-	(0.019)	7.648
Other regeneration and environment services	0.440	0.359	-	(0.625)	0.174
<b>Sub total regeneration and environment</b>	<b>27.391</b>	<b>4.661</b>	<b>(5.344)</b>	<b>1.189</b>	<b>27.898</b>
<b>Local authority housing (HRA)</b>	<b>(17.707)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17.707)</b>
<b>Cost of services</b>	<b>21.439</b>	<b>19.988</b>	<b>(0.149)</b>	<b>(3.815)</b>	<b>37.464</b>
Other operating income and expenditure	(1.582)	1.336	-	9.800	9.555
Financing and investment income and expenditure	-	9.800	6.547	20.102	36.449
Taxation and non-specific grant income	(23.853)	-	(11.126)	(24.076)	(59.055)
<b>Deficit on the provision of services</b>	<b>(3.995)</b>	<b>31.124</b>	<b>(4.728)</b>	<b>2.011</b>	<b>24.413</b>

The adjustments for capital purposes column adds in depreciation, amortisation, impairments and revaluation losses or gains for each of the service lines. In the other operating income and expenditure line it adjusts for capital disposals and the transfer of income on disposal of assets and the amounts written off for those assets as well as depreciation charged to trading activities. In the taxation and non-specific grant income line capital grants receivable in the year without conditions or for which conditions were satisfied in the year have been credited.

The net change for the pension adjustments column for service lines represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with costs for both current and past service. For the other operating income and expenditure line this represents those charges in relation to traded activities. For the financing and investment income and expenditure line it represents the net interest on the defined benefit liability.

Adjustments for PFI and leasing purposes represent the removal of debt and interest repayments which have been charged to service lines in the management accounts. The debt repayments statutorily required for the PFI contracts are then included in the financing and investment income and expenditure line.

The other differences column represents amounts debited or credited to the Comprehensive Income and Expenditure Statement; either amounts payable or receivable to be recognised under statute or any costs or income that report as part of the service lines under management accounts but represent items that are reported below the cost of services line. For the other operating income and expenditure line this is the recognition of levies, the capital pooling payment and traded activities. For the financing and investment income and expenditure it



## Section 4 – Notes to the Core Financial Statements

recognises interest paid and received. For the taxation and non-specific grant income line it represents the consolidation of unringfenced Government grants and the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under proper accounting practices in the Code. The latter is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

The equivalent table for the previous year is as follows:

2021/22	Adjustments for capital purposes	Net change for the pension adjustments	Adjustments for PFI and leasing purposes	Other differences	Total adjustments
	£m	£m	£m	£m	£m
Adult social care	0.263	2.230	-	(8.420)	(5.928)
Commissioning and quality assurance	0.001	0.400	-	0.102	0.503
<b>Sub total adult social care and commissioning</b>	<b>0.264</b>	<b>2.630</b>	<b>-</b>	<b>(8.318)</b>	<b>(5.425)</b>
Children and families social care	0.420	2.266	-	0.541	3.226
Learning and early help	4.999	6.536	(6.099)	1.020	6.456
<b>Sub total children's social care, learning and early help</b>	<b>5.419</b>	<b>8.802</b>	<b>(6.099)</b>	<b>1.561</b>	<b>9.682</b>
Public health	-	0.209	-	(13.010)	(12.802)
<b>Sub total public health</b>	<b>-</b>	<b>0.209</b>	<b>-</b>	<b>(13.010)</b>	<b>(12.802)</b>
Corporate finance	0.001	0.321	11.126	12.202	23.650
Libraries and leisure	2.772	0.971	-	(0.131)	3.612
Digital and ICT services	1.515	0.679	-	(0.783)	1.411
Other business and resources services	0.366	0.711	-	0.185	1.262
<b>Sub total business and resources</b>	<b>4.654</b>	<b>2.682</b>	<b>11.126</b>	<b>11.473</b>	<b>29.935</b>
Performance and communications	0.002	0.894	-	0.181	1.077
Corporate Governance	0.030	0.357	-	0.119	0.506
<b>Sub total governance and corporate affairs</b>	<b>0.032</b>	<b>1.251</b>	<b>-</b>	<b>0.299</b>	<b>1.583</b>
Environment	4.839	1.427	(5.742)	0.732	1.256
Regeneration and housing	<b>7.594</b>	<b>1.670</b>	<b>(2.599)</b>	<b>0.360</b>	<b>7.024</b>
Transport and infrastructure	6.233	0.853	-	0.332	7.418
Other regeneration and environment services	1.563	0.769	-	(0.619)	1.713
<b>Sub total regeneration and environment</b>	<b>20.229</b>	<b>4.719</b>	<b>(8.341)</b>	<b>0.805</b>	<b>17.411</b>
<b>Local authority housing (HRA)</b>	<b>(16.926)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16.926)</b>
<b>Cost of services</b>	<b>13.672</b>	<b>20.294</b>	<b>(3.314)</b>	<b>(7.189)</b>	<b>23.458</b>
Other operating income and expenditure	1.107	1.347	-	10.232	12.687
Financing and investment income and expenditure	-	9.260	9.634	19.878	38.772
Taxation and non-specific grant income	(20.159)	-	(11.126)	(23.868)	(55.153)
<b>Deficit on the provision of services</b>	<b>(5.379)</b>	<b>30.901</b>	<b>(4.806)</b>	<b>(0.947)</b>	<b>19.764</b>

The Council's expenditure and income can be analysed as follows:

2021/22		2022/23
£m		£m
184.754	Employee benefit expenses	197.786
9.647	Support services recharges	8.604
300.333	Other service expenses	320.126
43.363	Depreciation, revaluations, amortisation and impairment	49.993
41.290	Interest payments	38.408
8.051	Precepts and levies	8.727
2.168	Payments to housing receipts pool	-
1.083	Loss or (profit) on disposal of current and non-current assets	(1.248)
<b>590.689</b>	<b>Total expenditure</b>	<b>622.396</b>
(184.430)	Fees, charges and other service income	(191.213)
(2.570)	Interest and investment income	0.972
(77.838)	Income from council tax and non domestic rates	(83.421)
(313.202)	Grants and contributions	(314.789)
<b>(578.040)</b>	<b>Total income</b>	<b>(588.451)</b>
<b>12.649</b>	<b>Deficit on the provision of services</b>	<b>33.945</b>

## Section 4 – Notes to the Core Financial Statements

### Note 6. Transfers to or from Earmarked Reserves

This note details 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. Earmarked reserves are held for specific purposes and are not intended to support general Council spending.

The following table shows the movement in earmarked reserve balances for the past two years.

	Balance at 31 March 2021	Transfers out 2021/22	Transfers in 2021/22	Balance at 31 March 2022	Transfers out 2022/23	Transfers in 2022/23	Balance at 31 March 2023
	£m	£m	£m	£m	£m	£m	£m
Strategic reserve	(3.021)	-	-	(3.021)	-	-	(3.021)
School balances	0.184	(2.664)	(4.729)	(7.209)	3.829	(0.672)	(4.052)
Insurance reserve	(2.567)	-	-	(2.567)	-	-	(2.567)
Future funding reserve	(15.200)	-	(1.012)	(16.212)	1.064	-	(15.148)
Emergency reserve	(21.031)	4.358	(2.598)	(19.271)	6.206	(1.129)	(14.194)
Other reserves	(16.333)	1.825	(3.620)	(18.128)	2.971	(4.149)	(19.306)
<b>Total earmarked reserves</b>	<b>(57.968)</b>	<b>3.519</b>	<b>(11.959)</b>	<b>(66.408)</b>	<b>14.070</b>	<b>(5.950)</b>	<b>(58.288)</b>

#### Strategic Reserve

This reserve covers emergency events such as unforeseen financial liabilities or natural disasters. This reserve is at least equivalent to 2% of the Council's net revenue budget.

#### School Balances

This amount represents the cumulative net unspent element of school budgets, which, in accordance with Government legislation, must be carried forward into the following financial year. Surplus balances are committed to be spent on education.

#### Insurance Reserve

The insurance reserve balance represents funding to pay for future claims over and above the known claims recognised as provisions.

#### Future Funding Reserve

This reserve provides cover against the expected continuing funding pressures over the coming few years.

#### Emergency Reserve

This reserve represents Government funding retained to meet additional Council costs and to deliver on the various Government initiatives relating to the Covid-19 pandemic.

#### Other Reserves

Amounts set aside for specific expenditure commitments.

### Note 7. Events after the Reporting Period

The Statement of Accounts has been certified as giving a true and fair view by the Director of Business and Resources on 30 June 2023. They include any events taking place between this date and the date of the Balance Sheet where these events would affect the reported position at 31 March 2023.

## Section 4 – Notes to the Core Financial Statements

### Note 8. Other Operating Income and Expenditure

Other operating income and expenditure is made up of the following items:

2021/22		2022/23
£m		£m
8.051	Levies	8.727
2.168	Payments to the Government housing capital receipts pool	-
1.384	Deficit on trading undertakings	2.075
1.084	Loss or (profit) on the disposal of current and non-current assets	(1.247)
<b>12.687</b>	<b>Total other operating income and expenditure</b>	<b>9.555</b>

### Note 9. Financing and Investment Income and Expenditure

Financing and investment income and expenditure is made up of the following items:

2021/22		2022/23
£m		£m
32.030	Interest payable and similar charges	28.584
0.282	Impairment of financial and non-financial assets	1.910
9.260	Net interest expense of defined benefit liability and interest income on scheme assets	9.800
(2.570)	Interest receivable	(3.698)
(0.230)	Income in relation to investment properties	(0.147)
<b>38.772</b>	<b>Total financing and investment income and expenditure</b>	<b>36.449</b>

### Note 10. Taxation and Non-specific Grant Income

Taxation and non-specific grant income is made up of the following items:

2021/22		2022/23
£m		£m
(65.965)	Council tax income	(68.895)
(11.883)	Non-domestic rates	(14.527)
(41.215)	Non-domestic rates Government grants	(42.874)
(45.654)	Other unringfenced Government revenue grants	(45.726)
(20.159)	Capital grants and contributions	(23.853)
<b>(184.876)</b>	<b>Total taxation and non-specific grant income</b>	<b>(195.875)</b>

### Note 11. Property, Plant and Equipment

The following table analyses the movement in property, plant and equipment for the year and identifies the value of assets held under PFI arrangements:

## Section 4 – Notes to the Core Financial Statements

	Council dwellings	Other buildings	Other land	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment	PFI assets included in property, plant and equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>2022/23</b>									
<b>Cost or valuation</b>									
<b>At 1 April 2022</b>	<b>624.708</b>	<b>404.787</b>	<b>64.231</b>	<b>83.902</b>	<b>16.130</b>	<b>3.839</b>	<b>24.727</b>	<b>1,222.324</b>	<b>85.856</b>
Additions	21.851	13.455	0.107	3.847	0.432	-	29.952	69.644	1.451
Revaluation to revaluation reserve	14.067	12.518	0.258	-	-	-	-	26.843	2.118
Revaluation to Comprehensive Income and Expenditure Statement	10.169	(1.258)	(0.085)	-	-	(0.083)	-	8.743	(0.669)
Impairment to Comprehensive Income and Expenditure Statement	(7.404)	(2.997)	-	(0.001)	-	-	-	(10.402)	-
Sales and other derecognition	(6.740)	(0.568)	(0.007)	(0.466)	-	(0.453)	(1.047)	(9.281)	-
Reclassification of assets	(0.095)	3.898	(0.082)	-	-	0.100	(4.248)	(0.427)	-
<b>At 31 March 2023</b>	<b>656.556</b>	<b>429.835</b>	<b>64.422</b>	<b>87.282</b>	<b>16.562</b>	<b>3.403</b>	<b>49.384</b>	<b>1,307.444</b>	<b>88.756</b>
<b>Depreciation</b>									
<b>At 1 April 2022</b>	<b>(92.817)</b>	<b>(34.937)</b>	<b>-</b>	<b>(41.587)</b>	<b>(6.286)</b>	<b>(0.030)</b>	<b>-</b>	<b>(175.657)</b>	<b>(2.393)</b>
Depreciation to Comprehensive Income and Expenditure Statement	(16.961)	(18.582)	-	(5.838)	(0.903)	(0.008)	-	(42.292)	(3.946)
Depreciation to revaluation reserve	6.705	5.397	-	-	-	-	-	12.102	(0.007)
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	2.103	1.788	-	-	-	-	-	3.891	0.669
Sales and other derecognition	1.426	0.155	-	0.465	-	-	-	2.046	-
Reclassification of assets	0.015	0.038	-	-	-	-	-	0.053	-
<b>At 31 March 2023</b>	<b>(99.529)</b>	<b>(46.141)</b>	<b>-</b>	<b>(46.960)</b>	<b>(7.189)</b>	<b>(0.038)</b>	<b>-</b>	<b>(199.857)</b>	<b>(5.677)</b>
<b>Balance sheet amount at 31 March 2022</b>	<b>531.890</b>	<b>369.850</b>	<b>64.231</b>	<b>42.315</b>	<b>9.844</b>	<b>3.809</b>	<b>24.727</b>	<b>1,046.666</b>	<b>83.462</b>
<b>Balance sheet amount at 31 March 2023</b>	<b>557.027</b>	<b>383.694</b>	<b>64.422</b>	<b>40.321</b>	<b>9.373</b>	<b>3.366</b>	<b>49.384</b>	<b>1,107.587</b>	<b>83.077</b>

The value shown for other land and buildings at 31 March 2023 includes £3.355m in respect of leased assets (£3.491m in 2021/22).

The equivalent movements for the previous year are as follows:

	Council dwellings	Other buildings	Other land	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment	PFI assets included in property, plant and equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>2021/22</b>									
<b>Cost or valuation</b>									
<b>At 1 April 2021</b>	<b>609.533</b>	<b>397.925</b>	<b>55.422</b>	<b>78.987</b>	<b>15.803</b>	<b>4.402</b>	<b>11.819</b>	<b>1,173.891</b>	<b>84.945</b>
Additions	17.309	11.284	0.125	3.907	0.327	0.057	13.550	46.559	0.217
Revaluation to revaluation reserve	4.232	(5.239)	7.425	1.506	-	-	-	7.924	0.241
Revaluation to Comprehensive Income and Expenditure Statement	8.411	3.001	1.351	0.404	-	-	-	13.167	0.453
Impairment to Comprehensive Income and Expenditure Statement	(6.719)	(2.208)	-	(0.002)	-	-	-	(8.929)	-
Sales and other derecognition	(7.311)	(0.245)	-	(0.900)	-	(0.162)	-	(8.618)	-
Reclassification of assets	(0.747)	0.269	(0.092)	-	-	(0.458)	(0.642)	(1.670)	-
<b>At 31 March 2022</b>	<b>624.708</b>	<b>404.787</b>	<b>64.231</b>	<b>83.902</b>	<b>16.130</b>	<b>3.839</b>	<b>24.727</b>	<b>1,222.324</b>	<b>85.856</b>
<b>Depreciation</b>									
<b>At 1 April 2021</b>	<b>(80.810)</b>	<b>(39.915)</b>	<b>-</b>	<b>(40.193)</b>	<b>(5.445)</b>	<b>(0.026)</b>	<b>-</b>	<b>(166.389)</b>	<b>(4.538)</b>
Depreciation to Comprehensive Income and Expenditure Statement	(16.544)	(15.916)	-	(5.248)	(0.841)	(0.008)	-	(38.557)	(3.547)
Depreciation to revaluation reserve	2.670	17.775	-	1.456	-	-	-	21.901	3.666
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	0.536	3.086	-	1.498	-	-	-	5.120	2.025
Sales and other derecognition	1.247	0.033	-	0.900	-	0.004	-	2.184	-
Reclassification of assets	0.083	-	-	-	-	-	-	0.083	-
<b>At 31 March 2022</b>	<b>(92.818)</b>	<b>(34.937)</b>	<b>-</b>	<b>(41.587)</b>	<b>(6.286)</b>	<b>(0.030)</b>	<b>-</b>	<b>(175.658)</b>	<b>(2.394)</b>
<b>Balance sheet amount at 31 March 2021</b>	<b>528.723</b>	<b>358.010</b>	<b>55.422</b>	<b>38.794</b>	<b>10.358</b>	<b>4.376</b>	<b>11.819</b>	<b>1,007.502</b>	<b>80.407</b>
<b>Balance sheet amount at 31 March 2022</b>	<b>531.890</b>	<b>369.850</b>	<b>64.231</b>	<b>42.315</b>	<b>9.844</b>	<b>3.809</b>	<b>24.727</b>	<b>1,046.666</b>	<b>83.462</b>

### Infrastructure Assets – Movements on Balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits

## Section 4 – Notes to the Core Financial Statements

mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The infrastructure asset tables for the current year and previous year are as follows:

	22/23		21/22	
	Infrastructure Assets	PFI Included in Infrastructure Assets	Infrastructure Assets	PFI Included in Infrastructure Assets
	£m	£m	£m	£m
Balance sheet amount at 1 April	170.123	15.395	163.296	16.301
Additions	14.375	-	15.534	-
Depreciation	(9.242)	(0.905)	(8.678)	(0.906)
Impairment	(0.217)	-	(0.029)	-
<b>Balance sheet amount at 31 March</b>	<b>175.039</b>	<b>14.490</b>	<b>170.123</b>	<b>15.395</b>
	<b>31 March 2023</b>		<b>31 March 2022</b>	
	£m		£m	
Infrastructure assets	175.039		170.123	
Other PPE assets	1,107.588		1,046.666	
<b>Total PPE assets</b>	<b>1,282.627</b>		<b>1,216.789</b>	

### Revaluations, Depreciation and Componentisation

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations are undertaken in-house and approved by the Valuation Team Leader, L. McGuigan (M.R.I.C.S.). The valuations have been made in accordance with the Statements of Valuation Practice and Guidance Notes issued by the Asset Valuation Standards Committee of the Royal Institution of Chartered Surveyors so far as these are consistent with the stated and agreed requirements.

Where property, plant or equipment has been revalued the date of the valuation is 1 April 2022 unless significant spending in year has taken place in which case the valuation date is either 31<sup>st</sup> December 2022 or 31 March 2023. Where appropriate, valuations reflect accumulated depreciation. The Council only recognises components where these are considered material. Further details of the Council's depreciation and componentisation policy can be found in note 43 accounting policies.

### Significant Observable Inputs – Level 2

The fair value for the surplus assets has mainly been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant.

The following table analyses the value of the property, plant and equipment, broken down into historic cost or by year of valuation.

## Section 4 – Notes to the Core Financial Statements

	Council dwellings	Other land and buildings	Surplus asset	Other assets	Total
	£m	£m	£m	£m	£m
Valued at historic cost	-	0.919	-	248.611	249.530
Valued at current value in:					
2022/23	175.415	118.033	0.372	-	293.820
2021/22	55.495	134.123	-	25.505	215.123
2020/21	110.548	120.948	0.065	-	231.561
2019/20	215.400	23.200	1.921	-	240.521
2018/19 or Prior	0.169	50.894	1.008	-	52.071
<b>Total cost or valuation</b>	<b>557.027</b>	<b>448.117</b>	<b>3.366</b>	<b>274.116</b>	<b>1,282.626</b>

### Capital Commitments

As at 31 March 2023 the Council has entered into several contracts for the construction or enhancement of property, plant and equipment budgeted to cost £14.925m (£26.078m in 2021/22). Details of capital contract commitments over £0.500m as at 31 March 2023 are as shown in the table below.

Capital scheme	Remaining commitment at 31 March 2023	Period of commitment
	£m	Years
Viking energy network, Jarrow	2.980	1
Hebburn Minewater scheme	1.850	1
Holborn Riverside Development	10.095	4
<b>Total</b>	<b>14.925</b>	

### Note 12. Intangible Assets

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

2021/22 Software £m	2022/23 Software £m
<b>Balance at start of year:</b>	
7.924 Gross book value	7.207
(6.246) Accumulated amortisation	(5.781)
<b>1.678 Net book value at start of year</b>	<b>1.426</b>
1.001 Additions	1.112
(1.715) Disposals	-
(0.003) Impairment to Comprehensive Income and Expenditure Statement	(0.005)
0.819 Amortisation written out on disposal	-
(0.354) Amortisation for the period	(0.523)
<b>1.426 Net book value at end of year</b>	<b>2.010</b>
<b>Comprising:</b>	
7.207 Gross book value	8.314
(5.781) Accumulated amortisation	(6.304)
<b>1.426 Net book value at end of year</b>	<b>2.010</b>

## Section 4 – Notes to the Core Financial Statements

### Note 13. Financial Instruments

This note provides information on financial instruments to help the reader identify, quantify and inform on the exposure to risk, including information on the current fair values of assets and liabilities held by the Council.

An analysis of investments and debtors between financial and non-financial assets as carried in the Balance Sheet is as follows:

	Long term investments		Long term debtors		Current investments		Current debtors	
	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m
<b>Financial assets at fair value through other comprehensive income - designated equity instruments</b>								
Newcastle Airport	8.110	8.110	-	-	-	-	-	-
<b>Financial assets at fair value through profit or loss</b>								
Other equity instruments	0.002	0.002	-	-	-	-	-	-
<b>Financial assets at amortised cost</b>								
Deposits with banks and other financial institutions	-	-	-	-	64.385	24.774	-	-
Loans to associates	-	-	40.571	40.258	-	-	0.425	0.440
Loans to subsidiaries	-	-	0.200	-	-	-	4.000	-
Loans to Newcastle Airport	-	-	9.147	10.083	-	-	-	-
Other long and short term debtors	-	-	8.593	7.001	-	-	10.470	16.281
<b>Total financial assets</b>	<b>8.112</b>	<b>8.112</b>	<b>58.511</b>	<b>57.342</b>	<b>64.385</b>	<b>24.774</b>	<b>14.895</b>	<b>16.721</b>
Non financial assets	-	-	-	-	-	-	31.825	36.781
<b>Total assets</b>	<b>8.112</b>	<b>8.112</b>	<b>58.511</b>	<b>57.342</b>	<b>64.385</b>	<b>24.774</b>	<b>46.720</b>	<b>53.502</b>

An analysis of borrowings and creditors between financial and non-financial liabilities as carried in the Balance Sheet is as follows:

	Long term borrowing		Long term creditors		Current borrowing		Current creditors	
	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m
<b>Financial liabilities at amortised cost</b>								
Long and short term borrowing	(643.770)	(628.745)	-	-	(16.341)	(24.736)	-	-
Long and short term creditors	-	-	(0.344)	(0.332)	-	-	(57.287)	(39.266)
PFI liabilities	-	-	(80.093)	(74.648)	-	-	(4.650)	(5.445)
Finance lease liabilities	-	-	(1.623)	(1.537)	-	-	(0.078)	(0.086)
<b>Total financial liabilities</b>	<b>(643.770)</b>	<b>(628.745)</b>	<b>(82.060)</b>	<b>(76.517)</b>	<b>(16.341)</b>	<b>(24.736)</b>	<b>(62.015)</b>	<b>(44.797)</b>
Non financial liabilities	-	-	(0.206)	(0.211)	-	-	(11.280)	(19.568)
<b>Total liabilities</b>	<b>(643.770)</b>	<b>(628.745)</b>	<b>(82.266)</b>	<b>(76.728)</b>	<b>(16.341)</b>	<b>(24.736)</b>	<b>(73.295)</b>	<b>(64.365)</b>

### Material Soft Loans made by the Council

During the year the Council granted no loans (£0.344m in 2021/22) to IAMP LLP (a company set up in partnership with Sunderland City Council). The loans have previously been given to fund the acquisition of land in order to create a site that can be subject to further development. The overall aim is to create an internationally-recognised destination for advanced manufacturing in the North East, which will create over 5,000 new jobs and attract over £400m of private sector investment into the region.

The loans are at nil interest and therefore the Council has reflected net charge of £0.177m (£0.086m in 2021/22) as part of interest payable and similar charges in the Comprehensive Income and Expenditure Statement to recognise the interest income it has previously foregone as a result of these transactions. This amount has been reversed out and transferred to the financial instruments adjustment account such that there is no cost or benefit to Council taxpayers. The value of the interest is based on the Council's borrowing cost plus an allowance for the risk that the loans might not be repaid and assumes will be repayable by 2030, which is when development by the company is expected to be complete.

The following table summarises the movements in these soft loans for the year.



## Section 4 – Notes to the Core Financial Statements

2021/22	Soft loans	2022/23
£m		£m
<b>5.473</b>	<b>Balance at start of year</b>	<b>5.902</b>
0.344	Nominal value of loans issued in year	-
(0.078)	Fair value adjustment on initial recognition	0.009
0.163	Fair value adjustment released	0.168
<b>5.902</b>	<b>Balance at end of year</b>	<b>6.079</b>

### Investments in Equity Instruments designated as Fair Value through other Comprehensive Income

#### Newcastle Airport

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. On 4 May 2001, the seven local authority shareholders of NIAL (the “LA7”) created NIAL Holdings Limited, which is 51% owned by LA7 and 49% owned by InfraBridge (previously known as AMP Capital Investors Limited) following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited (NALAHCL), a company wholly owned by the seven authorities. NALAHCL has a called up share capital of 10,000 shares with a nominal value of £1 each. The Council holds a 10.12% interest in NALAHCL, valued at £8.110m (£8.110m in 2021/22). The shares are not held for trading outside of the LA7.

The valuation of the holding is reviewed each year to consider whether any events have occurred which would materially impair the valuation. The spread of Covid-19 across the world towards the end of 2019/20 led to a sudden decline in air travel prompting the value of the shareholding to be impaired. This continued throughout 2020/21 but subsequent vaccine rollout and a lifting of restrictions has seen the travel sector experience a resurgence in passenger numbers. As a result, the majority of the impairment recognised has been reversed.

Through its shares in NALAHCL the Council has an effective shareholding of 5.16% in NIAL (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of NIAL (registered number 2077766) is the provision of landing services for both commercial and freight operators. No dividend was received for the year ended 31 December 2022 (nil for the year ended 31 December 2021).

Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012/13, issuing £67.665m shareholder loan notes of which £7.815m is provided by the Council (£7.815m in 2021/22). The loan notes will be repayable in 2032 with interest normally being received up to that date on a six monthly basis.

Due to major curtailments in the airport operations as a result of the Covid-19 pandemic the Council has agreed to modify the terms of these loans and has accepted that under the unprecedented circumstances the airport can defer interest repayments for the following three years (four years in 2021/22) with catch up payments to be made in instalments over a later period. Under the loan agreement the Council is entitled to compound interest for any late payments and this has been factored into the repayments the airport will make once the catch up payments commence. This has resulted in a further restatement of the loan value with a cumulative modification loss of £0.433m (£0.570m in 2021/22) being recognised. The decrease in loss recognised is credited to the financing and investment income and expenditure line of the CIES. Furthermore, the Council looked at several observable factors regarding the robustness of the airport operations going forward resulting in an expected lifetime loss

## Section 4 – Notes to the Core Financial Statements

provision of £0.190m (£0.130m in 2021/22) in the event all repayments are not made or further delayed at some time in the future.

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

NIAL Group Limited made a profit before tax of £0.135m and a loss after tax of £2.181m for the year ended 31 December 2022. In the previous year, the Group made a loss before tax of £31.306m and a loss after tax of £32.755m.

### Significant Observable Inputs – Level 3

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

Trading of shares only takes place when one or more of the LA7 or InfraBridge wishes to sell their shareholding. There are no plans to dispose of shares next year.

### Financial Instruments Designated as Fair Value through Profit or Loss

Investments designated as fair value through profit or loss exposes the Council to potential losses of £0.000m (£0.000m in 2021/22).

### Income, Expense, Gains and Losses

The amounts recognised in the deficit on the provision of services in relation to financial instruments are made up as follows:

	2021/22				2022/23			
	Financial liabilities measured at amortised cost	Financial assets measured at amortised cost	Equity instruments measured at fair value through other comprehensive income and expenditure	Total	Financial liabilities measured at amortised cost	Financial assets measured at amortised cost	Equity instruments measured at fair value through other comprehensive income and expenditure	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Expenses</b>								
Impairment losses charged to deficit on provision of services	-	0.382	-	0.382	-	2.048	-	2.048
Modification losses	-	-	(0.100)	(0.100)	-	-	(0.137)	(0.137)
Interest expense	32.030	-	-	32.030	28.584	-	-	28.584
<b>Income</b>								
Interest income	-	(2.570)	-	(2.570)	-	(3.698)	-	(3.698)
Dividends	-	-	-	-	-	-	-	-
<b>Net loss or (profit) for the year</b>	<b>32.030</b>	<b>(2.188)</b>	<b>(0.100)</b>	<b>29.742</b>	<b>28.584</b>	<b>(1.650)</b>	<b>(0.137)</b>	<b>26.797</b>
Impairment losses (or reversals) recognised as other comprehensive income and expenditure	-	-	(1.725)	(1.725)	-	-	(1.725)	(1.725)
<b>Total loss or (profit) for the year</b>	<b>32.030</b>	<b>(2.188)</b>	<b>(1.825)</b>	<b>28.017</b>	<b>28.584</b>	<b>(1.650)</b>	<b>(1.862)</b>	<b>25.072</b>

### Fair Value of Financial Instruments Carried at Amortised Cost

Where investments and borrowings are not quoted on an active market a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount a net present value approach has been adopted, which provides an estimate of the value of payments in the future in today's terms as at the Balance Sheet date. Our accounting policy uses early repayment rates to discount the future cash flows. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

## Section 4 – Notes to the Core Financial Statements

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

The fair values of long and short term borrowing differ from the carrying amount as follows:

	31 March 2022		31 March 2023	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
PWLB	(651.749)	(882.639)	(639.127)	(493.424)
Other local authorities	-	-	(6.018)	(6.018)
Pension funds	-	-	-	-
Market debt (LOBOs)	(8.295)	(17.569)	(8.291)	(9.243)
Other private sector	(0.067)	(0.067)	(0.045)	(0.045)
<b>Financial liabilities</b>	<b>(660.111)</b>	<b>(900.275)</b>	<b>(653.481)</b>	<b>(508.730)</b>

The fair value of liabilities as at the end of the year are lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value of other liabilities and all assets are deemed to be equivalent to their carrying amount as this is a fair approximation of their value.

### Note 14. Short Term Debtors

An analysis of short term debtors, including payments in advance, are shown in the following table:

## Section 4 – Notes to the Core Financial Statements

31 March 2022 £m		31 March 2023 £m
	<b>Amounts falling due in one year</b>	
7.091	Central Government bodies	10.718
2.151	Other local authorities	3.630
3.586	NHS bodies	1.155
5.199	Housing tenants	5.032
19.628	Council tax payers	22.268
1.485	Non-domestic ratepayers	1.546
0.968	South Tyneside Homes Limited	0.997
1.174	Tyne and Wear Pension Fund	0.353
21.187	Other debtors	25.983
<b>62.469</b>	<b>Total amounts falling due in one year</b>	<b>71.682</b>
	<b>Allowances for bad debts</b>	
(3.301)	Housing tenants	(3.424)
(8.274)	Council tax payers	(9.101)
(0.888)	Non-domestic ratepayers	(0.980)
(3.286)	Other debtors	(4.675)
<b>(15.749)</b>	<b>Total bad debt allowances</b>	<b>(18.180)</b>
<b>46.720</b>	<b>Net debtors</b>	<b>53.502</b>
	<b>Amounts written off during the year</b>	
0.219	Housing rents (excluding write ons)	0.210
0.112	Council tax (including costs but excluding write ons)	0.099
0.058	Non-domestic rates (including costs)	0.074
0.192	Other debtors (net of VAT recovered)	0.345
<b>0.581</b>	<b>Total amounts written off during the year</b>	<b>0.728</b>

The total non-domestic rate write off for the year was £0.150m (£0.119m in 2021/22) with the balance being met proportionately by the Government and preceptors as defined by the rates retention scheme.

### Note 15. Cash and Cash Equivalents

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

31 March 2022 £m		31 March 2023 £m
0.060	Cash held by the Council	0.054
4.860	Bank accounts	2.346
26.910	Money market funds	9.040
<b>31.830</b>	<b>Total cash and cash equivalent assets</b>	<b>11.440</b>
-	Bank overdraft facility	(2.493)
-	<b>Cash and cash equivalent liabilities</b>	<b>(2.493)</b>
<b>31.830</b>	<b>Total cash and cash equivalent</b>	<b>8.947</b>

The Council continues to invest surplus cash in a low interest environment, making use of money market funds and shorter term fixed period loans and deposits with other local authorities or financial institutions for cash that will be needed in the short term. Any surplus

## Section 4 – Notes to the Core Financial Statements

cash not required in the short term is invested in longer fixed period deposits and recorded on the Balance Sheet as short term investments.

### Note 16. Assets Held for Sale

Assets held for sale represent surplus or redundant assets that the Council is in the process of disposing and expects that disposal to take place within the next twelve months. The following table shows the movements in year:

2021/22		2022/23
£m		£m
<b>0.413</b>	<b>Balance at start of year</b>	<b>1.586</b>
1.586	Assets transferred from property, plant and equipment	0.374
-	Additions	0.016
(0.413)	Assets sold	(0.687)
<b>1.586</b>	<b>Balance at end of year</b>	<b>1.289</b>

### Note 17. Short Term Creditors

An analysis of short term creditors and receipts in advance is shown in the following table:

31 March 2022			31 March 2023		
Creditors	Receipts in advance	Total	Creditors	Receipts in advance	Total
£m	£m	£m	£m	£m	£m
(15.921)	(15.092)	(31.013)	(9.407)	(5.268)	(14.675)
(1.007)	(0.355)	(1.362)	(0.892)	(0.175)	(1.067)
(1.372)	(1.830)	(3.202)	(1.588)	(0.552)	(2.140)
-	(2.553)	(2.553)	-	(2.561)	(2.561)
-	(1.849)	(1.849)	-	(2.366)	(2.366)
(4.065)	-	(4.065)	(3.359)	-	(3.359)
(3.649)	-	(3.649)	(4.442)	-	(4.442)
(2.055)	-	(2.055)	(8.765)	-	(8.765)
(17.418)	(1.479)	(18.897)	(17.346)	(2.199)	(19.545)
<b>(45.487)</b>	<b>(23.158)</b>	<b>(68.645)</b>	<b>(45.799)</b>	<b>(13.121)</b>	<b>(58.920)</b>

### Note 18. Long and Short Term Provisions

An analysis of the provisions balances is as follows:

	Injury and damage compensation claims	Other provisions	Total
	£m	£m	£m
<b>Balance at 1 April 2021</b>	<b>(1.605)</b>	<b>(1.751)</b>	<b>(3.356)</b>
Additional provisions	(1.119)	(1.905)	(3.024)
Amounts used	1.109	1.558	2.667
Unused amounts reversed	-	0.152	0.152
<b>Balance at 31 March 2022</b>	<b>(1.615)</b>	<b>(1.946)</b>	<b>(3.561)</b>
Additional provisions	(0.619)	(2.064)	(2.683)
Amounts used	0.861	1.836	2.697
Unused amounts reversed	-	-	-
<b>Balance at 31 March 2023</b>	<b>(1.373)</b>	<b>(2.174)</b>	<b>(3.547)</b>
Short term provisions	-	(1.089)	(1.089)
Long term provisions	(1.373)	(1.085)	(2.458)
<b>Balance at 31 March 2023</b>	<b>(1.373)</b>	<b>(2.174)</b>	<b>(3.547)</b>

## Section 4 – Notes to the Core Financial Statements

Provisions relate to potential payments under non-domestic rate appeals, utility disputes and insurance claims. These provisions are primarily expected to be paid within the next three years.

### Note 19. PFI and other Long Term Contracts

The Council has five operational PFI schemes. Under these agreements, the Council pays an annual sum to the operator, known as a unitary charge, and receives PFI grant to partially offset these costs. The following table summarises the key facts for each scheme.

PFI details	Boldon school	Street lights	Jarrow school	Epinay school	Joint waste project
Date of service commencement	13 April 2005	9 December 2005	26 October 2009	6 September 2011	22 April 2014
Current PFI operator	Infrared Capital Partners	Balfour Beatty PLC	InspiredSpaces STaG Limited	InspiredSpaces STaG Limited	SITA UK Limited
Length of contract	25 years	25 years	25 years	25 years	25 years
Expiry date	31 October 2031	28 February 2031	25 October 2034	4 September 2036	31 March 2039
Closing net book value of assets (£m)	23.122	14.490	-	22.216	37.739
Unitary charge payments in year (£m)	2.877	4.705	3.676	4.451	6.866
Additional payments and (receipts) in year (£m)	0.274	0.083	(0.030)	(0.178)	0.312
PFI grant in year (£m)	(1.502)	(2.535)	(2.535)	(2.750)	(1.805)
Lifetime unitary charge payments (£m)	67.366	106.596	91.045	111.737	167.482
Lifetime PFI grant (£m)	(37.546)	(63.371)	(63.363)	(68.756)	(45.115)

Note that the actual level of future payments will depend on inflation rates, the satisfactory contract performance by the operator and any other contract variables.

The equivalent figures for the previous year, where different from above, are as follows:

PFI details	Boldon school	Street lights	Jarrow school	Epinay school	Joint waste project
Closing net book value of assets (£m)	19.626	15.395	-	23.693	40.143
Unitary charge payments in year (£m)	2.783	4.524	3.547	4.257	7.629
Additional payments in year (£m)	0.284	0.032	0.091	(0.323)	0.835

#### Boldon School

This scheme was originally signed with Gleeson Consortium but was acquired by Infrared Capital Partners in December 2011. The asset consists of an extended secondary school with provision for community use of the facilities, which includes a 220-seat theatre and a 25 metre swimming pool. The contract is for the future maintenance and upkeep of both the building and the fixtures and fittings. Additional fees are payable in respect of free school meals and utilities costs. The asset will transfer back to the Council at the end of the contract.

The contractor has built and operates the school under a license from the Council to use the site. The Council is not permitted to grant any leases, licences or sell parts of the site without the contractor's consent.

#### Street Lights

This scheme involves the replacement and maintenance of the whole of the borough's street lighting stock and covers the replacement of outdated lighting columns and street signage, providing new lighting in areas not served before the contract start date and maintaining the

## Section 4 – Notes to the Core Financial Statements

stock to a minimum standard. The street lighting assets owned by the Council were transferred to the operator at the commencement of the contract and will return at the end of the contract.

### Jarrow School

This scheme involved the construction of a secondary school and incorporates the future maintenance and upkeep of both the building and the fixtures and fittings. Additional fees are payable in respect of utilities costs which are then fully recovered from the school. On 15 April 2014 the assets legally transferred from the Council across to Jarrow School Trust which was created on 26 March 2010.

### Epinay School

This scheme involved the construction of a secondary school and incorporated the future maintenance and upkeep of both the building and the fixtures and fittings. Following redevelopment works, Epinaay School relocated into these premises in September 2022. The asset will transfer back to the Council at the end of the contract.

### Joint Waste Project

The South Tyne and Wear Waste Management Partnership was established on 20 April 2011 to enable the three partner authorities (Gateshead, Sunderland and South Tyneside Councils) to jointly procure a service for the treatment and disposal of residual municipal waste. On the same date, the partnership, led by Gateshead Council, signed a £726.617m PFI contract with a consortium led by SITA UK Limited (SITA). The partnership was awarded £137.990m of revenue PFI grant over the life of the project.

The contract has delivered a new energy-from-waste facility on Teesside which will treat approximately 190,000 tonnes of residual waste and the Council is expected to utilise approximately 18% of the total capacity of the facility each year. From service commencement, air pollution control residue disposal and haulage costs are subject to market testing and benchmarking exercise every five years and the unitary charge must be adjusted accordingly.

The Council has full rights to use the assets within the contract for the treatment of residual municipal waste up to the maximum tonnage level set out within the contract. An additional fee is payable to SITA for the use of the waste transfer station outside normal operating hours. The energy from waste facility and waste transfer station is under the operational control of SITA during the contract.

The Council retains legal title to the land relating to the waste transfer station and the asset will revert to the Council at the end of the contract period. The energy from waste facility is constructed on land owned by SITA. At the end of the contract there are a number of options around the asset whereby the agreement could be extended, or the asset would revert to the three Councils to operate along with a lease of the underlying land. The contract includes an option to extend for a period of five years beyond the contractual expiry date. It allows the Council to terminate the contract with twenty business days' notice or either party to terminate on the other party's default or in the event of force majeure (for example: war, strike, riot, natural disaster). There are provisions within the contract allowing for compensation to be paid by the defaulting party to the other in the event of termination.

### Long Term PFI Contract Payments

The following table shows the movement in year for the PFI liabilities held by the Council:



## Section 4 – Notes to the Core Financial Statements

2021/22		2022/23
£m		£m
(89.549)	Opening balance	(84.743)
(9.626)	Interest and contingent rents	(6.625)
14.432	Repayments	11.275
<b>(84.743)</b>	<b>Closing balance</b>	<b>(80.093)</b>
(4.650)	Short term liability	(5.445)
(80.093)	Long term liability	(74.648)
<b>(84.743)</b>	<b>Closing balance</b>	<b>(80.093)</b>

The estimated outstanding unitary charge payments for all long term PFI contracts in operation at 31 March 2023 are analysed in the following table:

2022/23	Repayment of liability £m	Interest charge £m	Lifecycle costs £m	Contingent rents £m	Service charges £m	Total £m
<b>Amounts due:</b>						
Within one year	5.445	5.576	1.137	0.587	9.799	22.544
Two to five years	21.865	18.576	5.296	1.991	44.509	92.237
Six to ten years	30.888	12.888	6.318	0.701	53.564	104.359
Eleven to fifteen years	19.376	3.002	7.061	0.425	27.879	57.743
Sixteen to twenty years	2.519	0.056	0.874	-	3.305	6.754
<b>Total</b>	<b>80.093</b>	<b>40.098</b>	<b>20.686</b>	<b>3.704</b>	<b>139.056</b>	<b>283.637</b>

The above table sets out the future unitary charge payments expected to be paid in relation to the five operational PFI schemes. The expected payments are split into their constituent parts based on the operators' financial models, which predict the future charges on the scheme. Most of the models assume a level of inflation which is represented as contingent rent in the table however no inflation assumption has been assumed for the Waste PFI contract.

The equivalent table showing this analysis for the previous year is as follows:

2021/22	Repayment of liability £m	Interest charge £m	Lifecycle costs £m	Contingent rents £m	Service charges £m	Total £m
<b>Amounts due:</b>						
Within one year	4.650	5.891	1.087	0.468	9.836	21.932
Two to five years	21.139	20.063	5.071	1.863	41.490	89.626
Six to ten years	32.264	15.307	6.338	1.280	54.518	109.707
Eleven to fifteen years	22.195	4.573	7.026	0.274	31.816	65.884
Sixteen to twenty years	4.495	0.155	2.250	-	6.609	13.509
<b>Total</b>	<b>84.743</b>	<b>45.989</b>	<b>21.772</b>	<b>3.885</b>	<b>144.269</b>	<b>300.658</b>

### Other Long Term Contracts

The Council has other long term contracts that fall into more than one accounting year, but these are of a recurring supply or service nature. The largest of these is a grounds maintenance contract. This commenced on 1 February 2016 and was extended until 31 December 2022. A new contract was entered into on the 1 January 2023 and is due to expire on the 31 December 2027 with the option to extend for a further two years. With an estimated contract value over the 5 year period of £10.723m.

## Section 4 – Notes to the Core Financial Statements

### Note 20. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and note 6. They are made up of the following balances:

31 March 2022 £m		31 March 2023 £m
(7.722)	General Fund balance	(4.808)
(66.408)	Earmarked reserves	(58.288)
(23.290)	Housing revenue account balance	(24.564)
(1.602)	Useable capital receipts balance	(3.119)
(5.379)	Housing major repairs reserve	(0.974)
<b>(104.401)</b>	<b>Total usable reserves</b>	<b>(91.753)</b>

### Note 21. Unusable Reserves

The following table lists the unusable reserves held by the Council:

31 March 2022 £m		31 March 2023 £m
(252.462)	Revaluation reserve	(279.709)
(242.473)	Capital adjustment account	(264.149)
322.570	Pensions reserve	21.460
(8.110)	Financial instruments revaluation reserve	(8.110)
3.703	Employee benefits adjustment account	4.476
1.789	Financial instruments adjustment account	1.609
(4.091)	Deferred capital receipts reserve	(4.091)
4.480	Dedicated Schools Grant Adjustment Account	5.586
(1.186)	Collection Fund adjustment account	(2.741)
<b>(175.780)</b>	<b>Total unusable reserves</b>	<b>(525.669)</b>

### Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment, investment properties and heritage assets. The balance is reduced when assets with accumulated gains are revalued downwards, used in the provision of services or disposed of. 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.

2021/22 £m	Revaluation reserve	2022/23 £m
<b>(226.317)</b>	<b>Balance at start of year</b>	<b>(252.462)</b>
(46.152)	Upward revaluation of non-current assets	(52.307)
11.208	Valuation impairment charged to reserve	13.360
0.858	Accumulated gains on assets sold or scrapped	1.254
7.941	Other amounts written off to the capital adjustment account	10.446
<b>(252.462)</b>	<b>Balance at end of year</b>	<b>(279.709)</b>

### Capital Adjustment Account

The capital adjustment account reflects the difference between the cost of assets consumed and the capital financing set aside to pay for them. It absorbs the timing differences arising

## Section 4 – Notes to the Core Financial Statements

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.

Note 3 provides details of the source of all the transactions posted to the account except for those involving the revaluation reserve.

2021/22 £m	Capital adjustment account	2022/23 £m
<b>(223.639)</b>	<b>Balance at start of year</b>	<b>(242.473)</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	
56.277	Charges for depreciation and impairment of non-current assets	62.242
(13.168)	Revaluation (losses) or gains on property, plant and equipment	(12.635)
0.334	Amortisation of intangible assets	0.525
2.199	Revenue expenditure funded from capital under statute	4.390
7.742	Amounts of current and non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	10.222
2.404	Capital receipts not linked to assets	6.290
(8.799)	Adjusting amounts written out of the revaluation reserve	(11.700)
<b>46.989</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>59.334</b>
	<b>Capital financing applied in the year</b>	
(2.642)	Use of the capital receipts reserve to finance new capital expenditure	(5.600)
(20.790)	Use of the major repairs reserve to finance new capital expenditure	(24.077)
(22.236)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26.965)
(11.158)	Provision for the financing of capital investment charged against the General Fund balance	(11.139)
(6.706)	Capital receipts in lieu of debt set aside	(10.730)
(2.291)	Capital expenditure charged against the General Fund and HRA balances	(2.499)
<b>(65.823)</b>	<b>Total capital financing applied</b>	<b>(81.010)</b>
<b>(242.473)</b>	<b>Balance at end of year</b>	<b>(264.149)</b>

### Pensions Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for benefits as they 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. Statutory arrangements require benefits earned to be reversed and replaced by employer's contributions to pension funds or 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 Council has set aside to meet them.

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2021/22	Pensions reserve	2022/23
£m		£m
<b>449.190</b>	<b>Balance at start of year</b>	<b>322.570</b>
(157.520)	Actuarial (gains) or losses on pensions assets and defined benefit liability	(332.240)
48.170	Reversal of items relating to retirement benefits debited or credited to the deficit on the provision of services in the Comprehensive Income and Expenditure Statement	50.040
(17.270)	Employers pension contributions and direct payments to pensioners payable in year	(18.910)
<b>322.570</b>	<b>Balance at end of year</b>	<b>21.460</b>

### Financial Instruments Revaluation Reserve

This reserve contains any unrealised gains or losses made by the Council arising from increases or decreases in the value of its investments that are measured at fair value through other comprehensive income.

### Note 22. Operating Activities

The deficit on the provision of services as reported in the Comprehensive Income and Expenditure Statement includes a number of adjustments that do not relate to the movement in cash. The adjusting items are summarised in the following table:

2021/22		2022/23
£m		£m
56.277	Depreciation and impairment	62.222
(13.169)	Revaluation (losses) or gains of property, plant and equipment	(12.634)
0.334	Amortisation of intangibles	0.525
13.237	(Decrease) or increase in creditors	(10.017)
(9.020)	Decrease or (increase) in debtors	(12.210)
1.069	Increase in impairment provision for bad debts	2.491
(0.162)	(Increase) or decrease in inventories	(0.011)
30.900	Movement in defined benefit obligation	31.130
37.742	Carrying amount of current and non-current assets sold or scrapped	135.220
0.086	Movements in fair values of soft loans	0.177
(2.656)	Other non-cash items charged or (credited) to the deficit on the provision of services	(6.912)
<b>114.638</b>	<b>Adjustment to the deficit on the provision of services for non-cash movements</b>	<b>189.981</b>

To show the net cash flow from operating activities any items charged to the deficit on the provision of services in relation to either investing or financing activities must also be removed. These items are summarised in the following table:

2021/22		2022/23
£m		£m
(30.000)	Proceeds from short term and long term investments	(125.000)
(6.863)	Proceeds from sale of property, plant and equipment	(11.646)
(22.236)	Capital grants credited to the deficit on the provision of services	(26.965)
(4.119)	Collection Fund (credited) or debited to the deficit on the provision of services	(1.555)
<b>(63.218)</b>	<b>Adjustment for items included in the deficit on the provision of services that are investing and financing activities</b>	<b>(165.166)</b>

## Section 4 – Notes to the Core Financial Statements

Operating activities within the Cash Flow Statement include the following cash flows relating to interest and dividends:

2021/22		2022/23
£m		£m
1.717	Interest received	2.324
(31.910)	Interest paid	(28.863)

### Note 23. Investing Activities

The cash flows for investing activities are made up of the following items:

2021/22		2022/23
£m		£m
(64.595)	Purchase of property, plant and equipment, heritage assets and intangible assets	(85.190)
(65.000)	Purchase of short term and long term investments	(85.000)
6.863	Proceeds from the sale of property, plant and equipment and assets held for sale	11.096
30.000	Proceeds from short term and long term investments	125.000
18.613	Other receipts from investing activities	31.532
<b>(74.119)</b>	<b>Net cash flows from investing activities</b>	<b>(2.562)</b>

### Note 24. Financing Activities

The cash flows for financing activities are made up of the following items:

2021/22		2022/23
£m		£m
50.000	Cash receipts of short and long term borrowing	6.000
(4.876)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(4.728)
(20.022)	Repayments of short term borrowing	(12.351)
4.120	Other receipts or (payments) for financing activities	(0.112)
<b>29.222</b>	<b>Net cash flows from financing activities</b>	<b>(11.191)</b>

### Note 25. Trading Operations

A summary of the (surplus) or deficit for each of our trading operations over the last three years is shown on the following table:

		2020/21	2021/22	2022/23
		£m	£m	£m
<b>South Shields open air market</b>	Turnover	-	(0.060)	(0.064)
	Expenditure	0.014	0.014	0.014
<b>Cumulative surplus over last 3 years: £0.001m</b>	<b>Deficit or (surplus)</b>	<b>0.014</b>	<b>(0.046)</b>	<b>(0.050)</b>
<b>School and other catering</b>	Turnover	(5.108)	(5.376)	(5.120)
	Expenditure	6.372	7.147	7.560
<b>Cumulative deficit over last 3 years: £4.109m</b>	<b>Deficit</b>	<b>1.264</b>	<b>1.771</b>	<b>2.440</b>
<b>Building regulation charging</b>	Turnover	(0.135)	(0.327)	(0.306)
	Expenditure	0.135	(0.014)	(0.009)
<b>Cumulative surplus over last 3 years: £0.342m</b>	<b>Deficit or (surplus)</b>	<b>-</b>	<b>(0.341)</b>	<b>(0.315)</b>
<b>Total trading activity</b>	Turnover	(5.243)	(5.763)	(5.490)
	Expenditure	6.521	7.147	7.565
<b>Cumulative deficit over last 3 years: £3.766m</b>	<b>Deficit</b>	<b>1.278</b>	<b>1.384</b>	<b>2.075</b>

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### Note 26. Pooled Budgets

The Council has five pooled arrangements with the NHS North East and North Cumbria Integrated Care Board (ICB) under Section 75 of the NHS Act 2006. Pooled funds enable health bodies and local authorities to work collaboratively to address specific health issues. The five projects are as follows:

- The Better Care Fund providing partnership working across a range of health-related issues affecting both parties.
- A joint equipment store that enables the Council and the ICB to provide an integrated equipment service, which operates in line with Department of Health guidance, on a borough wide basis.
- An arrangement whereby the Council can commission nursing and continuing care on behalf of the ICB.
- An arrangement whereby the Council can commission after-care services, provided under Section 117 of the 1983 Mental Health Act, on behalf of the ICB.
- An arrangement whereby learning disability resources across both the Council and ICB are closely integrated with a model developed to deliver efficiencies.

The Council is the lead body for these budgets and the gross costs, together with the income from the ICB, are fully reflected in the adult social care services line of the Comprehensive Income and Expenditure Statement. Details of the income and expenditure are shown in the following table:

2021/22		2022/23	2022/23	2022/23
Council share of net cost		Pooled budgets net cost	NHS partners income to the Council	Council share of net cost
£m		£m	£m	£m
18.181	Better Care Fund	20.353	(6.335)	14.018
22.356	Learning disabilities	32.918	(5.935)	26.983
0.575	Joint equipment store	1.332	(0.664)	0.668
-	Nursing care and continuing care	13.288	(13.288)	-
5.460	Section 117 mental health	6.105	(6.105)	-
<b>46.572</b>	<b>Total</b>	<b>73.996</b>	<b>(32.327)</b>	<b>41.669</b>

### Note 27. Members' Allowances

Included within the performance, change management and communications services line on the Comprehensive Income and Expenditure Statement are all remuneration payments to Members payable by the Council.

2021/22		2022/23
£m		£m
0.710	Members' allowances	0.748
0.038	Other Members' expenses	0.038
<b>0.748</b>	<b>Total Members' allowances paid</b>	<b>0.786</b>

### Note 28. Council, Schools and Statutory Officers' Remuneration

#### Employee Remuneration over £0.050m

The number of employees whose remuneration, excluding employer's pension contribution, was £0.050m or more is disclosed, in bands of £0.005m, in the following table. It includes staff

## Section 4 – Notes to the Core Financial Statements

whose redundancy payments have resulted in a total payment in excess of £0.050m for the year (inclusive of basic remuneration). These are noted in the column “leavers in year”.

2021/22				2022/23				
Council and Statutory	Community School based	Total	Leavers accounted for in year	Remuneration bands	Council and Statutory	Community School based	Total	Leavers accounted for in year
38	43	81	1	£50,000 - £54,999	62	49	111	1
35	12	47	1	£55,000 - £59,999	39	29	68	-
11	14	25	1	£60,000 - £64,999	17	15	32	-
8	12	20	-	£65,000 - £69,999	5	10	15	-
5	5	10	-	£70,000 - £74,999	9	7	16	-
4	6	10	1	£75,000 - £79,999	7	5	12	-
3	4	7	-	£80,000 - £84,999	-	6	6	-
3	2	5	1	£85,000 - £89,999	3	2	5	-
1	1	2	-	£90,000 - £94,999	4	2	6	-
-	-	-	-	£95,000 - £99,999	-	2	2	-
-	2	2	-	£100,000 - £104,999	1	1	2	1
-	-	-	-	£105,000 - £109,999	-	1	1	-
1	-	1	-	£130,000 - £134,999	1	-	1	-
<b>109</b>	<b>101</b>	<b>210</b>	<b>5</b>		<b>148</b>	<b>129</b>	<b>277</b>	<b>2</b>

The Council has continued to revise its structure to invest to support the delivery of corporate priorities through provision of additional capacity and meet the significant challenges faced by all public bodies around staff recruitment and retention.

### Senior Officer Remuneration

The previous table excludes senior officer remuneration which is shown in the following table:

Post title		Salary and allowances £	Compensation for loss of office £	Pension contribution £	Total remuneration £
<b>Officers over £150,000</b>					
Chief Executive - J Tew	2021/22 <sup>^</sup>	108,720	-	21,180	129,900
	2022/23	170,421	-	32,712	203,133
<b>Other senior officers</b>					
Director Business and Resources	2021/22	125,023	-	24,564	149,587
	2022/23*	126,948	-	24,945	151,893
Director Regeneration and Environment	2021/22 <sup>^</sup>	76,401	-	13,989	90,389
	2022/23	120,346	-	20,970	141,316
Director of Childrens Services	2021/22 <sup>^</sup>	45,530	-	8,542	54,073
	2022/23 <sup>^</sup>	104,110	50,144	29,226	183,480
Interim Director of Childrens Services	2021/22 <sup>^</sup>	67,852	-	12,612	80,464
	2022/23 <sup>^</sup>	30,940	-	-	30,940
Director of Adult Services & Commissioning	2021/22 <sup>^</sup>	45,443	-	8,998	54,440
	2022/23	-	-	-	-
Director of Adult Social Care	2021/22	-	-	-	-
	2022/23	120,346	-	23,420	143,766
Interim Director of Adult Social Care	2021/22 <sup>^</sup>	68,020	-	13,468	81,487
	2022/23	-	-	-	-
Director of Governance & Corporate Affairs	2021/22 <sup>^</sup>	53,371	-	10,018	63,389
	2022/23	114,707	-	22,712	137,419
Director of Public Health	2021/22	94,823	-	17,859	112,682
	2022/23	96,748	-	17,766	114,514
<b>Total remuneration 2021/22</b>		<b>685,182</b>	<b>-</b>	<b>131,229</b>	<b>816,411</b>
<b>Total remuneration 2022/23</b>		<b>884,565</b>	<b>50,144</b>	<b>171,751</b>	<b>1,106,461</b>

<sup>^</sup> Denotes not a full year salary

\*Elections pay included

### Exit Package Cost Disclosure

The numbers of exit packages, including senior officers, with total cost per band are set out in the following table:



## Section 4 – Notes to the Core Financial Statements

2021 /22			2022 /23	
Total exit Packages	Total Paid	Exit package cost band	Total exit Packages	Total Paid
	£m			£m
20	0.143	£1 - £20,000	35	0.259
8	0.208	£20,001 - £40,000	1	0.024
3	0.160	£40,001 - £60,000	2	0.097
4	0.289	£60,001 - £80,000	-	-
-	-	£80,001 - £100,000	1	0.095
1	0.129	£100,001 - £150,000	-	-
<b>36</b>	<b>0.928</b>	<b>Total</b>	<b>39</b>	<b>0.474</b>

The exit package costs include payments made to the Local Government Pension Scheme. There were no compulsory redundancies in the year.

### Note 29. External Audit Costs

Ernst and Young LLP act as the external auditors for the Council. The following table shows the fees paid for the various services received and chargeable to the Comprehensive Income and Expenditure Statement.

2021/22		2022/23
	£m	£m
0.097	Fees with regard to external audit services carried out by the appointed auditor for the year	0.127
0.024	Fees for the certification of grant claims and returns for the year	0.024
<b>0.121</b>	<b>Total fees payable to external auditors</b>	<b>0.151</b>

### Note 30. Dedicated Schools Grant

Dedicated Schools Grant (DSG) is provided by the Department for Education to fund the Council's expenditure on schools. Following the formation of academies, a proportion of DSG funding is top sliced by the Government and paid directly to those schools in the borough. The remaining DSG allocated to the Council is ring-fenced and can only be applied to meet expenditure properly included in the schools budget which includes:

- a restricted range of pupil-related services provided on a Council-wide basis (known as central expenditure) and
- the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Variances in spend compared to allocations for the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2022/23 are shown in the following table.

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2022/23	Central expenditure £m	Individual schools budget £m	Total £m
Final DSG before academy recoupment and high needs recoupment			147.134
Academy and high needs figure recouped in year			46.389
<b>Total DSG after academy and high needs recoupment for current year</b>			<b>100.745</b>
<b>Agreed initial budgeted distribution in year</b>	<b>20.734</b>	<b>80.011</b>	<b>100.745</b>
In year adjustments	-	0.056	0.056
<b>Final budget distribution for year</b>	<b>20.734</b>	<b>80.067</b>	<b>100.801</b>
Less: Actual central expenditure	22.541	-	22.541
Less: Actual ISB deployed to schools	-	79.473	79.473
<b>In year carry forward to following year</b>	<b>(1.807)</b>	<b>0.594</b>	<b>(1.213)</b>
DSG unusable reserve at end of previous year			(3.356)
Addition to DSG unusable reserve from current year			(1.213)
Total of DSG unusable reserves at the end of current year			(4.569)
<b>Net DSG position at the end of current year</b>			<b>(4.569)</b>

The equivalent table for the previous year is shown below:

2021/22	Central expenditure £m	Individual schools budget £m	Total £m
Final DSG before academy recoupment and high needs recoupment			141.178
Academy and high needs figure recouped in year			40.392
<b>Total DSG after academy and high needs recoupment for current year</b>			<b>100.786</b>
<b>Agreed initial budgeted distribution in year</b>	<b>18.949</b>	<b>81.837</b>	<b>100.786</b>
In year adjustments	-	(0.237)	(0.237)
<b>Final budget distribution for year</b>	<b>18.949</b>	<b>81.599</b>	<b>100.548</b>
Less: Actual central expenditure	18.490	-	18.490
Less: Actual ISB deployed to schools	-	82.093	82.093
<b>In year carry forward to following year</b>	<b>0.458</b>	<b>(0.494)</b>	<b>(0.035)</b>
DSG unusable reserve at end of previous year			(3.321)
Addition to DSG unusable reserve from current year			(0.035)
Total of DSG unusable reserves at the end of current year			(3.356)
<b>Net DSG position at the end of current year</b>			<b>(3.356)</b>

DSG is credited against the learning and early help line in the Comprehensive Income and Expenditure Statement. The level of overspent DSG has been set aside to be offset against future funding for schools via the movement in earmarked reserves.

### Note 31. Government Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

## Section 4 – Notes to the Core Financial Statements

2021/22 £m		2022/23 £m
	<b>Credited to taxation and non-specific grant income</b>	
(34.937)	Non-domestic rates top up grant	(34.937)
(20.159)	Capital grants and contributions	(23.853)
(14.988)	Revenue support grant	(15.449)
(11.126)	Private finance initiative	(11.126)
(10.074)	Covid-19 Grants	(1.410)
(3.924)	Small business rate relief grant	(7.522)
(7.989)	Adult social care support grant	(10.723)
(0.841)	New homes bonus grant	(0.570)
(0.719)	Benefits administration grant	(0.722)
(0.752)	Troubled families grant	(0.869)
(1.519)	Other unringfenced grants	(5.272)
<b>(107.028)</b>	<b>Total credited to taxation and non-specific grant income</b>	<b>(112.453)</b>
	<b>Credited to services</b>	
(100.548)	Dedicated schools grant	(100.801)
(44.131)	Housing benefit	(41.750)
(14.057)	Public health grant	(14.190)
(6.977)	Pupil premium grant	(7.148)
(10.177)	Better care fund grants	(10.485)
(15.957)	Other Covid-19 grants	(0.263)
(3.129)	Education and skills funding agency	(1.899)
(0.156)	Teachers pensions grant	(0.144)
(1.099)	Free school meals grant	(0.862)
(2.077)	Grants supporting revenue expenditure funded by capital under statute	(3.112)
(0.055)	Teachers pay grant	(0.101)
(0.687)	Physical education and sports grant	(0.572)
(0.258)	Partners in practice grant	(0.064)
(1.441)	Household Support Fund	(3.014)
(1.089)	CSC Innovation, Practice & Reform Grant	-
(3.242)	Other ringfenced grants	(11.763)
<b>(205.080)</b>	<b>Total credited to services</b>	<b>(196.168)</b>
<b>(312.108)</b>	<b>Total grants</b>	<b>(308.621)</b>

The following unutilised grants were held as receipts in advance:

31 March 2022 £m		31 March 2023 £m
	<b>Revenue grants</b>	
(0.822)	Education and skills funding agencies	(0.564)
(2.636)	Department for Health Covid-19 grant	(1.011)
(10.527)	DLUHC - Council Tax Energy Rebate	-
(2.938)	Other grants	(2.885)
<b>(16.923)</b>	<b>Total revenue grants</b>	<b>(4.460)</b>
	<b>Capital grants</b>	
(1.513)	Department for Education schools	(1.589)
(8.663)	Department of Business, Energy and Industrial Strategy decarbonisation fund, brownfield and green fund	-
(3.477)	Other grants and contributions	(3.976)
<b>(13.653)</b>	<b>Total capital grants</b>	<b>(5.565)</b>
<b>(30.576)</b>	<b>Total grants</b>	<b>(10.025)</b>

### Note 32. Capital Expenditure and Capital Financing

The following table analyses capital expenditure together with the method of financing and the impact on the Council's underlying need to borrow.

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2021/22 £m		2022/23 £m
<b>783.892</b>	<b>Opening capital financing requirement (CFR)</b>	<b>787.286</b>
	<b>Capital investment</b>	
62.091	Additions to property, plant and equipment	84.019
3.925	Loans treated as capital expenditure	0.036
1.002	Additions to other long term assets	1.171
2.199	Revenue expenditure funded from capital under statute	4.391
-	Other movements	0.016
<b>69.217</b>	<b>Total capital investment</b>	<b>89.633</b>
	<b>Sources of finance</b>	
(2.642)	Capital receipts	(5.600)
(22.236)	Government grants and other contributions	(26.965)
(20.790)	Major repairs reserve	(24.077)
	<b>Sums set aside from revenue</b>	
(2.291)	Direct revenue contributions	(2.500)
(7.174)	Sums set aside from revenue	(7.276)
(3.984)	PFI and finance lease repayments	(3.863)
(6.706)	Capital receipts in lieu of debt set aside	(10.730)
<b>(65.823)</b>	<b>Total finance and debt set aside</b>	<b>(81.011)</b>
<b>3.394</b>	<b>Movement in CFR</b>	<b>8.622</b>
<b>787.286</b>	<b>Closing CFR</b>	<b>795.908</b>
	<b>Explanation of movement in year</b>	
(5.180)	Decrease in underlying need to borrow (supported by Government financial assistance)	(5.080)
8.574	Increase in underlying need to borrow (unsupported by Government financial assistance)	13.703
<b>3.394</b>	<b>Increase in CFR</b>	<b>8.622</b>

### Loans treated as Capital Expenditure

The Council has loaned £0.027m to the Port of Tyne during the year with a further £0.009m capitalised interest from a loan issued previously to STHVTL.

### Revenue Expenditure Funded from Capital under Statute

Certain expenditure incurred by local authorities does not fall within the Code of Practice definition of assets but is classified as expenditure for capital purposes with respect to capital controls. The charges primarily relate to expenditure on third party assets, town centre regeneration and housing grants.

### Significant Items of Capital Additions

The most significant capital additions during the year are shown in the following table:

	£m
Town centre and Holborn regeneration	16.299
Decent Homes	15.698
Highways, infrastructure and footpaths	10.933
Other housing improvements	9.494
Viking energy network Jarrow	8.638
Asset enhancement	8.136
Hebburn minewater	4.889
Schools and education	4.044
Climate change agenda	2.772
International Advanced Manufacturing Park	2.246
Social care works	1.850
Computing and digital facilities	1.774
Fleet vehicle replacement	1.735
Recycling and environmental schemes	0.402
West Holborn Energy Network	0.317

## Section 4 – Notes to the Core Financial Statements

### Note 33. Leases

#### Council as Lessee - Finance Leases

The Council holds the lease of Cleadon Park facility which commenced in July 2010 and is 13 years into a 24 year lease. The main use of this facility by the Council is as a library and community centre.

The Council is committed to making the minimum payments under this lease. This represents settlement of the long term liability for the interest in the property and finance costs that will be payable by the Council in future years. The minimum lease payments are made up of the following amounts:

31 March 2022 £m		31 March 2023 £m
	<b>Finance lease liabilities (net present value of minimum lease payments):</b>	
0.078	- current	0.086
1.623	- non-current	1.537
1.356	Finance costs payable in future years	1.178
<b>3.057</b>	<b>Minimum lease payments</b>	<b>2.801</b>

The repayment of finance lease liabilities and minimum lease payments will be payable over the following periods:

	Finance lease liabilities		Minimum lease payments	
	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m
Not later than one year	0.078	0.086	0.255	0.255
Later than one year and not later than five years	0.400	0.441	1.019	1.018
Five years to ten years	0.783	0.865	1.273	1.273
Later than ten years	0.440	0.231	0.510	0.255
	<b>1.701</b>	<b>1.623</b>	<b>3.057</b>	<b>2.801</b>

The Council has sub-let part of the space at Cleadon Park to a private nursery.

#### Council as Lessee - Operating Leases

The Council has operating leases on some of its administrative buildings and a number of plots of land.

The future minimum lease payments due under non-cancellable leases are:

31 March 2022 £m		31 March 2023 £m
0.023	Not later than one year	0.014
0.048	Later than one year and not later than five years	0.048
0.106	Later than five years	0.094
<b>0.177</b>		<b>0.156</b>

#### Council as Lessor - Operating Leases

The Council leases out property and equipment under operating leases primarily for economic development purposes, providing affordable accommodation for local businesses.

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

31 March 2022 £m		31 March 2023 £m
5.566	Not later than one year	5.365
7.979	Later than one year and not later than five years	7.720
16.219	Later than five years	14.695
<b>29.764</b>		<b>27.780</b>

### Note 34. Related Parties

Disclosure of material related party transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to act freely.

Central Government has effective control over the general operations of the Council, as it is responsible for setting the statutory framework within which the Council operates and for providing the majority of funding. The Council applied £319.120m (£312.108m in 2021/22) in support of its revenue spending as detailed in note 31.

Examination of returns completed by Elected Members, together with details included in the register of Members' interests, has identified the following for disclosure:

- One Member is the Chair, and three members are part of the board of South Tyneside Homes Limited; one member is part of the board of South Tyneside Housing Ventures Trust Limited; one Member is a Director of the board of Centaurea Homes Limited; one Member is a Director of NIAL Holdings Limited. There are three Members who Chair a School Governing Body (5 in 2021/22). All of these schools receive allocations as part of the individual schools budget funded by Dedicated Schools Grant.
- The Director Business and Resources is a Director of Inspired Spaces Stag (Project Co1) Limited and Inspired Spaces Stag (Project Co2) Limited. The directorship is delivered from the Council's shareholding in these companies.
- The Director Regeneration and Environment and the Senior Manager, Finance Service are directors of the Centaurea Homes Limited Board.
- The Leader of the Council and Director Governance and Corporate Affairs serve as members of the North East Combined Authority (NECA) leadership board alongside the three other constituent authorities.

There have been no other related party transactions with either Elected Members or Chief Officers other than remuneration for the performance of their duties as detailed in notes 27 and 28 respectively.

The transactions included in this disclosure were made with proper consideration of declarations of interest.

South Tyneside Homes Limited buys services back from the Council and was charged £5.040m (£5.564m in 2021/22) in respect of support services provided. A further £3.385m (£2.774m in 2021/22) was recovered in respect of services such as waste disposal, fleet maintenance and profit sharing arrangements. The Council paid a management fee of £10.312m (£10.042m in 2021/22) and a further £41.977m (£34.892m in 2021/22) primarily for

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the provision of welfare services, housing repairs, construction services, street cleaning and programme management.

South Tyneside Housing Ventures Trust Limited (STHVTL) was created as a private, limited by guarantee, no share capital company on 26 July 2013. STHVTL provides social housing to residents thereby increasing the number of available affordable homes in the borough. The Council has one nominated representative on the board of this company and has incorporated it as an associate within the Group Accounts. The Council has agreed to a £40.000m loan arrangement with STHVTL to allow them to create and develop their housing stock. These loans are repayable over a maximum of 49 years and no later than 31 March 2063. There were no additional loans or advances made during the year (£0.324m in 2021/22) and £0.425m (£0.406m in 2021/22) principal repaid. A further £1.549m (£1.574m in 2021/22) was recovered from the company primarily in relation to interest on the loans. The Council paid across £1.619m in respect of tenants rent it has collected on behalf of the company during the year (£1.521m in 2021/22).

The Council established Centaurea Homes Limited (CHL), a wholly owned private limited company, on 30 March 2017 in order to develop high quality housing for sale within the borough and to become an important component of the broad range of housing initiatives employed by the Council. It is also intended to repatriate profits generated as a result of business activity back to the Council in order to further invest in frontline services in the borough. Loans are provided to CHL by the Council at a market rate in order to provide development finance and working capital. During the year the Council issued no new loans (none in 2021/22), generating £0.100m in interest receipts (£0.221m in 2021/22). The Council also recovered £0.075m (£0.035m in 2021/22) from CHL in relation to services provided to the Company.

InspiredSpaces STaG Limited is the private sector partner delivering our schools PFI contracts. The Council owns shares to the value of £0.002m (£0.002m in 2021/22) in the various companies established to run the contracts. The companies received contractual payments from the Council netting to £7.919m (£7.572m in 2021/22) in respect of construction and facilities management costs of Jarrow and Epinay Schools which were funded through a PFI arrangement. The Council received nil (nil in 2021/22) in dividends as a result of these shareholdings.

During the year the Council paid grants and other sums totalling £0.208m (£0.035m in 2021/22) to NECA, together with a transport levy of £8.597m (£7.923m in 2021/22). It also recovered £0.038m (£0.089m in 2021/22) for services provided and received funding of £2.014m (£0.965m in 2021/22) towards capital projects.

The Council administers the Tyne and Wear Pension Fund and charged £0.479m (£0.643m 2021/22) in respect of support services provided. £3.422m (£3.000m in 2021/22) was also recovered in respect of pay costs for pensions staff, associated overheads and other costs. The Council also paid to the Fund £0.072m (£0.068m in 2021/22) in respect of treasury management duties.

The Council administers the accounts for NALAHCL on behalf of the LA7 and NIAL and charged £0.032m (£0.038m in 2021/22) in relation to officer time and expenses. The Council recognised £0.798m income from interest on loan notes with the airport (£0.739m in 2021/22) and nil dividends (nil in 2021/22). No payments were made to the company in year (nil in 2021/22).



## Section 4 – Notes to the Core Financial Statements

In partnership with Sunderland Council a limited liability partnership, IAMP LLP, was incorporated in England and Wales on 11 July 2016 in order to develop an international advanced manufacturing park which is located in both boroughs. The purpose of the company is to receive land and funds from the Councils and be governed by a board of six council representatives (three from each authority). IAMP LLP has entered into a development agreement with a “partner” to deliver the development. The Company’s activities are part funded by the Government with the two councils each taking a 50% share of any other funding required and any assets or liabilities held. Any loans given to the company are secured against the land being purchased. The Council issued no new loans during the year (£0.344m in 2021/22).

The Council established Sustainable South Tyneside Jarrow Limited and Sustainable South Tyneside Hebburn Limited, both wholly owned private limited companies, on 16 September 2020, in order to develop two renewable energy schemes that will supply public sector buildings in the locality with low carbon heat and contribute to the Council’s commitment to reduce carbon emissions. It is also intended that savings will be generated by the Council in the form of lower costs of heating buildings in this way compared to projected energy cost increases over the next twenty years. The scheme will be funded by a combination of European Regional Development Fund grant and loans provided to both companies by the Council at a market rate. During the year there were no transactions between the Council and either company.

The following table shows the related party amounts due to the Council as at the Balance Sheet date.

<b>31 March 2022</b>	<b>Amount due to the Council</b>	<b>31 March 2023</b>
<b>£m</b>		<b>£m</b>
7.091	Central Government	10.718
1.174	Tyne and Wear Pension Fund	0.353
9.017	NIAL	9.893
0.968	South Tyneside Homes Limited	0.997
0.209	InspiredSpaces STaG Limited	0.194
0.041	North East Combined Authority	0.072
5.903	IAMP LLP	6.080
38.800	South Tyneside Housing Ventures Trust Limited	38.327
4.212	Centaurea Homes Limited	-
<b>67.415</b>	<b>Total</b>	<b>66.634</b>

The following table shows the related party amounts due from the Council as at the Balance Sheet date.

<b>31 March 2022</b>	<b>Amount due from the Council</b>	<b>31 March 2023</b>
<b>£m</b>		<b>£m</b>
(15.920)	Central Government	(9.406)
(2.055)	Tyne and Wear Pension Fund	(8.765)
(4.065)	South Tyneside Homes Limited	(3.359)
(0.003)	IAMP LLP	(0.005)
(0.124)	South Tyneside Housing Ventures Trust Limited	(0.128)
<b>(22.167)</b>	<b>Total</b>	<b>(21.663)</b>

## Section 4 – Notes to the Core Financial Statements

### Note 35. Impairment Losses

Impairment losses and impairment reversals charged to the deficit on the provision of services are consolidated in note 11 which reconciles the movement over the year in property, plant and equipment.

The following table shows net impairment losses made to each cost of service line of the Comprehensive Income and Expenditure Statement:

2021/22		2022/23
£m		£m
0.162	Learning and early help	0.170
1.846	Regeneration and housing	2.824
0.006	Corporate finance	0.006
6.948	Local authority housing (HRA)	7.624
<b>8.962</b>	<b>Cost of services</b>	<b>10.624</b>

During 2022/23 there were more planned property demolitions relating to new housing and regeneration, resulting in an increased charge.

### Note 36. Contingent Liabilities

There are currently no contingent liabilities to report but should the South Tyneside Homes Limited pension surplus return to a deficit position in future then the Council would be liable to fund the deficit should it fall due.

### Note 37. Contingent Assets

The creation of an arm's length management organisation on 1 April 2006 resulted in the transfer of past service pension deficit to South Tyneside Homes Limited. The deficit had accrued as a result of the transfer of former South Tyneside Council employees into the company. For the year ending 31 March 2023, the actuary assessed the surplus relating to the defined benefit asset of the company at £19.950m (a liability of £49.330m in 2021/22). If the figure does become a liability again in the future and in the unlikely event that South Tyneside Homes Limited were wound up, prior to the agreed contract-end date, the Council has guaranteed to fund the past service pension deficit. The Pension Committee agreed the Council's guarantee to fund any pension deficit arising, were the liability to fall due. Therefore, in such a case, there is no possibility of reimbursement from the other member organisations of the Tyne and Wear Pension Fund.

### Note 38. Financial Instruments Risks

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The treasury management function of the Council is undertaken within the Pension Service, because of the greater insight this service has on the economic environment and other market related risks. The Council has fully adopted CIPFA's 2017 Code of Practice on Treasury Management in the Public Services. These practices cover roles and responsibilities and set out the overall operating procedures for treasury management including specific areas such as credit risk, liquidity risk and market risk. The Council has also fully implemented the national investment guidance of the Ministry of Housing, Communities and Local Government, issued in March 2004 and revised in February 2018.

## Section 4 – Notes to the Core Financial Statements

The Council's Treasury Management Strategy sets out the forecast economic environment and the factors which will affect decision making for each forthcoming year. The strategy also sets out a number of Treasury Management Prudential Indicators that the Council has set in order to help control and monitor treasury management performance. When investing cash balances the prime objectives are the security of the capital sum and the liquidity of investments. Certain key elements of the current Treasury Management Strategy are also dealt with in the sections dealing with credit risk and liquidity risk.

A copy of the Treasury Management Strategy can be found on the agenda for the Borough Council meeting held on 28 February 2022 which can be accessed via the following link:

<https://southtyneside.gov.uk/article/7252/Council-budget-2022-2027-Medium-Term-Financial-Plan>

The Council's activities expose it to a variety of financial risks, the key risks being:

- Credit risks - The possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risks - The possibility that the Council might not have the funds available to meet its commitments to make payments.
- Market risks - The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

### Credit Risk

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers.

### Credit Risk Management Practices

It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers (Link Asset Services) and to restrict lending to a prudent maximum amount for each institution.

Investments are also made in AAA rated, i.e. highly rated, money market funds. These funds are separate legal entities from the organisations that manage them and have the benefit of diversifying risk. Deposits may also be made with other local authorities and the Debt Management Account Deposit Facility.

As at 31 March 2023 the Council limited direct deposits with their own retail bank to a maximum of £25.000m (£25.000m in 2021/22) as well as for those institutions which are part owned by the Government. A maximum limit of £10.000m (£10.000m in 2021/22) applied when lending to other local authorities and £15.000m (£15.000m in 2021/22) for all other institutions on the Council lending list. In addition, a £15.000m (£15.000m in 2021/22) limit was applied to investments made into AAA rated money market funds.

The Council does not have any deposits frozen with Icelandic banks.

In relation to customer balances, trade receivables and other sundry debts credit risk impairment has been calculated as follows:

## Section 4 – Notes to the Core Financial Statements

- A separate review for each class of debtor such that housing rents and housing benefits overpaid have all been separately reviewed.
- For debtors raised at 31 March but not yet paid, an impairment review has been made both against individual or client balances and then for debt type.
- Impairment factors taken into consideration include information on the debtor absconding, being in liquidation or declared bankrupt. In the absence of any of these factors the Council considers the age of debt, experience of recoverability and whether legal proceedings have been initiated.

In relation to other financial assets the following factors have been considered:

- Term deposits with institutions on the Council's lending list based on historical experience and current market conditions.
- Other long term loans based on historical experience and financial standing of loanee.

The Council expects full repayment on the due date of deposits placed with its counterparties.

There has never been any default on the repayment of loans or deposits with banks and other financial institutions nor any of the loans outstanding with South Tyneside Housing Ventures Trust Limited. A default is defined as any failure to fulfil an obligation e.g. failure to make a loan repayment. There has been a loan modification in year of £0.137m (£0.100m in 2021/22) in respect of the Newcastle Airport loan notes.

### Amounts Arising from Expected Credit Losses

The changes in the loss allowance for each class of financial asset during the year are shown in the following table.

2021/22		2021/22		2022/23		2022/23	
Customers and trade receivables amortised cost	Long term loans at amortised cost	Customers and trade receivables amortised cost	Long term loans at amortised cost	Customers and trade receivables amortised cost	Long term loans at amortised cost	Customers and trade receivables amortised cost	Long term loans at amortised cost
Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired
£m	£m	£m	£m	£m	£m	£m	£m
6.511	0.149			6.587	0.129		
(0.411)	-			(0.555)	-		
0.487	(0.020)			2.067	0.060		
<b>6.587</b>	<b>0.129</b>	<b>Balance at start of year</b>		<b>8.099</b>	<b>0.189</b>		
		Amounts written off					
		Changes in risk parameters					
		<b>Balance at end of year</b>					

### Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2023:

## Section 4 – Notes to the Core Financial Statements

2021/22 Gross carrying amount £m		Credit risk rating	2022/23 Gross carrying amount £m
	<b>Twelve month expected credit loss exposure</b>		
15.000	Australia New Zealand Bank	A+	10.000
15.000	Santander Bank	A+	-
5.000	Helaba	A+	15.000
10.000	National Bank of Kuwait	A+	-
10.087	Goldman Sachs International Bank	A+	-
10.000	SMBC International PLC	A	-
49.114	Other cash equivalents and short term investments		47.014
<b>114.201</b>	<b>Total twelve month expected credit loss exposure</b>		<b>72.014</b>
	<b>Lifetime expected credit loss exposure</b>		
9.147	Credit risk increased significantly since initial recognition		10.083
10.441	Simplified approach		16.281
<b>19.588</b>	<b>Total lifetime expected credit loss exposure</b>		<b>26.364</b>
<b>133.789</b>	<b>Total credit loss exposure</b>		<b>98.378</b>

### Collateral

For financial assets totalling £2.006m (£1.566m in 2021/22) in relation to residential care fees there is a charge against clients' property which acts as collateral against the debt. The loan facility agreed with STHVTL allows for the Council to take back property assets from the company in the event of any default in repayment of the loans made. The loan notes for IAMP LLP and Centaurea Homes Limited are secured against the land purchased or properties constructed.

### Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council policy limits the use of private sector market debt to 40% (40% in 2021/22) of the overall debt portfolio. The Council has set limits to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The Council's policy is to ensure that no more than 40% (40% in 2021/22) of loans are due to mature within any financial year and 75% (75% in 2021/22) within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of all financial liabilities, including borrowing, is as follows:

## Section 4 – Notes to the Core Financial Statements

31 March 2022 £m	Liabilities outstanding	31 March 2023 £m
(651.749)	PWLB	(639.127)
(8.295)	Market debt	(8.291)
(0.067)	Other private sector	(0.045)
-	Other local authorities	(6.018)
(300.658)	PFI liabilities	(283.637)
(29.740)	Creditors	(36.473)
(3.057)	Finance lease liabilities	(2.801)
<b>(993.566)</b>	<b>Total</b>	<b>(976.392)</b>
(68.269)	Less than one year	(84.008)
(37.277)	Between one and two years	(32.277)
(88.413)	Between two and five years	(91.001)
(160.980)	Between five and ten years	(155.631)
(638.627)	More than ten years	(613.475)
<b>(993.566)</b>	<b>Total</b>	<b>(976.392)</b>

### Market Risk

#### Interest rate risk

The Council is exposed to interest rate risk in two different ways: the first being the uncertainty of interest paid or received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Council is summarised as follows:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost but will impact on the disclosure note for fair value.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the 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 deficit on the provision of services and affect the General Fund balance.

The Council has several strategies for managing interest rate risk. Our treasury management policy sets a maximum of 35% (35% in 2021/22) of borrowings in variable rate loans to reduce risk from variable rates. In assessing this rate the Council looks at what it already has on variable rate terms, what the borrowing requirement is each year (as this could potentially be taken on variable rate terms) and what may be a reasonable amount of debt which may be converted from fixed to variable. During periods of falling interest rates, and where economic

## Section 4 – Notes to the Core Financial Statements

circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2023, for every 1% increase in interest rates, with all other variables held constant, the financial effect would be as shown in the following table:

2021/22		2022/23
£m	Interest rate risk	£m
0.130	Increase in interest payable on variable rate borrowings	0.030
(1.194)	Increase in interest receivable on variable rate investments	(0.826)
<b>(1.064)</b>	<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>(0.796)</b>
<b>(0.299)</b>	<b>Share of overall impact on the HRA Income and Expenditure Statement</b>	<b>(0.175)</b>
(0.153)	(Increase) or decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Statement)	0.337
(127.216)	Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	(89.054)

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

### Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £8.110m in Newcastle Airport (£8.110m in 2021/22). The Council has designated these investments as fair value through other comprehensive income and expenditure and consequently is only exposed to losses arising from movements in the prices of the shares at the time those shares are sold. As the shareholdings have arisen in the acquisition of specific interests, the Council is not able to limit its exposure by diversifying its portfolio. Therefore, to eliminate any risk the Council has set aside the full fair value of the shares in the financial instruments revaluation reserve.

### Note 39. Trust Funds

The Council acts as sole trustee for various legacies left by residents of the borough. These are held either in external investments or as part of internal Council investments as shown in the following table.

2022/23	1 April 2022	Amount received during year	Amount applied during year	31 March 2023	Government stock investments	Invested in Council funds
	£m	£m	£m	£m	£m	£m
Westoe trust	(0.360)	(0.004)	0.002	(0.362)	-	0.362
Marine park trust	(0.181)	(0.002)	-	(0.183)	-	0.183
Other trust funds	(0.154)	(0.013)	0.007	(0.160)	0.021	0.139
<b>Total balances</b>	<b>(0.695)</b>	<b>(0.019)</b>	<b>0.009</b>	<b>(0.705)</b>	<b>0.021</b>	<b>0.684</b>



## Section 4 – Notes to the Core Financial Statements

Income generated by the Westoe trust is used to benefit schools and promote the education of individuals in South Tyneside in a manner not normally provided by the Council. The Marine Park trust represents monies received from the sale of property in the park grounds. This must be invested in perpetuity with any interest earned being spent on improvements to the park. There are 25 other trust funds (25 in 2021/22) that are held by the Council primarily to provide financial assistance in the education sector. There were no outstanding liabilities on the trusts at the Balance Sheet date.

The equivalent movements for the previous year are as follows:

2021/22	1 April 2021	Amount received during year	Amount applied during year	31 March 2022	Government stock investments	Invested in Council funds
	£m	£m	£m	£m	£m	£m
Westoe trust	(0.361)	(0.001)	0.002	(0.360)	-	0.360
Marine park trust	(0.181)	-	-	(0.181)	-	0.181
Other trust funds	(0.152)	(0.010)	0.008	(0.154)	0.021	0.133
<b>Total balances</b>	<b>(0.694)</b>	<b>(0.011)</b>	<b>0.010</b>	<b>(0.695)</b>	<b>0.021</b>	<b>0.674</b>

### Note 40. Pension Schemes Accounted for as Defined Contribution

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited on behalf of the Department for Education.

Public Health employees are members of the NHS Pension Scheme, administered by NHS Business Services Authority on behalf of the Department of Health.

Both schemes provide members with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The schemes are technically defined benefit schemes. However, the schemes are unfunded and both Teachers Pensions and NHS Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of these schemes with enough reliability for accounting purposes as central Government do not release the figures. For the purposes of this Statement of Accounts, they are therefore accounted for on the same basis as a defined contribution scheme i.e. pension costs are payable as they arise.

During the year, the Council paid £8.058m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 23.7% of pensionable pay (£8.087m and 23.7% respectively in 2021/22). There were no employee contributions remaining payable at the year-end. The Council sum remaining payable at year end totalled £0.944m (£0.937m in 2021/22).

During the year, the Council paid £0.046m to NHS Pensions in respect of public health employees' retirement benefits, representing 14.38% of pensionable pay (£0.044m and 14.38% in 2021/22). There were no employee contributions remaining payable at the year-end. The Council sum remaining payable at year end totalled £0.003m (£0.004m in 2021/22).

The Council expects to pay out in the region of £8.104m in the year ending 31 March 2023 in respect of these two pension schemes. Information is not available to allow the Council to determine its level of liability in either of these schemes.

## Section 4 – Notes to the Core Financial Statements

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of these schemes. These costs are accounted for on a defined benefit basis.

### Note 41. Defined Benefit Pension Schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), the Tyne and Wear Pension Fund (the Fund), administered locally by South Tyneside Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a career average revalued earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 which cover pension earned from 1 April 2014. These regulations have largely been revoked except for the savings made in the Transitional Regulations. The 2013 Regulations are the current version and brought the 2014 scheme in.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash must be generated to meet actual pension payments as they eventually fall due.

During the year, the Council made direct payments to the Fund in respect of early retirements (known as “strain on the fund”) payable over the next three years. Early retirements result in reduced pension contributions payable to the Fund and earlier payments of benefits. The sum to be paid by the Council in the year was estimated by the actuary to be £0.040m (£0.230m in 2021/22).

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year so that the real cost of post-employment retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. However, whilst there is no direct cost to the council taxpayer in these accounts, increased contributions will be required over the remaining working life of employees, as assessed by the scheme actuary.

The Fund follows a robust risk management process which can be found in note 13 of the Tyne and Wear Pension Fund Accounts (page 144). Assets are not concentrated in any one area and are liquid such that the costs of any large payment can be accommodated. There were no settlements or curtailments during the year.

## Section 4 – Notes to the Core Financial Statements

### (a) Local Government Pension Scheme (LGPS) funded benefits

#### Introduction

The funded nature of the LGPS requires the Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Any gains and losses are recognised in full immediately through other comprehensive income and expenditure. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The contributions to be paid until the date of the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment Certificate.

The Employer's regular contributions to the Fund for the year ending 31 March 2023 are estimated at £16.440m. In addition, strain on the fund contributions may be required.

The figures presented in these accounts include estimates for the increase in liabilities arising from recent judgements in respect of McCloud and Sargeant which found that the transitional protection arrangements put in place when the firefighters' and judges pension schemes were reformed were age discriminatory. The liabilities also include an estimate of the additional cost resulting from the Government's decision to extend a scheme to guarantee a minimum pension for all those in the LGPS who will reach state pension age by 5 April 2021.

#### The main financial assumptions adopted as at 31 March 2023

The last full actuarial valuation of the Council's liabilities took place as at 31 March 2022. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>% per annum</b>		<b>% per annum</b>
2.70	Discount rate	4.70
3.00	Inflation rate (consumer price index)	2.70
3.00	Rate of increase to pensions in payment	2.70
3.00	Pension accounts revaluation rate	2.70
4.50	Rate of general increase in salaries	4.20

#### The main demographic assumptions adopted as at 31 March 2023

The principal assumptions in commutation and retirement mortality rates, which have been based on the recent actual mortality experience of members within the Fund and allowing for expected mortality improvements, are shown in the following table.

## Section 4 – Notes to the Core Financial Statements

31 March 2022	Post retirement mortality	31 March 2023
	<b>Males</b>	
21.8	Future lifetime from age 65 (currently aged 65)	21.6
23.5	Future lifetime from age 65 (currently aged 45)	22.9
	<b>Females</b>	
25.0	Future lifetime from age 65 (currently aged 65)	24.6
26.7	Future lifetime from age 65 (currently aged 45)	26.1

Each member was assumed to exchange 20% of the maximum amount permitted of their pre April 2010 pension entitlements, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their post March 2010 pension entitlements, for additional lump sum.

### Commutation

A change to post-retirement mortality assumptions to allow for effect of Covid-19 on the future mortality rates. A positive effect on balance sheet to around 1% of defined benefit obligation.

Further detail on mortality assumptions can be found in note 25 of the Tyne and Wear Pension Fund Statements (page 158).

### Sensitivity Analysis

The results disclosed in this note are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2023 is set out in the table below.

Impact on present value of obligation liability	+0.1% per annum £m	Change	-0.1% per annum £m	Change
Adjustment to discount rate	(910.110)	-1.6%	(941.040)	1.7%
Adjustment to salary increase rate	(927.160)	0.2%	(923.460)	-0.2%
Adjustment to pension increase rate	(939.190)	1.5%	(912.360)	-1.4%
	<b>- 1 Year</b>		<b>+ 1 Year</b>	
Adjustment to mortality age rating assumption	(949.370)	2.6%	(901.250)	-2.6%

In each case, only the assumption mentioned is altered; all other assumptions remain the same. For inflation, for example, it is assumed this will not change the salary inflation figure and will affect pension increases only.

A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is one year older than them.

The impact of the same assumptions on the projected service cost chargeable to the Comprehensive Income and Expenditure Statement is given in the following table.

## Section 4 – Notes to the Core Financial Statements

Impact on projected service cost	+0.1% per annum £m	Change	-0.1% per annum £m	Change
Adjustment to discount rate	17.820	-3.9%	19.280	4.0%
Adjustment to salary increase rate	18.540	0.0%	18.540	0.0%
Adjustment to pension increase rate	19.280	4.0%	17.820	-3.9%
	<b>- 1 Year</b>		<b>+ 1 Year</b>	
Adjustment to mortality age rating assumption	19.170	3.4%	17.910	-3.4%

### Asset Allocation

The approximate split of assets for the Fund is shown in the following table.

Asset split at 31 March 2022			Asset split at 31 March 2023		
Quoted	Unquoted	Total	Quoted	Unquoted	Total
47.8%	9.2%	57.0% Equities	40.1%	11.1%	51.2%
-	8.4%	8.4% Property	-	10.5%	10.5%
2.0%	-	2.0% Government bonds	1.3%	-	1.3%
18.8%	-	18.8% Corporate bonds	19.5%	-	19.5%
0.0%	-	0.0% Multi Asset Credit	4.5%	-	4.5%
1.8%	-	1.8% Cash	1.8%	-	1.8%
4.8%	7.2%	12.0% Other investments	0.0%	11.2%	11.2%
<b>75.2%</b>	<b>24.8%</b>	<b>100.0% Total</b>	<b>67.2%</b>	<b>32.8%</b>	<b>100.0%</b>

Other investments may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will achieve a return in line with equities.

The assets allocated to the employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out in the table for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and therefore there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer value payment).

The Council, as administering authority, does not invest in property or assets related to itself. It is possible, however that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy. The duration of the defined benefit obligation liability is 16.44 years (20.3 years in 2021/22). The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	32%
Deferred pensioners	15%
Pensioners	53%

Were an employer to leave the Fund a terminal valuation would be calculated and any liabilities outstanding requested from the employer. Were these liabilities not to be paid then the remaining employers of the Fund, including the Council, would absorb the cost. If a Council was to leave the Fund the Government would delegate the liability to the replacement council or if there is no replacement council to the other councils remaining in the Fund.

## Section 4 – Notes to the Core Financial Statements

### (b) Local Government Pension Scheme (LGPS) and Teachers unfunded benefits

Unfunded pension arrangements established by the Council represent termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations. They also include costs on the Teachers scheme where no strain on the fund was paid in year. Any gains and losses are recognised in full immediately through other comprehensive income and expenditure.

For the year ending 31 March 2024 the Council expects to pay £1.800m directly to beneficiaries.

The last full actuarial valuation of unfunded LGPS benefits took place as at 31 March 2022.

### The main financial and demographic assumptions adopted as at 31 March 2023

The principal financial and demographic assumptions for unfunded are the same as for funded.

### (c) Impact on accounts of both funded and unfunded benefits

The following table reconciles the liabilities to the Balance Sheet:

31 March 2022			31 March 2023	
Funded	Unfunded		Funded	Unfunded
£m	£m		£m	£m
940.990	-	- Fair value of assets	921.200	-
(1,243.470)	(20.090)	Present value of funded defined benefit obligation	(925.310)	(17.350)
<b>(302.480)</b>	<b>(20.090)</b>	<b>Liability recognised on the Balance Sheet</b>	<b>(4.110)</b>	<b>(17.350)</b>

### Breakdown of amounts recognised in the deficit on the provision of services and other comprehensive income and expenditure

The following table shows the net impact of benefits in the Comprehensive Income and Expenditure Statement:

2021/22	2021/22		2022/23	2022/23
Funded	Unfunded		Funded	Unfunded
£m	£m		£m	£m
		<b>Operating cost</b>		
38.680	-	- Current service cost	39.740	-
0.230	-	- Past service cost	0.040	-
		<b>Financing cost</b>		
8.810	0.450	Interest on net defined benefit obligation	7.940	0.520
<b>47.720</b>	<b>0.450</b>	<b>Pension expense recognised</b>	<b>47.720</b>	<b>0.520</b>
		<b>Remeasurements in other comprehensive income and expenditure</b>		
(36.960)	-	- Net return on plan assets in excess of that recognised in net interest	33.180	-
(83.670)	(0.440)	Actuarial (gains) or losses on liabilities - financial assumptions	(457.830)	(2.980)
(5.580)	(0.350)	Actuarial gains on liabilities - demographic assumptions	-	(0.190)
(30.600)	0.080	Actuarial gains on liabilities - experience	93.870	1.710
<b>(156.810)</b>	<b>(0.710)</b>	<b>Total amount recognised in other comprehensive income and expenditure</b>	<b>(330.780)</b>	<b>(1.460)</b>
<b>(109.090)</b>	<b>(0.260)</b>	<b>Total amount recognised</b>	<b>(283.060)</b>	<b>(0.940)</b>

## Section 4 – Notes to the Core Financial Statements

### Changes to the present value of defined benefit liability during the accounting year

2021/22 Funded £m	2021/22 Unfunded £m		2022/23 Funded £m	2022/23 Unfunded £m
<b>(1,325.320)</b>	<b>(22.180)</b>	<b>Defined benefit liability at start of year</b>	<b>(1,243.470)</b>	<b>(20.090)</b>
(38.680)	-	Current service cost	(39.740)	-
(27.540)	(0.450)	Interest expense on defined benefit liability	(33.190)	(0.520)
(4.880)	-	Contributions by participants	(5.610)	-
83.670	0.440	Actuarial gains or (losses) on liabilities - financial assumptions	457.830	2.980
5.580	0.350	Actuarial gains on liabilities - demographic assumptions	-	0.190
30.600	(0.080)	Actuarial gains on liabilities - experience	(95.670)	(1.710)
33.330	1.830	Net benefits paid out	34.580	1.800
(0.230)	-	Past service cost	(0.040)	-
<b>(1,243.470)</b>	<b>(20.090)</b>	<b>Defined benefit liability at end of year</b>	<b>(925.310)</b>	<b>(17.350)</b>

### Changes to the fair value of assets during the accounting year

2021/22 Funded £m	2021/22 Unfunded £m		2022/23 Funded £m	2022/23 Unfunded £m
<b>898.310</b>	-	<b>Fair value of assets at start of year</b>	<b>940.990</b>	-
18.730	-	Interest income on assets	25.250	-
36.960	-	Remeasurement (losses) or gains on assets	(33.180)	-
15.440	1.830	Contributions by the employer	17.110	1.800
4.880	-	Contributions by participants	5.610	-
(33.330)	(1.830)	Net benefits paid out	(34.580)	(1.800)
<b>940.990</b>	-	<b>Fair value of assets at end of year</b>	<b>921.200</b>	-

### Actual return on assets

2021/22 Funded £m		2022/23 Funded £m
18.730	Interest income on assets	25.250
36.960	Remeasurement (losses) or gains on assets	(33.180)
<b>55.690</b>	<b>Actual return on assets</b>	<b>(7.930)</b>

### Note 42. Accounting Standards Issued not yet Adopted

Due to the impact of Covid-19 the adoption of IFRS 16 Leases has been deferred until 1 April 2024. The new standard will introduce a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

The main impact of IFRS 16 is on lessee accounting where it removes the distinction between operating and finance leases and requires the Council to recognise a right-of-use asset and a lease liability at the commencement of the lease with the exception of short-term or low value



## Section 4 – Notes to the Core Financial Statements

leases. The Council has identified a small number of leases that will need to be recognised however the financial impact on the accounts has not yet been assessed.

### Note 43. Accounting Policies

#### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required by the Accounts and Audit (England) Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') supported by International Financial Reporting Standards (IFRS). The accounting policies as set out in this note have been applied consistently.

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

#### 2. Basis of Preparation

The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates. If the Council were in financial difficulty, the prospects are that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. These provisions confirm that, as councils cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

#### 3. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Supplies are generally recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Amounts outstanding at the year-end are accounted for as part of the carrying amount of the relevant long term loans or investments.

## Section 4 – Notes to the Core Financial Statements

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is amended, and a charge made to revenue for an estimate of the income that might not be collected.

In the preparation of these accounts, the following entry represents an exception to the statements made previously.

- **Housing Rents** – the Council operates a 48-week rent year for Council house rents. However, given that 31 March does not always fall at a weekend, there will be years where there are 49 paying weeks. No income accruals have been made for part weeks. 2022/23 was a 48-week rent year. The average weekly rent receipt for the year was £1.269m over 52 weeks (£1.182m in 2021/22).

### 4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature or can be accessed in less than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

### 6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairments and revaluation losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

For the General Fund the Council is not required to raise council tax to fund these charges. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount determined by the Council in accordance with statutory guidance and prudence. The Council has adopted the following policy:

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## Section 4 – Notes to the Core Financial Statements

- Debt which was subject to support from the Government via Revenue Support Grant is annuitised over 50 years.
- Unsupported borrowing is repaid in line with the estimated useful life of the additional asset. The useful economic life of an asset is restricted to 50 years except where advised by a suitably qualified officer.
- Unsupported borrowing is repaid over 20 years where an estimated useful life cannot be established i.e. revenue expenditure funded from capital under statute.
- PFI and finance lease liabilities are repaid in line with the remaining useful life of the asset acquired under the PFI contract.
- Assets under construction are not subject to debt repayment.
- Loan repayments are taken in lieu of making charges to revenue in the case of loans to STHVTL.
- Any other factors that allow for a prudent debt set aside will be considered.
- Factors will be reviewed on an annual basis to ensure any set aside continues to be prudent.

Depreciation, impairments, amortisations and revaluation losses are therefore replaced by the 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.

For the HRA there is no set aside in respect of debt. Depreciation on all HRA assets is charged to the Comprehensive Income and Expenditure Statement (CIES) and is met from housing rents.

### 7. Council Tax and Non-Domestic Rates (NDR)

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

#### Accounting for Council Tax and NDR

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

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals. Where debtor balances for these are identified as impaired because of a likelihood arising from a past event that payments due under the

## Section 4 – Notes to the Core Financial Statements

statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### 8. Employee Benefits

#### 8a) Benefits Payable during Employment

Short term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements 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 current accounting year. The accrual is charged to the 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.

#### 8b) Termination Benefits

Termination benefits, whether they arise as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, are charged on an accruals basis to the relevant service line in the CIES when the Council can no longer withdraw the offer of those benefits.

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

#### 8c) Post-Employment Benefits

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

- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The National Health Service (NHS) Pension Scheme, administered by NHS Business Services Authority on behalf of the Department of Health.
- The Local Government Pensions Scheme administered by the Council on behalf of admitted and scheduled bodies in the Tyne and Wear and Northumberland areas.

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

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The learning and early help line in the CIES is charged with the employer's contributions payable to teachers' pensions

## Section 4 – Notes to the Core Financial Statements

in the year whilst the public health line includes the contributions payable to the NHS scheme.

### 8d) The Local Government Pension Scheme

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

- The liabilities of the Tyne and Wear Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.7% (based on the current rate of return on high quality corporate bonds of equivalent term and currency to the liabilities).
- The assets of Tyne and Wear Pension Fund attributable to the Council 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 defined benefit obligation is analysed as follows:

Service cost comprising:

- *Current service cost* – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
- *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the corporate finance service line.
- *Net interest on the defined benefit liability* – i.e. net interest expense for the Council being the change during the period in the net defined benefit obligation that arises from the passage of time charged to the financing and investment income and expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit obligation 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 defined benefit obligation – charged to the pensions reserve as other comprehensive income and expenditure.
- *Actuarial gains and losses* – changes in the defined benefit obligation 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.

## Section 4 – Notes to the Core Financial Statements

Contributions paid to the Tyne and Wear Pension Fund

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards so as with termination benefits there are appropriations to the pensions reserve to remove notional amounts and replace them with actual accrued payments. The balance that arises on the pensions reserve thereby measures the beneficial impact to the Council of being required to account for retirement benefits on the basis of cash flows rather than as employees earn benefits.

### 8e) Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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. At present the scheme allows for such payments to be made over three financial years from the date at which the employee left the service of the Council.

## 9. Events after the Reporting Period

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

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

## 10. Financial instruments

### 10a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

The following assumptions apply in calculating the fair value of a financial liability:

- For PWLB and market debt, the discount rate is the PWLB premature repayment rate.
- The Council has used interpolation techniques between available rates where the exact maturity period was not available.



## Section 4 – Notes to the Core Financial Statements

- No early repayment or impairment is recognised.
- The Council has calculated fair values for all instruments in the portfolio, but only disclosed those that are materially different from the carrying value.
- The fair value of creditors is taken to be the invoiced or billed amount.

Annual charges to the financing and investment income and expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

### 10b) 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:

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

The Council's business model is primarily to hold investments to collect contractual cash flows. 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).

### 10c) Financial Assets Measured at Amortised Cost

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

Where loans have been made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service line) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.



## Section 4 – Notes to the Core Financial Statements

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

### 10d) Financial Assets Measured at FVOCI

Equity instruments where there are no contractual cash flows are recognised as financial assets measured at FVOCI. Any movement in the valuation of these instruments will not fall as a charge or income to the taxpayer but instead be reversed out in other comprehensive income and expenditure and held in the financial instrument revaluation reserve. Dividends received will be credited to the financing and investment income and expenditure line of the CIES as they arise. Following the sale of these instruments the fair value of the holding and any related balance in the financial instrument revaluation reserve will be released as a gain or loss to the deficit on the provision of services.

### 10e) Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost or FVOCI, either on a twelve month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly, losses are assessed on the basis of twelve month expected losses. The Council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. A modification loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

## 11. Government Grants and Contributions

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

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

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

## Section 4 – Notes to the Core Financial Statements

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

Where capital grants are utilised and credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account.

### 12. Intangible Assets

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

Minimal expenditure on the development of the Council's website has been capitalised as it is primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost less amortisation. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the CIES. The useful life of intangibles is assumed to be five years.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on balances. The amounts are therefore reversed out of balances in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £0.010m) the capital receipts reserve.

### 13. Heritage Assets

Heritage assets are non-current assets that are held by the Council principally for their contribution to knowledge and culture. This includes collections of art, archaeology, history and natural sciences which are exhibited or stored in local museums or South Shields town hall. The museums where most the Council's heritage assets are exhibited or stored are:

- South Shields Museum and Art Gallery
- Arbeia Roman Fort and Museum, South Shields
- Tyne and Wear Archives (based at the Discovery Museum in Newcastle-upon-Tyne)

Heritage assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed as follows:

#### 13a) Art Collection

Most of the items in the art collection are valued by the Tyne and Wear Archives and Museum's Principal Keeper of Art. Assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

#### 13b) Archaeology and other Artefacts

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeology and other artefacts collection. This is because of the

## Section 4 – Notes to the Core Financial Statements

diverse nature of the assets held and the lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet.

### 13c) Statues and Sculptures

The Council has several sculptures which are held on the Balance Sheet at either cost or insurance valuation. Statues are held on the Balance Sheet at nil valuation. This is because the Council has deemed that the cost of obtaining valuations would outweigh the benefits to the users of the financial statements.

### 13d) Civic Regalia

The Council holds a collection of civic regalia which is held on the Balance Sheet at its insurance valuation. The collection is valued annually by an external valuer and is deemed to have a high residual value so is not subject to depreciation. Revaluation gains or losses are accounted for in the same way as for property, plant and equipment.

## 14. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and associates, requiring it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The group financial statements within these accounts are prepared in accordance with the Council policies, with the following additions and exceptions:

### Intra Group Transactions

All transactions between the Council and its subsidiaries have been eliminated from the statements and notes.

### Charges to Income and Expenditure for Non-Current Assets

There are no transactions between the Group CIES and the capital adjustment account in relation to charges for non-current assets held by South Tyneside Homes Limited and Centaurea Homes Limited, such that the amounts charged to the account are reflected in the group usable reserves.

### Actuarial Assumptions on Defined Benefit Obligation

Actuarial assumptions used for the group entities can differ from those used for the Council and are prepared under FRS102 principles rather than IAS19.

## 15. Inventories and Long Term Contracts

Inventories, where material, are included in the Balance Sheet at the lower of cost and net realisable value. The Council operates a home loan equipment centre that provides disabled aids to the community. As the items are recyclable it is possible, due to technological advances and better procurement techniques, that the replacement cost becomes less than their original purchase value. However, for administrative purposes the Council has decided to retain cost value as the measurement for this inventory and has estimated that this may have overstated its value by up to £0.050m.

## Section 4 – Notes to the Core Financial Statements

Long term contracts are accounted for on the basis of charging the deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### 16. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair 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 revalued annually according to market conditions at the year-end.

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. Gains and losses on revaluation are posted to the same line however these 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.

### 17. Joint Operations

Joint operations are arrangements undertaken by the Council in conjunction with other joint operators that involve the use of the assets and resources of those joint operators rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

### 18. Leases

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. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are not considered separately for classification.

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.

#### 18a) The Council as Lessee

##### Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Contingent rents are charged as expenses in the periods in which they are incurred.

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

## Section 4 – Notes to the Core Financial Statements

- a finance charge (debited to the financing and investment income and expenditure line in the CIES).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets (see section 20) with charges to revenue applied as per section 6 of the accounting policies.

### Operating Leases

Rentals paid under operating leases are charged to the CIES 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).

### 18b) The Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the appropriate service lines in the CIES. Credits are made on a straight-line basis over the life of the lease.

### 19. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance. In most cases the segment lines as reported do not include any apportionment of overheads.

### 20. Property, Plant and Equipment

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

#### 20a) Recognition

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

In recognising capital expenditure as acquisition or enhancement of property, plant and equipment the following deminimis levels have been used:

- £400 for housing capital expenditure, reflecting the planned approach to improvements to individual dwellings.
- £2,000 for devolved school spending in line with Government guidelines.
- £2,500 for vehicles procured as part of a planned replacement strategy.
- £10,000 per item elsewhere in the programme.

The Council only recognises components following either a revaluation of the property or significant expenditure on the component.

## Section 4 – Notes to the Core Financial Statements

### 20b) Measurement and Revaluation

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council 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 Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- **Community assets, assets under construction, vehicles, plant and equipment** – depreciated historical cost. However plant and machinery that would normally be regarded as an integral part of the building on letting or sale have been included as a component value. These assets are not revalued.
- **Infrastructure** – the temporary relief introduced by the Update to the Code at paragraph 4.1.4.3 1 d specifies that disclosures of gross historical cost and accumulated depreciation are not required for infrastructure assets. The temporary relief is an Update to the Code updating both the 2021/22 and the 2022/23 Codes.

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

- **Dwellings** – current value, determined using the basis of existing use value for social housing. This represents the amount that the Council could be expected to receive from the sale of that asset having regard to the prospect and viability of the continuance of the current occupancy and use.
- **Surplus assets** are valued at fair value, estimated at highest and best use from a market participant's perspective.
- In the case of **operational assets of a specialised nature**, that is those properties rarely, if ever, sold on the open market in their existing use, the valuation method applied is the depreciated replacement cost (DRC) of the property. The DRC basis of valuation requires an estimate of the value of the land in its existing use together with the current gross replacement costs of the building and its external works from which appropriate deductions have been made to reflect age and condition. The Council uses building cost data from the Building Cost Information Service (BCIS) for DRC valuations. This is a database of nationally gathered building costs by asset type and area.
- **All other assets** – current value, determined as the amount that would be paid for the asset in its existing use.

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

Assets included in the Balance Sheet at current or fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value



## Section 4 – Notes to the Core Financial Statements

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 CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are charged as revaluation losses and accounted for in the same way as impairment (see 20c).

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.

### 20c) Impairment

The values of each category of assets and material individual assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Impairment occurs due to economic, functional and environmental obsolescence and other locational factors that might result in the existing property being worth less than its current net book value. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

### 20d) Depreciation

Depreciation is provided for on all property, plant and equipment assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- **Dwellings and other buildings** – straight-line allocation over the remaining useful life of the property as estimated by the valuer. The remaining useful life of dwellings and other buildings is between 1 and 89 years.
- **Vehicles, plant, furniture and equipment** - straight-line allocation up to 25 years being the estimated remaining useful economic life.
- **Community Assets** – straight-line allocation over 15 to 45 years.
- **Infrastructure** – straight-line allocation over 20 to 25 years (sea defences, open spaces and flood works between 35 and 99 years).
- **Surplus assets** – follow the same depreciation policy as the asset in its former use.



## Section 4 – Notes to the Core Financial Statements

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item and the useful economic life is significantly different from the host asset, the components are depreciated separately. The Council has recognised the internal services and fixtures as the only major component for the majority of assets and this is being depreciated between 1 and 24 years on inception. A small number of assets have specialist equipment whose cost is material to the overall value of the asset and have different useful economic lives e.g. pool equipment at leisure centres or cremators. A further component is recognised for these assets. Componentisation will only be applied where there has been any expenditure in year and/or the asset has been subject to a formal revaluation. The Council has set the following deminimis levels for componentisation:

- General Fund assets – components are recognised when the property is first valued. If the capital expenditure on a component in the year reaches £0.075m, components are recognised at this point. If the spend is below £0.075m and no components exist on this asset, it is added to the value of the structure.
- Council dwellings – where expenditure on the components is less than £7,800 and no components exist on this asset, this spend is added to the structure. Where the expenditure is over £7,800 components are recognised at cost value. The maximum value of components is limited to £21,000 with any excess recognised as an impairment charge to the CIES.

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.

### **20e) Disposals of Non-current Assets**

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale but may be subject to impairment. Assets which are expected to be transferred in the next financial year e.g. conversion of schools to academy status are reclassified to current assets.

When an asset is disposed of, decommissioned or transferred out of the Council's control, 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 income and expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals and disposal costs (if any) are transferred to the same line (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.

## Section 4 – Notes to the Core Financial Statements

Amounts received for a disposal in excess of £0.010m are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government through the pooling payment. For right to buy sales of dwellings this equates to approximately 30% net of statutory deductions and allowances; however this is subject to a Government share cap. 100% of all receipts in excess of this cap may be retained by the Council provided they are used to part fund the provision of new social housing. 100% of housing land sale income, net of statutory deductions and allowances, can be retained by the Council provided there is an equivalent amount of expenditure on affordable housing or regeneration. The balance of receipts is 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 Council's underlying need to borrow. Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement. In 2022/23 it was announced that the Right To Buy pooling payment would not be payable to the Government for financial years 2022/23 and 2023/24 and so the council have retained 100% of receipts in year.

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

### 21. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- **Fair value of the services** received during the year – debited to the relevant service in the CIES.
- **Finance cost** – an interest charge in respect of PFI liabilities - debited to the financing and investment income and expenditure line in the CIES.
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the CIES.
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- **Lifecycle replacement costs** – are charged to revenue the year the costs are incurred.

## Section 4 – Notes to the Core Financial Statements

### 22. Provisions, Contingent Liabilities and Contingent Assets

#### 22a) Provisions

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

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, 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 recognised as a short term debtor but only if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### 22b) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. For example, legal claims which are ongoing but have not reached a point where a liability is certain or can be reliably quantified. 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.

#### 22c) Contingent Assets

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

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

### 23. Reserves

The Council 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the deficit on the provision of services in the CIES. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

## Section 4 – Notes to the Core Financial Statements

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

### 24. Revenue Expenditure Funded from Capital under Statute

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

### 25. Accounting for Schools

Academies in the borough are separate legal entities and therefore do not appear in the Council's accounts. Voluntary aided, voluntary controlled and trust schools form part of the individual schools budgets allocated by the Council and funded by dedicated schools grant. These schools are also recognised as entities in their own right but their income and expenditure is fully recorded alongside spending on Council maintained schools due to the funding regime. However, as the Council does not control the assets of these schools, other than playing fields they are not included under property, plant and equipment.

### 26. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT recoverable on payments for goods and services is excluded from income.

### 27. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties 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 to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The Council uses valuation techniques that are appropriate in the circumstances and for which 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 fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

## **Section 4 – Notes to the Core Financial Statements**

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

## Section 5 – Housing Revenue Account Income and Expenditure Statement

This statement shows the economic cost in the year of providing housing services in accordance with proper accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement in Reserves Statement.

2021/22 £m		Note	2022/23 £m
	<b>Expenditure</b>		
13.718	Repairs and maintenance		17.014
16.984	Supervision and management		16.563
3.111	Rents, rates, taxes and other charges		2.628
26.007	Depreciation and impairment of non-current assets	6	27.295
0.020	Amortisation of intangible assets		0.020
(13.163)	Revaluation gains on property, plant and equipment	6	(14.117)
0.050	Debt management costs	2	0.051
0.186	Movement in the allowance for bad debts		0.284
0.670	Sums directed by the Secretary of State that are expenditure in accordance with the Code	2	0.550
<b>47.583</b>	<b>Total expenditure</b>		<b>50.288</b>
	<b>Income</b>		
(61.450)	Dwelling rents		(63.393)
(1.562)	Non-dwelling rents		(1.581)
(1.678)	Charges for services and facilities		(1.746)
(1.296)	Contributions towards expenditure		(1.276)
<b>(65.986)</b>	<b>Total income</b>		<b>(67.996)</b>
<b>(18.403)</b>	<b>Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(17.708)</b>
0.112	HRA services' share of corporate and democratic core		0.115
<b>(18.291)</b>	<b>Net expenditure for HRA services</b>		<b>(17.593)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(0.022)	Loss or (profit) on disposal of HRA current and non-current assets		0.334
10.561	Interest and investment expenditure	2	10.240
(0.066)	Interest and investment income	2	(0.325)
(0.143)	Government grant income credited to service		(1.103)
<b>(7.961)</b>	<b>Surplus for the year on HRA services</b>		<b>(8.447)</b>
6.267	Adjustments between accounting basis and funding basis under statute	1	7.174
<b>(1.694)</b>	<b>Decrease or (increase) in year on the HRA</b>		<b>(1.273)</b>
<b>(21.596)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(23.290)</b>
<b>(23.290)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(24.563)</b>

# Section 5 – Housing Revenue Account Income and Expenditure Statement

## Note 1. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the HRA income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being chargeable to the HRA balance.

2021/22 £m		2022/23 £m
	<b>Amounts included in the HRA Income and Expenditure Statement but excluded from the movement on HRA balance for the year</b>	
(6.948)	Impairment of non-current assets	(7.624)
13.163	Revaluation gains on property, plant and equipment	14.117
(19.059)	Depreciation of non-current assets	(19.692)
0.143	Capital grants and contributions	1.103
(0.265)	Revenue expenditure funded from capital under statute	(0.144)
0.152	Capital receipts not related to sale of a non-current asset	0.068
(6.487)	Amounts of non current assets written off on sale or disposal	(6.181)
6.713	Cash sale proceeds from the sale of non-current assets	6.025
(0.204)	Contribution towards administrative costs of disposal of non-current assets	(0.178)
<b>(12.792)</b>		<b>(12.506)</b>
	<b>Items not included in the HRA Income and Expenditure Statement but included in the movement on the HRA balance for the year</b>	
-	Contributions towards funding the capital programme	0.008
19.059	Contribution to major repairs reserve	19.672
<b>19.059</b>		<b>19.680</b>
<b>6.267</b>	<b>Net additional amount required by statute to be debited to the HRA balance for the year</b>	<b>7.174</b>

## Note 2. Cost of Capital Charge

The cost of capital charge is determined by the Secretary of State in accordance with the Item 8 Credit and Item 8 Debit (General) Determination. It is made up of a number of components as follows:

2021/22 £m		2022/23 £m
	<b>Credit items</b>	
(13.163)	Revaluation gains adjustments	(14.117)
(6.948)	Impairment and revaluation losses removed	(7.624)
(0.066)	Interest receivable and similar income	(0.325)
<b>(20.177)</b>	<b>Total item 8 credit</b>	<b>(22.066)</b>
	<b>Debit items</b>	
10.561	Interest payable and similar charges	10.240
0.050	Debt management costs	0.051
19.059	Depreciation	19.692
0.020	Amortisation of intangible assets	0.020
0.670	Revenue expenditure funded by capital under statute	0.550
13.163	Revaluation gains removed	14.117
6.948	Impairment and revaluation losses adjustments	7.624
<b>50.471</b>	<b>Total item 8 debit</b>	<b>52.294</b>



# Section 5 – Housing Revenue Account Income and Expenditure Statement

## Note 3. Housing Stock

The Council was responsible for managing an average of 16,160 dwellings and sheltered units during the year (16,310 in 2021/22). The variations during the year can be seen in the table below:

<b>Opening balance</b>	
Dwellings	15,082
Sheltered units	1,154
<b>Balance at start of year</b>	<b>16,236</b>
<b>Reductions</b>	
Right to buys	(137)
Demolitions	(10)
Conversions & External leases	(13)
Non active dwellings	(3)
Re-instatements & Additions	11
<b>Net reduction in stock</b>	<b>(152)</b>
<b>Closing balance</b>	
Dwellings	14,944
Sheltered units	1,140
<b>Balance at end of year</b>	<b>16,084</b>
Houses	9,315
Bungalows	2,389
Flats and maisonettes	3,240
Sheltered units	1,140
<b>Balance at end of year</b>	<b>16,084</b>

## Note 4. Property, Plant, Equipment, Intangible Assets and Assets Held for Sale

The following table shows the net book value of these assets held by the Housing Revenue Account.

<b>Net book value 31 March 2022 £m</b>		<b>Net book value 31 March 2023 £m</b>
531.890	Council dwellings	557.026
36.693	Other buildings	37.726
10.092	Other land	10.608
2.356	Vehicles, plant and equipment	2.523
15.720	Infrastructure	16.686
2.790	Surplus	2.707
0.036	Assets under construction	0.231
0.580	Assets held for sale	0.323
<b>600.157</b>	<b>Closing net book value</b>	<b>627.830</b>

All housing assets have been valued in accordance with the requirements of resource accounting for the HRA. Replacement and renewal of building elements and services are encompassed within the valuation of operational dwellings. The value included for equipment covers items such as information technology, security systems, warden call, sheltered accommodation and disabled adaptations.

# Section 5 – Housing Revenue Account Income and Expenditure Statement

## Note 5. Economic Cost to the Government of providing Council Housing

Council dwellings are included in the Balance Sheet at existing use value for social housing. This valuation basis considers the fact that the rents of Council house tenants are set below market rents. A measure of the economic cost to the Government of providing Council dwellings at less than market rents is given by the difference between vacant possession value and existing use social housing value as shown in the following table:

31 March 2022		31 March 2023
£m		£m
1,208.841	Vacant possession value	1,265.968
(531.890)	Existing use social housing value	(557.026)
<b>676.951</b>	<b>Economic cost to the Government</b>	<b>708.942</b>

## Note 6. Depreciation, Impairment and Revaluations

A breakdown of the movement in depreciation for the year is detailed in the following table:

2022/23	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Total property, plant and equipment
	£m	£m	£m	£m	£m
<b>Balance at start of year</b>	<b>(92.818)</b>	<b>(8.367)</b>	<b>(5.789)</b>	<b>(4.059)</b>	<b>(111.033)</b>
Depreciation charges in year	(16.961)	(1.681)	(0.212)	(0.816)	(19.670)
Depreciation charges written out on reclassification	0.015	0.038	-	-	0.053
Depreciation charges written out on disposal / Reval	10.234	0.469	-	-	10.703
<b>Balance at end of year</b>	<b>(99.530)</b>	<b>(9.541)</b>	<b>(6.001)</b>	<b>(4.875)</b>	<b>(119.947)</b>

### Type of asset

Existing use value social housing dwellings  
Existing use value other property  
Vehicles, plant and equipment  
Infrastructure - housing estate roads  
Infrastructure - open spaces

### Basis of depreciation

Useful life for dwellings - straight line depreciation  
40 Year Life - straight line depreciation  
5 Year Life - straight line depreciation  
25 Year Life - straight line depreciation  
36 Year Life - straight line depreciation

The equivalent table for the previous year:

2021/22	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Total property, plant and equipment
	£m	£m	£m	£m	£m
<b>Balance at start of year</b>	<b>(80.810)</b>	<b>(7.522)</b>	<b>(5.568)</b>	<b>(3.313)</b>	<b>(97.213)</b>
Depreciation charges in year	(16.544)	(1.548)	(0.221)	(0.746)	(19.059)
Depreciation charges written out on reclassification	0.083	-	-	-	0.083
Depreciation charges written out on disposal / Reval	4.453	0.703	-	-	5.156
<b>Balance at end of year</b>	<b>(92.818)</b>	<b>(8.367)</b>	<b>(5.789)</b>	<b>(4.059)</b>	<b>(111.033)</b>

### Type of asset

Existing use value social housing dwellings  
Existing use value other property  
Vehicles, plant and equipment  
Infrastructure - housing estate roads  
Infrastructure - open spaces

### Basis of depreciation

Useful life for dwellings - straight line depreciation  
40 Year Life - straight line depreciation  
5 Year Life - straight line depreciation  
25 Year Life - straight line depreciation  
36 Year Life - straight line depreciation

## Section 5 – Housing Revenue Account Income and Expenditure Statement

A breakdown of the impairment charge and revaluations charged or credited to the Comprehensive Income and Expenditure Statement is as follows:

2022/23	Council dwellings	Other buildings	Total property, plant and equipment
	£m	£m	£m
Revaluation gains or (losses)	12.272	1.845	14.117
Impairment losses	(7.404)	(0.221)	(7.625)
<b>Net gains</b>	<b>4.868</b>	<b>1.624</b>	<b>6.492</b>

The equivalent table for the previous year:

2021/22	Council dwellings	Other buildings	Total property, plant and equipment
	£m	£m	£m
Revaluation gains or (losses)	8.411	4.752	13.163
Impairment losses	(6.719)	(0.229)	(6.948)
<b>Net gains</b>	<b>1.692</b>	<b>4.523</b>	<b>6.215</b>

### Note 7. Housing Capital Expenditure Summary

The following table summarises housing capital expenditure and the method of financing that expenditure.

2021/22		2022/23
£m		£m
	<b>Expenditure</b>	
17.309	Dwellings	21.847
3.359	Other property, plant and equipment	3.197
0.265	Revenue expenditure funded from capital under statute	0.144
<b>20.933</b>	<b>Total expenditure</b>	<b>25.188</b>
	<b>Funding source</b>	
(20.790)	Major repairs reserve	(24.077)
-	Revenue contributions	(0.008)
(0.143)	Grants and other external income	(1.103)
<b>(20.933)</b>	<b>Total funding</b>	<b>(25.188)</b>

The revenue expenditure funded from capital under statute represents home loss compensation payments and decoration allowances to tenants.

### Note 8. Capital Receipts Summary

The following table shows the sources of capital receipts generated by the Housing Revenue Account.

## Section 5 – Housing Revenue Account Income and Expenditure Statement

2021/22		2022/23
£m		£m
(6.713)	House sales	(5.775)
(0.097)	Discount repayments	(0.033)
(0.055)	Freehold reversions	(0.035)
-	Development agreements and land sales	(0.250)
<b>(6.865)</b>	<b>Total receipts for the year</b>	<b>(6.093)</b>

### Note 9. Rent Arrears

The estimated arrears (excluding external charges) have been calculated utilising the relative proportion of such charges within the gross rent collectable for the year.

2021/22		2022/23
£m		£m
71.559	Gross rent collectable (including water and sewerage charges)	73.956
5.199	Overall arrears at end of year (including water and sewerage charges)	5.032
<b>7.27%</b>	<b>Overall arrears as a percentage of gross rent collectable</b>	<b>6.80%</b>
4.793	Rent arrears at end of year (excluding water and sewerage charges)	4.627
0.219	Amounts written off during the year	0.210
(3.301)	Balance Sheet allowance for bad debts	(3.424)

## Section 5 – Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the Council, to maintain a separate fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to precepting authorities and the Government of council tax and non-domestic rates.

2021/22 £m		Note	2022/23 £m
	<b>Income</b>		
(75.934)	Council tax	1	(79.449)
(0.049)	Transfer from General Fund		(0.055)
<b>(75.983)</b>	<b>Total council tax income</b>		<b>(79.505)</b>
(26.305)	Income collectable from non-domestic ratepayers	2	(25.256)
(12.386)	Contribution towards previous years non-domestic rates deficit		(5.195)
<b>(38.691)</b>	<b>Total non-domestic rates income</b>		<b>(30.451)</b>
<b>(114.674)</b>	<b>Total income</b>		<b>(109.956)</b>
	<b>Expenditure</b>		
<b>74.427</b>	<b>Precept payments - council tax</b>		<b>77.427</b>
14.340	Shares of non-domestic rates income payable to preceptors		13.112
14.340	Shares of non-domestic rates income payable as central share to Government		13.112
0.627	Transition protection payments		(0.123)
0.143	Allowable collection costs for non-domestic rates		0.132
<b>29.450</b>	<b>Total non-domestic rates expenditure</b>		<b>26.233</b>
0.106	Council tax written off		0.094
0.963	Transfer to council tax bad debt provision		0.973
0.118	Non-domestic rates written off		0.150
1.165	Transfer to non-domestic rates bad debt provision		0.646
<b>2.352</b>	<b>Total bad and doubtful debts</b>		<b>1.863</b>
<b>0.227</b>	<b>Contribution towards previous years council tax surplus</b>		<b>1.136</b>
<b>106.456</b>	<b>Total expenditure</b>		<b>106.659</b>
<b>(0.260)</b>	<b>(Surplus) or deficit for the year - council tax</b>		<b>0.125</b>
<b>(7.958)</b>	<b>(Surplus) or deficit for the year - non-domestic rates</b>		<b>(3.422)</b>
(3.559)	Balance brought forward from previous year - council tax		(3.819)
12.384	Balance brought forward from previous year - non-domestic rates		4.426
<b>0.607</b>	<b>Collection Fund balance at end of year</b>		<b>(2.690)</b>
(0.464)	Surplus relating to other precepting bodies - council tax		(0.461)
2.257	Deficit relating to other precepting bodies - non-domestic rates		0.512
<b>(3.355)</b>	<b>Surplus relating to South Tyneside Council - council tax</b>		<b>(3.233)</b>
<b>2.169</b>	<b>Deficit relating to South Tyneside Council - non-domestic rates</b>		<b>0.492</b>
<b>(1.186)</b>	<b>(Surplus) or deficit relating to South Tyneside Council - total</b>		<b>(2.741)</b>

## Section 5 – Collection Fund Statement

### Note 1. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands.

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts: 39,016 in 2022/23 (38,706 in 2021/22). Council tax is calculated by multiplying the basic amount of council tax for band D by the proportion for that particular band. In 2022/23 the band D equivalent was £1,984.52 (£1,922.86 in 2021/22).

Council tax bills were based on the following proportions for bands A to H:

<b>Band</b>	<b>Proportion of band D</b>	<b>Number of dwellings (November 2021)</b>
A	6/9ths	45,882
B	7/9ths	10,308
C	8/9ths	8,621
D	9/9ths	4,764
E	11/9ths	1,830
F	13/9ths	726
G	15/9ths	337
H	18/9ths	43
		<b>72,511</b>

### Note 2. Non-Domestic Rates Income

The non-domestic rate is organised on a national basis. The Government specifies an amount in the pound, and subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying this sum by the rateable value of their property – the latter being determined by the District Valuer. The national poundage for the year was set at 49.9p for small businesses (49.9p in 2021/22) and 51.2p for all other businesses (51.2p in 2021/22).

The non-domestic rates income, after reliefs and provisions, of £25.256m (£26.305m in 2021/22) was based on a rateable value of £77.296m as at 31 March 2023 (£78.629m in 2021/22).

## Section 6 – Group Introduction

### Group Accounts

The Council has considered whether it has interests in any subsidiaries, associates or joint ventures. The key assumption in deciding if a group relationship exists relates to whether the Council has control over the organisation or entity either solely or jointly or has significant influence over that organisation. The definition of control must have all of the following:

- Power over the investee, which is described as having existing rights that give the current ability to direct the activities of the investee that significantly affect the investee's returns (such activities are referred to as the 'relevant activities').
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to exert power over the investee to affect the amount of the investor's returns.

In addition for joint control there must be a contractually agreed sharing of control of an arrangement and decisions about the relevant activities require the unanimous consent of the parties sharing control. For the Council to be deemed to have significant influence it must consider a number of factors including voting rights, funding arrangements, rights to financial returns and ability to affect decisions.

Entities that are deemed to be controlled by the Council are incorporated in to the Group Accounts as subsidiaries if material. Any joint ventures or where significant influence is applicable have been incorporated as associates.

Using this approach the following interests were identified and if appropriate included within the Group Accounts.

#### Subsidiary - South Tyneside Homes Limited (STHL)

A wholly owned subsidiary, this Arm's Length Management Organisation (ALMO) was incorporated on 1 April 2006 to manage, maintain and improve the Council's housing stock. The Council is the sole shareholder and will be liable for any accumulated deficits or losses upon the cessation or loss of control of the company hence the decision that the Council has full control.

The net assets of the company amount to £21.782m at the year-end (£46.915m liability in 2021/22). The company made a net loss of £7.663m for the year (£8.635m in 2021/22).

The Council's accounts include a debtor due from STHL of £0.997m (£0.968m in 2021/22) and a creditor due to STHL of £3.359m (£4.065m in 2021/22).

The creation of the ALMO resulted in the transfer of past service pension deficit to STHL. The deficit had accrued as a result of the transfer of former South Tyneside Council employees. The actuary assessed the value at the year-end to be a surplus of £19.950m (£49.330m deficit in 2021/22). In the unlikely event that STHL were wound up, prior to the agreed contract-end date, the Council has guaranteed to fund the past service defined benefit obligation.

Further information on the accounts presented for audit is available from the South Tyneside Homes Head of Finance, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL.

#### Subsidiary – Centaurea Homes Limited

A wholly owned subsidiary, Centaurea Homes Limited was registered on 30 March 2017 with the purpose of buying, developing and selling real estate. The Council is the sole shareholder



## Section 6 – Group Introduction

and will be liable for any accumulated deficits or losses upon the cessation or loss of control of the company hence the decision that the Council has full control.

The net assets of the company amount to £0.857m at the year-end (net liabilities of £0.774m in 2021/22). The company made a net profit of £0.083m for the year (£0.787m in 2021/22).

The Council's accounts include no debtor balances due from the company (£4.212m in 2021/22). There were no creditor balances due to the company in either year.

Further information on the accounts presented for audit is available from the Company Secretary, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL.

### **Associate – South Tyneside Housing Ventures Trust Limited (STHVTL)**

STHVTL is a private, limited by guarantee, no share capital company created on 26 July 2013. Its role is to develop and provide social housing to residents of the borough by building on vacant land sold to the company by the Council and purchasing vacant rented properties from the private and public sector. The Board consists of five individuals, one of which is nominated by the Council whilst the other four are independents who are neither a Council employee or a tenant or leaseholder of the Council. The Council nominee acts in line with the seven principles of the Nolan Committee such that they have agreed to take all decisions solely in the interest of STHVTL. The Company is responsible for the maintenance of all assets acquired by them and any future income streams arising from those assets. The council is a major lender to the company and there is a £40.000m (£40.000m in 2021/22) facilities loan agreement in place to allow the company to develop and expand its asset portfolio.

Primarily due to the extent of funding provided the Council does consider it has significant influence over the company and has incorporated it into the Group Accounts as an associate on the basis of 20% being the share of the voting rights of the one Council representative.

As at the year-end the Company owed the Council £38.001m (£38.800m in 2021/22) following loans and other drawdowns advanced. All loans are repayable before 31 March 2063. The Council was due to pay £0.128m (£0.124m in 2021/22) to the company.

The company produced an operating loss of £0.165m for the year (£0.496m in 2021/22) and had net liabilities at year end of £1.861m (£1.706m in 2021/22).

Copies of the Company's accounts can be obtained from the Company Secretary, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL.

### **Joint Venture – IAMP LLP**

In partnership with Sunderland Council a new limited liability partnership was incorporated in England and Wales on 11 July 2016 in order to develop the international advanced manufacturing park (IAMP) which is located in both boroughs. The purpose of the company is to receive land and funds from the Councils and be governed by a board of six council representatives (three from each authority). IAMP LLP has entered into a development agreement with a "partner" to deliver the development. The Company is part funded by the Government with the two councils each taking a 50% share of any other funding required and any assets or liabilities held. Any loans given to the company are secured against the land being purchased.

## Section 6 – Group Introduction

As at the year end the Company owed the Council £6.080m (£5.903m in 2021/22) following loans issued to cover the cost of land purchases. The Council was due to pay £0.005m (£0.003m in 2021/22) to the company. The company produced an operating profit of £0.002m for the year (£0.013m loss in 2021/22) and had net assets at year-end of £15.510m (£15.507m in 2021/22).

Copies of the Company's accounts can be obtained from Finance Manager, Sunderland City Council, Civic Offices, Sunderland, Tyne and Wear, SR6 7LB.

### Other Entities and Arrangements

The Council established Sustainable South Tyneside Jarrow Limited and Sustainable South Tyneside Hebburn Limited, both wholly owned private limited companies, on 16 September 2020, in order to develop two renewable energy schemes that will supply public sector buildings in the locality with low carbon heat and contribute to the Council's commitment to reduce carbon emissions. During the year no transactions occurred between the Council and either company, so nothing has been recorded in the Group Accounts.

The Council reviewed all its partnership arrangements it has with the four other Tyne and Wear authorities. It has concluded that in all cases these are joint operations rather than joint ventures as there is no asset sharing arrangements. As such all the income and expenditure that represents the Council's share of activities in these arrangements is included in the Council's core Financial Statements.

VA and trust schools are funded from DSG that is provided by the Council. For this reason, the Council is deemed to have significant influence over the school entities as the funding represents most funds available to the schools. However, the Council has no access to the assets of the school and as such its influence is restricted to the day to day operations. As the Council's core Financial Statements already include income and expenditure in relation to these schools use of DSG awarded to them then no further disclosure is required as part of the Group Accounts.

The notes included in the Group Accounts represent those notes required from the Council's own core financial statements, except where there are no material additional amounts or details in relation to group entities. The accounting policies on which the statements and notes have been prepared are the same as the Council other than those described in section 14 of the accounting policies note.

The notes to the group financial statements are presented on pages 108 to 116 and form part of the Statement of Accounts.

## Section 6 – Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit on the provision of services line shows the true economic cost of providing the Group's services rather than the statutory amounts required to be charged. The (increase) or decrease lines show the statutory General Fund balances, Housing Revenue Account balance and the Council's share of usable reserves of Group entities before any discretionary transfers to or from earmarked reserves undertaken by the Group.

Note	General fund balances	Housing revenue account reserves	Capital reserves	Usable reserves of subsidiaries, associates and joint ventures	Total usable reserves	Council unusable reserves	Unusable reserves of subsidiaries	Total Group reserves
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2021 carried forward</b>	<b>(64.228)</b>	<b>(21.596)</b>	<b>(11.012)</b>	<b>(2.456)</b>	<b>(99.292)</b>	<b>(1.804)</b>	<b>73.811</b>	<b>(27.284)</b>
<b>Movement in reserves during 2021/22</b>								
Total comprehensive (income) and expenditure	20.610	(7.961)	-	(0.518)	12.131	(194.190)	(24.480)	(206.539)
Adjustments between accounting basis and funding basis under regulations	(30.512)	6.267	4.031	-	(20.214)	20.214	-	-
<b>(Increase) or decrease in 2021/22</b>	<b>(9.902)</b>	<b>(1.694)</b>	<b>4.031</b>	<b>(0.518)</b>	<b>(8.083)</b>	<b>(173.976)</b>	<b>(24.480)</b>	<b>(206.539)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(74.130)</b>	<b>(23.290)</b>	<b>(6.981)</b>	<b>(2.974)</b>	<b>(107.375)</b>	<b>(175.780)</b>	<b>49.331</b>	<b>(233.823)</b>
<b>Movement in reserves during 2022/23</b>								
Total comprehensive (income) and expenditure	42.392	(8.447)	-	0.377	34.322	(371.186)	(69.282)	(406.146)
Adjustments between accounting basis and funding basis under regulations	(31.358)	7.173	2.888	-	(21.297)	21.297	-	-
<b>(Increase) or decrease in 2022/23</b>	<b>11.034</b>	<b>(1.274)</b>	<b>2.888</b>	<b>0.377</b>	<b>13.025</b>	<b>(349.889)</b>	<b>(69.282)</b>	<b>(406.146)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(63.096)</b>	<b>(24.564)</b>	<b>(4.093)</b>	<b>(2.597)</b>	<b>(94.350)</b>	<b>(525.669)</b>	<b>(19.951)</b>	<b>(639.969)</b>



## Section 6 – Group Balance Sheet

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group are matched by the reserves. Usable reserves, i.e. those that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the “adjustments between accounting basis and funding basis under regulations” line in the Group Movement in Reserves Statement.

31 March 2022 £m		Note	31 March 2023 £m
	<b>Non-current assets</b>		
531.890	Council dwellings	2	557.027
687.311	Other property, plant and equipment	2	725.631
3.170	Heritage assets		3.146
2.300	Investment properties		-
1.426	Intangible assets	4	2.010
(0.216)	Long term investments - associates and joint ventures		(0.093)
8.112	Other long term investments		8.112
58.311	Long term debtors		57.342
<b>1,292.304</b>	<b>Total non-current assets</b>		<b>1,353.175</b>
	<b>Current assets</b>		
64.385	Short term investments		24.774
0.808	Inventories		0.821
42.971	Short term debtors	5	53.628
36.763	Cash and cash equivalents	6	15.801
1.586	Assets held for sale		1.289
<b>146.513</b>	<b>Total current assets</b>		<b>96.313</b>
	<b>Current liabilities</b>		
(68.852)	Short term creditors	7	(60.750)
-	Cash and cash equivalents - bank overdraft	6	(2.493)
(16.341)	Short term borrowing		(24.736)
(4.650)	PFI liability due in less than one year		(5.445)
(13.653)	Capital grants receipts in advance		(5.565)
(0.983)	Short term provisions		(1.089)
<b>(104.479)</b>	<b>Total current liabilities</b>		<b>(100.078)</b>
<b>42.033</b>	<b>Total net current assets or (liabilities)</b>		<b>(3.764)</b>
	<b>Non-current liabilities</b>		
(0.550)	Long term creditors		(0.543)
(2.578)	Long term provisions		(2.458)
(643.770)	Long term borrowing		(628.745)
(80.093)	Long term PFI liability		(74.648)
(371.900)	Liability related to defined benefit obligation	14	(1.510)
(1.623)	Other long term liabilities		(1.537)
<b>(1,100.514)</b>	<b>Total non-current liabilities</b>		<b>(709.441)</b>
<b>233.823</b>	<b>Total net assets</b>		<b>639.969</b>
	<b>Reserves</b>		
(104.401)	Council usable reserves		(91.753)
(2.974)	Usable reserves of Group entities	3	(2.597)
(126.448)	Unusable reserves	8	(545.619)
<b>(233.823)</b>	<b>Total reserves</b>		<b>(639.969)</b>

## Section 6 – Group Cash Flow Statement

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

2021/22 £m		Note	2022/23 £m
<b>(20.451)</b>	<b>Cash and non-cash outflow from the provision of services</b>		<b>(41.400)</b>
123.331	Adjustment to the deficit on the provision of services for non-cash movements	9	198.454
(63.215)	Adjustment for items included in the deficit on the provision of services that are investing and financing activities		(165.157)
<b>39.665</b>	<b>Net cash flow from operating activities</b>		<b>(8.103)</b>
(70.354)	Investing activities		(0.182)
27.158	Financing activities		(15.170)
<b>(3.531)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(23.455)</b>
<b>40.294</b>	<b>Cash and cash equivalents at the start of the year</b>		<b>36.763</b>
<b>36.763</b>	<b>Cash and cash equivalents at the end of the year</b>		<b>13.308</b>

## Section 6 – Notes to the Group Financial Statements

### Note 1. Financing and Investment Income and Expenditure

Financing and investment income and expenditure is made up of the following items:

2021/22		2022/23
£m		£m
32.030	Interest payable and similar charges	28.584
0.282	Impairment of financial and non-financial assets	1.910
10.790	Net interest expense of defined benefit liability and interest income on scheme assets	11.100
(2.352)	Interest receivable	(3.707)
-	Dividends receivable	-
(0.230)	Income in relation to investment properties	(0.147)
<b>40.520</b>	<b>Total financing and investment income and expenditure</b>	<b>37.740</b>

### Note 2. Property, Plant and Equipment

The following table analyses the movement in property, plant and equipment for the Group for the year.

2022/23	Council dwellings	Other buildings	Other land	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment	PFI assets included in property, plant and equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>									
<b>At 1 April 2022</b>	<b>624.710</b>	<b>404.788</b>	<b>64.230</b>	<b>84.664</b>	<b>16.129</b>	<b>3.839</b>	<b>27.142</b>	<b>1,225.501</b>	<b>85.856</b>
Additions	21.852	13.455	0.107	3.289	0.432	-	29.984	69.119	1.451
Revaluation to revaluation reserve	14.067	12.518	0.258	-	-	-	-	26.843	2.118
Revaluation to Comprehensive Income and Expenditure Statement	10.169	(1.258)	(0.085)	-	-	(0.083)	-	8.743	(0.669)
Impairment to Comprehensive Income and Expenditure Statement	(7.404)	(2.997)	-	(0.001)	-	-	-	(10.402)	-
Sales and other derecognition	(6.740)	(0.568)	(0.007)	(0.466)	-	(0.453)	(1.047)	(9.281)	-
Reclassification of assets	(0.095)	3.898	(0.082)	-	-	0.100	(6.693)	(2.872)	-
<b>At 31 March 2023</b>	<b>656.559</b>	<b>429.836</b>	<b>64.421</b>	<b>87.486</b>	<b>16.561</b>	<b>3.403</b>	<b>49.385</b>	<b>1,307.651</b>	<b>88.756</b>
<b>Depreciation</b>									
<b>At 1 April 2022</b>	<b>(92.820)</b>	<b>(34.937)</b>	<b>-</b>	<b>(42.352)</b>	<b>(6.286)</b>	<b>(0.030)</b>	<b>-</b>	<b>(176.425)</b>	<b>(3.299)</b>
Depreciation to Comprehensive Income and Expenditure Statement	(16.961)	(18.582)	-	(5.277)	(0.903)	(0.008)	-	(41.731)	(3.946)
Depreciation to revaluation reserve	6.705	5.397	-	-	-	-	-	12.102	(0.007)
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	2.103	1.788	-	-	-	-	-	3.891	0.669
Sales and other derecognition	1.426	0.155	-	0.465	-	-	-	2.046	-
Reclassification of assets	0.015	0.038	-	-	-	-	-	0.053	-
<b>At 31 March 2023</b>	<b>(99.532)</b>	<b>(46.141)</b>	<b>-</b>	<b>(47.164)</b>	<b>(7.189)</b>	<b>(0.038)</b>	<b>-</b>	<b>(200.064)</b>	<b>(6.583)</b>
<b>Balance Sheet amount at 31 March 2022</b>	<b>531.890</b>	<b>369.851</b>	<b>64.230</b>	<b>42.312</b>	<b>9.843</b>	<b>3.809</b>	<b>27.142</b>	<b>1,049.076</b>	<b>82.557</b>
<b>Balance Sheet amount at 31 March 2023</b>	<b>557.027</b>	<b>383.695</b>	<b>64.421</b>	<b>40.322</b>	<b>9.372</b>	<b>3.365</b>	<b>49.385</b>	<b>1,107.587</b>	<b>82.173</b>

Information on the treatment of depreciation and impairment for South Tyneside Council is included in note 43 to the single entity statements.

The equivalent movements in property, plant and equipment for the previous year are as shown in the following table.



## Section 6 – Notes to the Group Financial Statements

2021/22	Council dwellings	Other buildings	Other land	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment	PFI assets included in property, plant and equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>									
<b>At 1 April 2021</b>	<b>609.535</b>	<b>397.926</b>	<b>55.421</b>	<b>79.749</b>	<b>15.802</b>	<b>4.402</b>	<b>17.996</b>	<b>1,180.831</b>	<b>110.927</b>
Additions	17.309	11.284	0.125	3.907	0.327	0.057	15.962	48.971	0.217
Revaluation to revaluation reserve	4.232	(5.239)	7.425	1.506	-	-	-	7.924	0.241
Revaluation to Comprehensive Income and Expenditure Statement	8.411	3.001	1.351	0.404	-	-	-	13.167	0.453
Impairment to Comprehensive Income and Expenditure Statement	(6.719)	(2.208)	-	(0.002)	-	-	-	(8.929)	-
Sales and other derecognition	(7.311)	(0.245)	-	(0.900)	-	(0.162)	-	(8.618)	-
Reclassification of assets	(0.747)	0.269	(0.092)	-	-	(0.458)	(6.816)	(7.844)	-
<b>At 31 March 2022</b>	<b>624.710</b>	<b>404.788</b>	<b>64.230</b>	<b>84.664</b>	<b>16.129</b>	<b>3.839</b>	<b>27.142</b>	<b>1,225.501</b>	<b>111.838</b>
<b>Depreciation</b>									
<b>At 1 April 2021</b>	<b>(80.812)</b>	<b>(39.915)</b>	<b>-</b>	<b>(40.959)</b>	<b>(5.445)</b>	<b>(0.026)</b>	<b>-</b>	<b>(167.157)</b>	<b>(14.377)</b>
Depreciation to Comprehensive Income and Expenditure Statement	(16.544)	(15.916)	-	(5.247)	(0.841)	(0.008)	-	(38.556)	(3.547)
Depreciation to revaluation reserve	2.670	17.775	-	1.456	-	-	-	21.901	3.666
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	0.536	3.086	-	1.498	-	-	-	5.120	2.025
Sales and other derecognition	1.247	0.033	-	0.900	-	0.004	-	2.184	-
Reclassification of assets	0.083	-	-	-	-	-	-	0.083	-
<b>At 31 March 2022</b>	<b>(92.820)</b>	<b>(34.937)</b>	<b>-</b>	<b>(42.352)</b>	<b>(6.286)</b>	<b>(0.030)</b>	<b>-</b>	<b>(176.425)</b>	<b>(12.233)</b>
<b>Balance Sheet amount at 31 March 2021</b>	<b>528.723</b>	<b>358.011</b>	<b>55.421</b>	<b>38.790</b>	<b>10.357</b>	<b>4.376</b>	<b>17.996</b>	<b>1,013.674</b>	<b>96.550</b>
<b>Balance Sheet amount at 31 March 2022</b>	<b>531.890</b>	<b>369.851</b>	<b>64.230</b>	<b>42.312</b>	<b>9.843</b>	<b>3.809</b>	<b>27.142</b>	<b>1,049.076</b>	<b>99.605</b>

### Note 3. Council Share in Group Entities' Usable Reserves

The following table gives a summary of each group entity's assets and liabilities and the Council's share in each:

2022/23	South Tyneside Homes Limited	Centaurea Homes Limited	South Tyneside Homes Venture Trust Limited	IAMP LLP	Total
	100% share	100% share	20% share	50% share	
	£m	£m	£m	£m	£m
<b>Reserves as at start of year</b>	<b>2.415</b>	<b>0.774</b>	<b>(0.495)</b>	<b>0.280</b>	<b>2.973</b>
Non-current assets	-	-	9.251	1.921	11.172
Current assets	7.335	1.451	0.115	9.059	17.960
Short term liabilities	(5.503)	(0.594)	(0.155)	(0.202)	(6.454)
Long term liabilities	-	-	(9.583)	(10.497)	(20.080)
<b>Reserves as at end of year</b>	<b>1.832</b>	<b>0.857</b>	<b>(0.372)</b>	<b>0.280</b>	<b>2.597</b>

The equivalent figures for the previous year are as follows:

2021/22	South Tyneside Homes Limited	Centaurea Homes Limited	South Tyneside Homes Venture Trust Limited	IAMP LLP	Total
	100% share	100% share	29% share	50% share	
	£m	£m	£m	£m	£m
<b>Reserves as at start of year</b>	<b>2.730</b>	<b>(0.013)</b>	<b>(0.548)</b>	<b>0.287</b>	<b>2.456</b>
Non-current assets	-	2.412	13.648	1.921	17.981
Current assets	7.047	2.935	0.184	9.018	19.184
Short term liabilities	(4.632)	(4.372)	(0.216)	(0.023)	(9.243)
Long term liabilities	-	(0.200)	(14.112)	(10.636)	(24.948)
<b>Reserves as at end of year</b>	<b>2.415</b>	<b>0.774</b>	<b>(0.496)</b>	<b>0.280</b>	<b>2.973</b>

## Section 6 – Notes to the Group Financial Statements

### Note 4. Intangible Assets

An analysis of Group intangible assets is as follows:

2021/22		2022/23
Software £m		Software £m
	<b>Balance at start of year:</b>	
8.499	Gross book value	7.782
(6.821)	Accumulated amortisation	(6.356)
<b>1.678</b>	<b>Net book value at start of year</b>	<b>1.426</b>
1.001	Additions	1.112
(1.715)	Disposals	-
(0.003)	Impairment to Comprehensive Income and Expenditure Statement	(0.005)
0.819	Amortisation written out on disposal	-
(0.354)	Amortisation for the period	(0.523)
<b>1.426</b>	<b>Net book value at end of year</b>	<b>2.010</b>
	<b>Comprising:</b>	
7.782	Gross book value	8.314
(6.356)	Accumulated amortisation	(6.304)
<b>1.426</b>	<b>Net book value at end of year</b>	<b>2.010</b>

### Note 5. Short Term Debtors

An analysis of Group short term debtors, including payments in advance, are shown below:

31 March 2022 £m		31 March 2023 £m
	<b>Amounts falling due in one year</b>	
7.091	Central Government bodies	10.718
(1.183)	Other local authorities	4.354
3.586	NHS bodies	1.155
5.199	Housing tenants	5.032
19.628	Council tax payers	22.268
1.485	Non-domestic ratepayers	1.546
1.174	Tyne and Wear Pension Fund	0.353
21.740	Other debtors	26.382
<b>58.720</b>	<b>Total amounts falling due in one year</b>	<b>71.808</b>
	<b>Allowances for bad debts</b>	
(3.301)	Housing tenants	(3.424)
(8.274)	Council tax payers	(9.101)
(0.888)	Non-domestic ratepayers	(0.980)
(3.286)	Other debtors	(4.675)
<b>(15.749)</b>	<b>Total bad debt allowances</b>	<b>(18.180)</b>
<b>42.971</b>	<b>Net debtors</b>	<b>53.628</b>

### Note 6. Cash and Cash Equivalents

Cash and cash equivalents are made up of the following balances:

## Section 6 – Notes to the Group Financial Statements

31 March 2022 £m		31 March 2023 £m
0.060	Cash held by the Group	0.054
9.793	Bank accounts	6.707
26.910	Money market funds	9.040
<b>36.763</b>	<b>Total cash and cash equivalent assets</b>	<b>15.801</b>
-	Bank overdraft facility	(2.493)
-	<b>Cash and cash equivalent liabilities</b>	<b>(2.493)</b>
<b>36.763</b>	<b>Total cash and cash equivalent</b>	<b>13.308</b>

### Note 7. Short Term Creditors

An analysis of Group short term creditors and receipts in advance is shown below:

31 March 2022				45016		
Creditors	Receipts in advance	Total		Creditors	Receipts in advance	Total
£m	£m	£m		£m	£m	£m
(16.434)	(15.092)	(31.526)	Central Government bodies	(11.036)	(5.268)	(16.304)
(1.007)	(0.355)	(1.362)	Other local authorities	(0.892)	(0.175)	(1.067)
(1.372)	(1.830)	(3.202)	NHS bodies	(1.588)	(0.552)	(2.140)
-	(2.553)	(2.553)	Housing tenants	-	(2.561)	(2.561)
-	(1.849)	(1.849)	Council taxpayers	-	(2.366)	(2.366)
(3.649)	-	(3.649)	Group employees	(4.442)	-	(4.442)
(2.387)	-	(2.387)	Tyne and Wear Pension Fund	(9.071)	-	(9.071)
(20.845)	(1.479)	(22.324)	All other creditors	(20.600)	(2.199)	(22.799)
<b>(45.694)</b>	<b>(23.158)</b>	<b>(68.852)</b>	<b>Total creditors</b>	<b>(47.629)</b>	<b>(13.121)</b>	<b>(60.750)</b>

### Note 8. Unusable Reserves

The following table lists the unusable reserves of the Group.

31 March 2022 £m		31 March 2023 £m
(252.462)	Revaluation reserve	(279.709)
(242.473)	Capital adjustment account	(264.149)
371.900	Pensions reserve	1.510
(8.110)	Financial instruments revaluation reserve	(8.110)
3.705	Employee benefits adjustment account	4.476
1.789	Financial instruments adjustment account	1.609
(4.091)	Deferred capital receipts reserve	(4.091)
4.480	Dedicated Schools Grant Adjustment Account	5.586
(1.186)	Collection Fund adjustment account	(2.741)
<b>(126.448)</b>	<b>Total unusable reserves</b>	<b>(545.619)</b>

### Note 9. Operating Activities

The deficit on the provision of services as reported in the Comprehensive Income and Expenditure Statement includes several adjustments that do not relate to the movement in cash. The adjusting items are summarised in the following table.

## Section 6 – Notes to the Group Financial Statements

2021/22		2022/23
£m		£m
56.277	Depreciation and impairment	62.222
(13.169)	Revaluation (losses) or gains of property, plant and equipment	(12.634)
0.334	Amortisation of intangibles	0.525
13.143	(Decrease) or increase in creditors	(9.146)
(8.927)	(Increase) or decrease in debtors	(11.325)
1.069	Increase in impairment provision for bad debts	2.491
(0.162)	(Increase) or decrease in inventories	(0.011)
30.900	Movement in defined benefit obligation	31.130
37.742	Carrying amount of current and non-current assets sold or scrapped	135.220
0.086	Movements in fair values of soft loans	0.177
6.039	Other non-cash items charged or (credited) to the deficit on the provision of services	(0.195)
<b>123.331</b>	<b>Adjustment to the deficit on the provision of services for non-cash movements</b>	<b>198.454</b>

### Note 10. Officers' Remuneration

The number of employees, including schools based and statutory positions but excluding senior officers, whose remuneration falls into each pay bracket, shown in multiples of £0.005m, and starting at £0.050m is:

Group	Number of employees	
	2021/22	2022/23
£50,000 - £54,999	86	120
£55,000 - £59,999	48	77
£60,000 - £64,999	25	33
£65,000 - £69,999	22	15
£70,000 - £74,999	10	20
£75,000 - £79,999	10	12
£80,000 - £84,999	7	6
£85,000 - £89,999	5	5
£90,000 - £94,999	4	8
£95,000 - £99,999	-	2
£100,000 - £104,999	2	2
£105,000 - £109,999	-	1
£120,000 - £124,999	1	1
£130,000 - £134,999	1	1
	<b>221</b>	<b>303</b>

The numbers of exit packages with total cost per band are set out in the following table.

Total exit Packages	2021/22		2022/23	
	Total Paid	Exit package cost band	Total exit Packages	Total Paid
	£m			£m
23	0.161	£1 - £20,000	36	0.265
8	0.208	£20,001 - £40,000	1	0.024
3	0.160	£40,001 - £60,000	2	0.097
4	0.289	£60,001 - £80,000	-	-
-	-	£80,001 - £100,000	1	0.095
1	0.129	£100,001 - £150,000	-	-
<b>39</b>	<b>0.946</b>	<b>Total</b>	<b>40</b>	<b>0.481</b>

## Section 6 – Notes to the Group Financial Statements

### Note 11. Members' Allowances

Included within the other business and resources services line on the Comprehensive Income and Expenditure Statement are all remuneration payments to Members payable by the Group.

2021/22	2022/23
£m	£m
0.728 Members' allowances	0.764
0.038 Other Members' expenses	0.038
<b>0.766 Total Members' allowances paid</b>	<b>0.802</b>

### Note 12. External Audit Costs

RSM UK Audit LLP act as the external auditors for South Tyneside Homes Limited. The following table outlines the Group spending on external auditors during the year:

2021/22		2022/23
£m		£m
0.117	Fees with regard to external audit services carried out by the appointed auditor for the year	0.154
0.024	Fees for the certification of grant claims and returns for the year	0.024
0.003	Fees for other services provided by external auditors	0.002
<b>0.144</b>	<b>Total fees payable to external auditors</b>	<b>0.179</b>

### Note 13. Contingent Liabilities

Details of the Council's contingent liabilities can be found in note 36 of the single entity statement. This details a liability in relation to the Council's guarantee of the pension deficit within STHL.

### Note 14. Defined Benefit Pension Schemes

Both South Tyneside Council and STHL employees are entitled to join the Tyne and Wear Pension Fund (the Fund), which is administered by South Tyneside Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The disclosures below relate to the funded liabilities within the Tyne and Wear Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires the Group and its employees to pay contributions into the Fund, calculated at a level intended to balance the defined benefit obligation with investment assets. The Group recognises gains and losses in full immediately through other comprehensive income and expenditure.

The latest actuarial calculation of the Groups liabilities took place as at 31 March 2022.

#### Actuarial Assumptions Adopted

The main financial assumptions used by the actuary for STHL in 2021/22, differ from those applied to the Council valuation. The assumptions used for STHL are confirmed in the table below. Note 41 of the Council's core Financial Statements provide the assumptions used by the actuary for the Council.

## Section 6 – Notes to the Group Financial Statements

31 March 2022 % per annum	31 March 2023 % per annum
2.70 Discount rate	4.70
2.90 Inflation rate (consumer price index)	2.70
2.90 Rate of increase to pensions in payment	2.70
2.90 Rate of increase to deferred pensions	2.70
3.00 Rate of general increase in salaries	2.70

The main demographic assumptions used by the actuary are the same for both the Council and STHL.

Assets for STHL are allocated the same as disclosed for the Council in note 41 of the Council's core financial statements. However, STHL employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is the same as disclosed for the Council. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2023.

The following table reconciles the funded status of assets and liabilities to the Group Balance Sheet:

31 March 2022 £m		31 March 2023 £m
1,109.420	Fair value of assets	1,093.250
(1,461.230)	Present value of funded defined benefit obligation	(1,077.410)
<b>(351.810)</b>	<b>Liability recognised on the Balance Sheet</b>	<b>15.840</b>

The impact of STHL on the split of the defined benefit obligation at the last full valuation compared to that disclosed by the Council in note 41 of the Council's core financial statements is not considered material.

### Breakdown of amounts recognised in deficit on the provision of services and other comprehensive income and expenditure

The following table shows the net impact of funded and unfunded benefits in the Comprehensive Income and Expenditure Statement:

## Section 6 – Notes to the Group Financial Statements

2021/22	2021/22		2022/23	2022/23
Funded	Unfunded		Funded	Unfunded
£m	£m		£m	£m
		<b>Operating cost</b>		
47.660	-	Current service cost	47.900	-
0.230	-	Past service cost	0.040	-
		<b>Financing cost</b>		
10.340	0.450	Interest on net defined benefit obligation	9.240	0.520
<b>58.230</b>	<b>0.450</b>	<b>Pension expense recognised</b>	<b>57.180</b>	<b>0.520</b>
		<b>Remeasurements in other comprehensive income and expenditure</b>		
(45.010)	-	Net return on plan assets in excess of that recognised in net interest	34.160	-
(83.670)	(0.440)	Actuarial (gains) or losses on liabilities - financial assumptions	(457.830)	(2.980)
(5.580)	(0.350)	Actuarial gains on liabilities - demographic assumptions	-	(0.190)
(55.350)	0.080	Actuarial gains on liabilities - experience	16.530	1.710
<b>(189.610)</b>	<b>(0.710)</b>	<b>Total amount recognised in other comprehensive income and expenditure</b>	<b>(407.140)</b>	<b>(1.460)</b>
<b>(131.380)</b>	<b>(0.260)</b>	<b>Total amount recognised</b>	<b>(349.960)</b>	<b>(0.940)</b>

### Changes to the present value of funded defined benefit obligation during the accounting year

The following tables explain the history and movements in the present value of liabilities and the fair value of assets together with the actual return on those assets and how this has been reflected in other comprehensive income and expenditure.

2021/22		2022/23
£m		£m
<b>(1,556.310)</b>	<b>Defined benefit liability at start of year</b>	<b>(1,461.230)</b>
(47.660)	Current service cost	(47.900)
(32.370)	Interest expense on defined benefit liability	(39.040)
(6.000)	Contributions by participants	(6.850)
83.670	Actuarial gains or (losses) on liabilities - financial assumptions	457.830
5.580	Actuarial gains on liabilities - demographic assumptions	-
55.350	Actuarial gains or (losses) on liabilities - experience	(18.330)
36.740	Net benefits paid out	38.150
(0.230)	Past service cost	(0.040)
<b>(1,461.230)</b>	<b>Defined benefit liability at end of year</b>	<b>(1,077.410)</b>

### Changes to the fair value of assets during the accounting year

2021/22		2022/23
£m		£m
<b>1,055.490</b>	<b>Fair value of assets at start of year</b>	<b>1,109.420</b>
22.030	Interest income on assets	29.800
45.010	Remeasurement (losses) or gains on assets	(34.160)
17.630	Contributions by the employer	19.490
6.000	Contributions by participants	6.850
(36.740)	Net benefits paid out	(38.150)
<b>1,109.420</b>	<b>Fair value of assets at end of year</b>	<b>1,093.250</b>



## Section 6 – Notes to the Group Financial Statements

### Actual return on assets

2021/22		2022/23
£m		£m
22.030	Interest income on assets	29.800
45.010	Remeasurement (losses) or gains on assets	(34.160)
<b>67.040</b>	<b>Actual return on assets</b>	<b>(4.360)</b>

### Unfunded Benefits

STHL has no unfunded benefits. Disclosure information relating to unfunded benefits for the Council can be found at note 41 of the core financial statements within this document.

The following table reconciles the defined benefit obligation on the Group Balance sheet between funded and unfunded benefits:

31 March 2022				31 March 2023		
Group funded	Council unfunded	Group total		Group funded	Council unfunded	Group total
£m	£m	£m		£m	£m	£m
1,109.420	-	1,109.420	Fair value of assets	1,093.250	-	1,093.250
(1,461.230)	(20.090)	(1,481.320)	Present value of liabilities	(1,077.410)	(17.350)	(1,094.760)
<b>(351.810)</b>	<b>(20.090)</b>	<b>(371.900)</b>	<b>Defined benefit obligation</b>	<b>15.840</b>	<b>(17.350)</b>	<b>(1.510)</b>

The following table reconciles the interest expense of the defined benefit obligation and interest income on assets as recorded in the Group Comprehensive Income and Expenditure Statement between funded and unfunded benefits:

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
Group funded	Council unfunded	Group total		Group funded	Council unfunded	Group total
£m	£m	£m		£m	£m	£m
32.370	0.450	32.820	Interest on defined benefit liability	39.040	0.450	39.490
(22.030)	-	(22.030)	Interest income on assets	(29.800)	-	(29.800)
<b>10.340</b>	<b>0.450</b>	<b>10.790</b>	<b>Pension interest cost and interest income on pension assets</b>	<b>9.240</b>	<b>0.450</b>	<b>9.690</b>

# Section 7 – Tyne and Wear Pension Fund Statements

## 1. Introduction

The Tyne and Wear Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by South Tyneside Council. It is a contributory defined benefit scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of South Tyneside Council, Gateshead Council, Newcastle Council, North Tyneside Council, Northumberland County Council, Sunderland Council, and a range of other scheduled bodies and admitted employers in the Fund. These benefits include retirement pensions, early payment of benefits on medical grounds and the payment of death benefits. The benefits payable in respect of service from 1 April 2014 are based on career average revalued earnings and the number of years of eligible membership. Pensions are increased each year in line with the Consumer Price Index (CPI).

The Fund is financed by contributions from employees, the Council and all other employers within the Fund, as well as from capital growth and interest and dividends on the Fund's investments. Contributions from active members of the Fund are set in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2023. Employers pay contributions based on triennial funding valuations carried out by the Fund's actuary. The current contribution rates were set as part of the 2019 valuation which took place as at 31 March 2019. The financial year 2022/23 is the third year of the three-year valuation cycle.

As at 31 March 2023, there were 323 current and former employers participating in the Fund, including the six main councils and a range of other organisations that provide a public service within the administrative areas of Tyne and Wear and Northumberland. A full list of employers is shown later in this statement. The Fund had 179,834 members, made up of 61,508 active members, 67,257 pensioners and 51,069 deferred members.

Further information may be obtained from the Pension Fund Report and Accounts for 2022/23.

## 2. The Merger of Northumberland County Council Pension Fund into the Tyne and Wear Pension Fund

On the 3 June 2020 the Tyne and Wear Pension Fund (the Fund) and Northumberland County Council Pension Fund merged under the Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020, the regulations back dated the merger to the 1 April 2020. The combined Fund continues to be called Tyne and Wear Pension Fund.

## 3. Legal Framework

The Fund is governed by the Public Service Pensions Act 2013. It is administered in accordance with regulations made by The Department for Levelling Up, Housing and Communities. These regulations apply nationally to all administering authorities in England and Wales.

### Investment Regulations

The framework for investment is set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. These regulations set out the

## Section 7 – Tyne and Wear Pension Fund Statements

types of investments that can be made, which include company and Government securities, property and unit trusts.

### Scheme Regulations from 1 April 2014

The Local Government Pension Scheme Regulations 2013, as amended, describe how rights accrue and how benefits are calculated with effect from 1 April 2014. The regulations also contain the administrative provisions for the Scheme. The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, (as amended), set out how membership accrued prior to 1 April 2014 counts towards benefits.

#### 4. Funding Strategy

The Regulations require that an actuarial valuation is carried out every third year to ensure that the Fund can meet its liabilities to past and present contributors. The employers' contributions are adjusted following a valuation to ensure that the Fund will have enough assets to cover liabilities.

The strategy for the valuation is set out in the Funding Strategy Statement, the latest version; may be viewed on the Fund's website at:

[Tyne and Wear Pension Fund \(twpf.info\)](http://www.twpf.info)

The Fund consulted employers and considered their views in the formulation of the strategy.

#### 5. The 2022 Valuation

The 2022 valuation was completed during the year. As at 31<sup>st</sup> March 2022 the value of the Fund was £12,747 million. On the back of strong investment returns, the certified funding level improved to 106%.

The total rate of employer contributions will be, on average, 18.6% for 2023/24. The total rate of employer contributions fell from the position at the 2019 valuation.

The new rates, set as part of the 2022 valuation, were implemented from 1<sup>st</sup> April 2023. A copy of the 2022 valuation, which includes the rates to be paid by individual employers, can be found on the Fund's website at <https://www.twpf.info/article/18031/Fund-valuation-report-2022>

#### 6. Investment Strategy and Investment Structure

The investment strategy in place at the beginning of 2022/23 was informed by an asset liability review carried out in 2021/22 that was based upon the liabilities assessed for the Tyne and Wear Fund through the 2022 valuation.

The long term investment strategy provides for 43% of the Fund to be invested in Growth assets (quoted and private equity), 34% to be invested in Income assets (property, infrastructure, private debt and multi asset credit) and 23% in Protection assets (bonds and cash).

## Section 7 – Tyne and Wear Pension Fund Statements

Note 11 to the financial statements shows the amounts held in each type of investment.

Note 17 details the amount invested by each manager.

### 7. Investment Pooling - Criteria and Guidance

In the July 2015 Budget, the Chancellor announced the Government's intention to work with the LGPS administering authorities to ensure that investments were pooled while maintaining overall investment performance.

After considering a number of options the Fund decided to work with eleven other administering authorities of LGPS pension funds and created the Border to Coast Pension Partnership. This is a major strategic collaboration between the partner funds, with the aim of delivering improved performance as well as cost savings over the medium to long term.

In 2017/18 Border to Coast Pensions Partnership Limited (Border to Coast) was established and registered as a company limited by shares, with each of the twelve administering authorities as equal shareholders. The transfer of investments to Border to Coast commenced in July 2018, when three internally managed funds moved some of their assets to Border to Coast. The Tyne and Wear Pension Fund made its first investment with Border to Coast in November 2018.

Following the successful merger of Tyne and Wear Pension and Northumberland County Council Pension Fund, the shareholding in Border to Coast has been adjusted to reflect the fact that there are now eleven rather than twelve shareholders, with one vote each. The adjustments to accommodate the changes in share ownership were made in June 2020.

As at 31 March 2023, assets to the value of £40.3 billion have been invested through Border to Coast on behalf of all the partner funds. Tyne and Wear has approximately £3.9 billion invested in four Border to Coast Authorised Contractual Sub Funds for UK equities, global equities, investment grade credit, and multi asset credit. A further £810.8 million of investments have also been made in the private equity, infrastructure and private debt programmes through Limited Partnerships structures.

In addition to the assets with Border to Coast, the Fund has £3.9 billion of passively managed investments with Legal and General which will remain outside of direct management of Border to Coast because the legal structure in which they are held (life policies) is considered to be the most cost effective currently available. Whilst they are not under the direct management of Border to Coast, the Fund along with the other Partner Funds in Border to Coast undertook a joint procurement exercise on these assets. This has helped deliver the benefits of pooling, through reduced fees. Under the definition of pooling these assets have been classed as 'pooled' based upon the collaborative pooling approach and use of pooled fund structures.

# Section 7 – Tyne and Wear Pension Fund Statements

## Tyne and Wear Pension Fund

### Statement of the Actuary for the year ended 31 March 2023

#### Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Tyne and Wear Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

#### Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £12,747.1M) covering 110% of the liabilities.
2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2023	17.3%	1.279
2024	17.3%	1.327
2025	17.3%	1.378

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery / amortisation periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

<b>Discount rate for periods in service</b>	4.45%
<b>Discount rate for periods after leaving service</b>	

## Section 7 – Tyne and Wear Pension Fund Statements

Scheduled and subsumption body funding target *	4.45%
Intermediate (Tier 1 – High) funding target	3.94%
Intermediate (Tier 2 – Medium) funding target	3.69%
Intermediate (Tier 3 – Low) funding target	3.43%
Ongoing Orphan employers	1.90%
Rate of pay increases	3.80%
Rate of increase to pension accounts **	2.30%
Rate of increases in pensions in payment ** (in excess of Guaranteed Minimum Pension	2.30%

\* The secure scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

\*\* In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 mortality tables (Heavy) with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.5	24.5
Future pensioners aged 45 at the valuation date	22.8	26.0

6. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2022. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2022. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation

## Section 7 – Tyne and Wear Pension Fund Statements

which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, South Tyneside Council, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address;

[Tyne and Wear Pension Fund - 2022 Actuarial Valuation Report - Final](#)

Aon Solutions UK Limited

May 2023



# Section 7 – Tyne and Wear Pension Fund Statements

## Independent auditors' report to the Members of South Tyneside Council

### Opinion

We have audited the Pension Fund (“the Fund”) financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of the its assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and the Comptroller and Auditor General’s AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority’s ability to continue as a going concern for a period of 12 months from when the Fund’s financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority’s ability to continue as a going concern.

### Other information

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor’s report thereon. The Chief Financial Officer is responsible for the other information contained within the Annual Report and Accounts 2022/23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# Section 7 – Tyne and Wear Pension Fund Statements

## Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

## Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on pages 17 , the Chief Financial Officer is responsible for the preparation of the Pension Fund's financial statements, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

## ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Chief Financial Officer.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

## Section 7 – Tyne and Wear Pension Fund Statements

- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund’s financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the Level 2 and Level 3 investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team [including the use of specialists where appropriate], to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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

### Use of our report

This report is made solely to the members of South Tyneside Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the South Tyneside Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Rob Jones (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Glasgow

6 December 2024



Ernst & Young LLP

## Section 7 – Tyne and Wear Pension Fund Statements

### Fund Account for the year

2021/22 £m		Note	2022/23 £m
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(289.518)	Contributions	5	(325.157)
(10.115)	Transfers in from other pension funds	6	(11.260)
<b>(299.633)</b>	<b>Total income</b>		<b>(336.417)</b>
407.066	Benefits payable	7	423.750
15.602	Payments to and on account of leavers	8	16.231
<b>422.668</b>	<b>Total costs</b>		<b>439.981</b>
<b>123.035</b>	<b>Net expenditure from dealings with members</b>		<b>103.564</b>
86.068	Management expenses	9	65.027
<b>209.103</b>	<b>Net expenditure including fund management expenses</b>		<b>168.591</b>
	<b>Returns on investments</b>		
(97.052)	Investment income	10	(125.335)
0.005	Taxes on income	10	-
(773.266)	Losses or (profits) on disposals of investments and changes in the market value of investments	12	248.454
<b>(870.313)</b>	<b>Net returns on investments</b>		<b>123.119</b>
<b>(661.210)</b>	<b>Net decrease or (increase) in the net assets available for benefits during the year</b>		<b>291.710</b>
<b>12,085.899</b>	<b>Net assets of the Fund at 1 April</b>		<b>12,747.109</b>
<b>12,747.109</b>	<b>Net assets of the Fund at 31 March</b>		<b>12,455.399</b>

# Section 7 – Tyne and Wear Pension Fund Statements

## Net Assets Statement as at:

31 March 2022 £m		Note	31 March 2023 £m
12,723.089	Investment assets	11	12,420.987
(8.996)	Investment liabilities	11	(6.498)
<b>12,714.093</b>	<b>Total net investments</b>		<b>12,414.489</b>
44.403	Current assets	14	50.085
(11.387)	Current liabilities	14	(9.175)
<b>12,747.109</b>	<b>Net assets of the Fund available to fund benefits as at 31 March</b>		<b>12,455.399</b>

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay pensions and benefits that fall due after the year end.

The actuarial present value of promised retirement benefits is disclosed at note 25, which has been compiled under IAS 26 and, as such, is based on different assumptions.

## Notes to the Tyne and Wear Pension Fund Financial Statements

### 1. Basis of Preparation

The financial statements summarise the Fund's transactions for the financial year 2022/23 and its position as at 31 March 2023. The accounts have been prepared following the "Code of Practice on Local Authority Accounting in the United Kingdom 2022/23" (the Code), which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not consider obligations to pay pensions and benefits payable after the end of the financial year.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue, this period being at least twelve months from the approval of these financial statements.

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which outlines that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pensions Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred.

The Pension Fund has carried out an assessment on its financial position and performance during 2022/23 and beyond as part of its going concern assessment. This included consideration of the following:

## Section 7 – Tyne and Wear Pension Fund Statements

- The Fund had assets of £13.3 billion as at 31 March 2024. £8.6 billion (65%) of this is held in assets which are considered to be liquid and which could be converted to cash if required.
- The Fund has estimated that in 2025/26 it will pay out approximately £495 million in benefits and other out goings in the coming twelve months and is forecasting contribution income in the region of £348 million. This shortfall in contribution income verses benefits and other expenditure of £147 million will be met from other regular investment income, which is estimated to be £190 million, in 2023/24. If additional resources are required, equities can be sold with a week's notice to meet cash requirements.

On this basis, management believes it is appropriate to continue to prepare the financial statements on a going concern basis, and that there are no material uncertainties in relation to this basis of preparation.

### 2. Summary of Significant Accounting Policies

The accounts have been prepared on an accruals basis. The exception to this practice is transfer values which are recognised when cash is transferred.

#### Fund Account – Revenue Recognition

##### a) Contribution Income

Normal contributions, from both members and employers, are accounted for on an accrual's basis in the payroll period to which they relate. The percentage rate payable by the employers is determined by the actuary, whilst the rate payable by employees is set within the LGPS Regulations. Contributions due as at 31 March 2023 have been accrued.

Any employer deficit funding contributions are accounted for on the due dates set by the actuary or on receipt if earlier than this date.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Any amount due in the year but still outstanding at the year-end has been accrued.

##### b) Transfer Values

Transfer values represent the amounts receivable or payable in respect of members who have either joined or left the Fund during the financial year and have been calculated in accordance with the LGPS Regulations 2013.

Individual transfers either in or out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis within Transfers In.

Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement once the amount has been agreed between the relevant funds.

## Section 7 – Tyne and Wear Pension Fund Statements

### c) Investment Income

#### Interest Income

Interest income is recognised in the Fund Account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition.

#### Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

#### Distributions from Pooled Funds

Distributions from pooled funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

#### Property related Income

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the rental income over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

#### Movement in the Net Market Value of Investments

Changes in the net market value of investments (including investment properties) are recognised as income or expenditure and comprise all realised and unrealised profits or losses during the year.

### d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

### e) Taxation

The Fund is a registered public sector scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Any tax that is irrecoverable is accounted for as a fund expense as it arises.

### f) Management Expenses

Section 6.5 of the Code requires a breakdown of pension fund administrative expenses. The Fund discloses its pension fund management expenses in accordance with CIPFA guidance “*Accounting for Local Government Pension Scheme Management Expenses (2016)*.”

#### Administrative Expenses



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All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

### **Oversight and Governance Costs**

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with oversight and governance are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

### **Investment Management Expenses**

Investment management expenses payable as at 31 March 2022 have been accrued. Performance related fees, where applicable, have not been accrued at that date as they are not deemed to be earned until the end of the performance period when they are calculated and agreed.

### **Net Assets Statement**

#### **g) Financial Assets**

The Funds shareholding in Border to Coast Pension Partnership Limited comprises Class A and Class B shares and these are valued at transaction cost. The Class A share is valued at £1 and reflects the ownership stake in the company, whilst the Class B shares represent the Fund's contribution to the company's regulatory capital requirement.

All other financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes a party to the purchase of the asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has used the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

#### **h) Freehold and Leasehold Properties**

Properties are shown as valued at the year-end date. The valuers are Fellows of the Royal Institute of Chartered Surveyors employed by Savills. No depreciation is provided on freehold buildings or long leasehold properties, in accordance with The Royal Institute of Chartered Surveyors Valuation – Global Standards effective from 31 January 2022.

#### **i) Foreign Currency Transactions**

Foreign income received during the year has been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates at the year-end date.

## Section 7 – Tyne and Wear Pension Fund Statements

End of year investment and foreign currency balances have been converted into Sterling at the closing exchange rates at the year-end date.

### **j) Derivatives**

The Fund can use derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the year-end the Fund did not hold any derivatives.

### **k) Outstanding Commitments**

The Fund has made commitments to investments which are not included in the accounts of the Fund until the monies have been drawn down by the relevant manager. These are shown in note 22.

### **l) Cash and Cash Equivalents**

Cash comprises cash in hand and demand deposits and also includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in their valuations.

### **m) Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 26 and other relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (note 25).

### **n) Additional Voluntary Contributions**

The Fund provides an additional voluntary contributions (AVCs) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed The Prudential Assurance Company as its current AVC provider. AVCs are paid to The Prudential Assurance Company by employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the value of their account and any movements during the year.

In accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, AVCs are not included in the accounts but are disclosed only as a note (note 16).

## **3. Critical Judgements in Applying Accounting Policies**

### **Directly held property Valuation**

The Fund's UK property, including residential property, is included at a value derived by the valuers based on assumptions made by them in accordance with The Royal Institute

## Section 7 – Tyne and Wear Pension Fund Statements

of Chartered Surveyors Valuation – Global Standards effective from 31 January 2022. The actual valuation of each property will only be known when the Fund sells the property on the open market.

The Fund also holds assets in four residential property funds and three property unit trusts, the Fund considers the valuations received from the Investment Managers concerned are still appropriate and as the total value within these assets is not material to the Fund. Management consider that the valuations are appropriate to be in the financial statements as they are from the Fund's professional property valuer, who has followed agreed procedures set out by their professional body the RCIS, which consulted with all the major valuation companies before releasing the procedures.

### Unquoted Private Investments

Private investments such as private equity, infrastructure, global property and private debt are valued at fair value in accordance with guidelines issued by the British Venture Capital Association. These are based on the Private Equity Valuation Guidelines in the US and the International Private Equity and Venture Capital Valuation Guidelines outside the US as adopted by the British Venture Capital Association in the UK and the valuation principles of IFRS and US GAAP.

As none of these investments are publicly listed, there is some estimation involved in the valuations, the total of which will only be clearly known on the sale of the assets. As a result, there is a risk that current valuations may be under or over stated in the accounts.

### Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary. Assumptions underpinning the valuations are agreed with the actuary. This estimate is subject to significant variances based on changes to the underlying assumptions. Actuarial assumptions and sensitivities are described in note 25.

#### **4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty and Critical Judgements in Applying Accounting Policies**

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

## Section 7 – Tyne and Wear Pension Fund Statements

The items in the Net Assets Statement at 31 March 2023 for which there is significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions
<p><b>Private Equity, infrastructure, global property, private debt and climate opportunities (note 13 and note 17)</b></p>	<p>Private equity, infrastructure, global property, private debt and climate opportunities are based on valuations provided by the manager of the funds in which the Fund has invested. These are based on the Private Equity Valuation Guidelines in the US and the International Private Equity and Venture Capital Valuation Guidelines outside the US as adopted by the British Venture Capital Association in the UK and the valuation principles of IFRS and US GAAP. These investments are not publicly listed and as such there is a degree of estimation in their valuation.</p>	<p>The Fund has a total of £1,341.458m included for private equity, £623.741m for infrastructure, £530.370m for global property, £746.067m for private debt and £58.715 for climate opportunities. Based on the sensitivity numbers included in note 12 there is a possibility that this could be under or overstated in the accounts by £401.096m, £81.683m, £66.296m, £50.733m and £0.323m respectively.</p>
<p><b>Actuarial Present Value of Promised Retirement Benefits (note 25)</b></p>	<p>Estimation of the net liability to pay pensions depends on a number of judgements, for example in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. The Fund employs an actuary to provide expert advice on these assumptions.</p>	<p>The judgements mentioned are all under review. Therefore, there is a possibility that the valuation of £16,244.400m in note 25 for the “actuarial present value of the promised retirement benefits” could be under or overstated.</p>
<p><b>Freehold and leasehold property</b></p>	<p>Valuation techniques are used to determine the carrying amount of directly held freehold, leasehold and residential property held in residential investment funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the value of property.</p>	<p>Based on the sensitivity number included in note 13 there is a possibility that the fair value for directly held property of £520.650m could increase or decrease by £46.858m. Similarly, residential property held in funds totalling £166.642m could increase or decrease by £17.997m and property unit trusts totalling £51.589 could increase or decrease by £4.644m.</p>

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### 5. Contributions Receivable

2021/22 £m	By category	2022/23 £m
(73.949)	Employees' normal contributions	(81.836)
	<b>Employers' contributions</b>	
(214.125)	Normal contributions	(234.976)
(9.687)	Deficit recovery contributions	(8.516)
8.243	Refund of exit surplus	0.171
<b>(215.569)</b>	<b>Total employers contributions</b>	<b>(243.321)</b>
<b>(289.518)</b>	<b>Total contributions</b>	<b>(325.157)</b>

The contributions can be analysed by type of member body as follows:

2021/22 £m	By authority	2022/23 £m
(21.482)	South Tyneside Council (administering authority)	(23.393)
(159.929)	Other metropolitan councils	(175.054)
(81.981)	Other Part 1 scheduled bodies	(92.580)
(16.037)	Part 2 scheduled bodies	(17.130)
(10.089)	Admitted bodies	(17.000)
<b>(289.518)</b>	<b>Total contributions receivable</b>	<b>(325.157)</b>

### 6. Transfers In From Other Pension Funds

2021/22 £m	By category	2022/23 £m
(0.604)	Group transfers	-
(9.511)	Individual transfers	(11.260)
<b>(10.115)</b>	<b>Transfers in from other pension funds</b>	<b>(11.260)</b>

An estimate of £11.000m was included in 2020/21 in relation to a group of employees, deferred and actual pensioners transferred to the Fund from Worcestershire Pension Fund during the 2014/15 financial year in relation to the transfer of Kidderminster College to the NCG. The Kidderminster College transfer amount of £11.686m was paid in December 2023.

### 7. Benefits Payable

2021/22 £m	By category	2022/23 £m
337.198	Pensions	356.148
72.223	Commutations and lump sum retirement benefits	71.683
9.464	Lump sum death benefits	7.535
(11.819)	Recharges out	(11.616)
<b>407.066</b>	<b>Total benefits payable</b>	<b>423.750</b>

The recharges out figure relates to pension enhancements approved by employers over the years, which the Fund pays on the employers' behalf and reclaims on a regular basis from the employers. Details of the payments made can be found in note 15.

The payments can be analysed by type of member body as follows:

## Section 7 – Tyne and Wear Pension Fund Statements

2021/22	By authority	2022/23
£m		£m
32.598	South Tyneside Council (administering authority)	33.684
257.549	Other metropolitan councils	269.113
64.286	Other Part 1 scheduled bodies	65.171
13.141	Part 2 scheduled bodies	13.387
39.492	Admitted bodies	42.395
<b>407.066</b>	<b>Total benefits payable</b>	<b>423.750</b>

### 8. Payment to and on Account of Leavers

2021/22		2022/23
£m		£m
14.741	Individual transfers to other schemes	15.323
0.854	Refunds to members leaving service	0.908
-	Group transfers	-
0.007	State scheme premiums	-
<b>15.602</b>	<b>Payments to and on account of leavers</b>	<b>16.231</b>

There were no group transfers out of the Tyne and Wear Pension Fund during 2021/22 or 2022/23.

### 9. Management Expenses

Office expenses and other overheads have been charged. The table below shows a breakdown of the management expenses incurred during the year:

2021/22		2022/23
£m		£m
3.045	Administrative costs	3.279
81.057	Investment management expenses	59.224
1.966	Oversight and governance costs	2.524
<b>86.068</b>	<b>Management expenses</b>	<b>65.027</b>

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance, “*Accounting for Local Government Pension Scheme Management Expenses (2016)*.”

The investment management expenses can be further analysed, as follows:

2021/22		2022/23
£m		£m
35.099	Management and custody fees	33.741
31.005	Performance fees	(5.237)
12.572	Expenses charged within pooled vehicles	28.106
2.381	Transaction costs	2.614
<b>81.057</b>	<b>Investment management expenses</b>	<b>59.224</b>

While Management Fees include fees relating to the management of the directly held property, they do not include costs relating to the property portfolio which under IAS 40 “*Investment Property*” should be capitalised and not expensed.

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## 10. Investment Income

2021/22		2022/23
£m		£m
(6.994)	Income from equities	(7.129)
(22.239)	Property rents (further breakdown below)	(23.869)
(67.626)	Pooled investments - unit trusts and other managed funds	(90.874)
(0.170)	Interest on cash deposits	(3.037)
(0.023)	Other	(0.426)
<b>(97.052)</b>	<b>Total before taxes</b>	<b>(125.335)</b>
0.005	Less taxes on income	-
<b>(97.047)</b>	<b>Total investment income</b>	<b>(125.335)</b>

### Net Rents from Properties

Net rents from properties can be analysed further, as follows:

2021/22		2022/23
£m		£m
	<b>Property income</b>	
(22.232)	Rental income	(23.860)
(0.007)	Direct operating expenditure	(0.009)
<b>(22.239)</b>	<b>Net Income</b>	<b>(23.869)</b>

## 11. Investments

31 March 2022		31 March 2023
£m		£m
	<b>Investment assets with Border to Coast</b>	
1.182	Equities	1.182
4,110.410	Pooled investment vehicles	4,705.693
<b>4,111.592</b>		<b>4,706.875</b>
	<b>Investment assets with Legal and General</b>	
4,737.676	Pooled investment vehicles	3,864.166
<b>8,849.268</b>	<b>Total pooled assets</b>	<b>8,571.041</b>
	<b>Investment assets without Border to Coast</b>	
370.969	Equities	354.573
2,659.227	Pooled investment vehicles	2,871.686
573.900	Properties	520.650
257.938	Cash deposits	94.043
11.787	Other investment balances	8.994
<b>12,723.089</b>	<b>Total investment assets</b>	<b>12,420.987</b>
	<b>Investment liabilities</b>	
(8.996)	Other investment balances	(6.498)
<b>(8.996)</b>	<b>Total investment liabilities</b>	<b>(6.498)</b>
<b>12,714.093</b>	<b>Net investment assets</b>	<b>12,414.489</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.



## Section 7 – Tyne and Wear Pension Fund Statements

<b>2022/23</b>	<b>Market value 1 April 2022</b>	<b>Purchases at cost and derivative payments</b>	<b>Sales proceeds and derivative receipts</b>	<b>Change in market value during the year</b>	<b>Market value 31 March 2023</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	372.151	65.986	(77.935)	(4.447)	355.755
Pooled investment vehicles	11,507.313	1,263.369	(1,181.972)	(147.166)	11,441.544
Properties	573.900	54.957	7.401	(115.608)	520.650
	<b>12,453.364</b>	<b>1,384.312</b>	<b>(1,252.506)</b>	<b>(267.221)</b>	<b>12,317.949</b>
Cash deposits	257.938				94.043
Other investment balances	2.791				2.497
<b>Total investments</b>	<b>12,714.093</b>				<b>12,414.489</b>

<b>2021/22</b>	<b>Market value 31 March 2021</b>	<b>Purchases at cost and derivative Payments</b>	<b>Sales proceeds and derivative Receipts</b>	<b>Change in market value during Year</b>	<b>Market value 31 March 2022</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	390.334	65.272	(96.114)	12.659	372.151
Pooled investment vehicles	10,759.645	1,391.942	(1,304.376)	660.102	11,507.313
Properties	435.640	56.128	(17.761)	99.893	573.900
	<b>11,585.619</b>	<b>1,513.342</b>	<b>(1,418.251)</b>	<b>772.654</b>	<b>12,453.364</b>
Cash deposits	442.034				257.938
Other investment balances	5.497				2.791
<b>Total investments</b>	<b>12,033.150</b>				<b>12,714.093</b>

## Section 7 – Tyne and Wear Pension Fund Statements

31 March 2022		31 March 2023	
£m			£m
	<b>Equities</b>		
19.084	UK quoted		14.169
1.182	UK unquoted		1.182
249.187	Overseas quoted		259.579
102.698	Overseas unquoted		80.825
<b>372.151</b>	<b>Total equities</b>		<b>355.755</b>
	<b>Pooled investment vehicles</b>		
72.608	Property unit trusts UK		87.311
4,737.676	Unitised insurance policies UK		3,864.166
5,572.235	Other managed funds UK		6,290.464
1,124.794	Other managed funds overseas		1,199.603
<b>11,507.313</b>	<b>Total pooled investment vehicles</b>		<b>11,441.544</b>
	<b>Properties</b>		
573.900	Freehold		520.650
<b>573.900</b>	<b>Total properties</b>		<b>520.650</b>
	<b>Cash deposits</b>		
188.975	Sterling		56.748
68.963	Foreign currency		37.295
<b>257.938</b>	<b>Total cash deposits</b>		<b>94.043</b>
	<b>Other investment balances</b>		
(1.425)	Outstanding trades		-
4.115	Outstanding dividends and tax recoveries		4.531
7.124	Debtors		4.463
(7.023)	Creditors		(6.497)
<b>2.791</b>	<b>Total other investment balances</b>		<b>2.497</b>
<b>12,714.093</b>	<b>Total investments</b>		<b>12,414.489</b>

### 12. Financial Instruments

#### Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the carrying amounts of financial assets and liabilities. The tables also include current assets and liabilities which are not included in note 11. No financial assets have been reclassified during the financial year.



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### Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the value if the instrument is not based on observable market data.

Such instruments represent the Fund's private market investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

This level also includes UK property valued independently by professional valuers and instruments which represent the Fund's private market investments. The Fund's private markets investments include private equity, private real estate, private infrastructure and private debt funds.

The values of the investments in private market funds are based on valuations provided by the investment manager of the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Guidelines and the valuation principles of IFRS and US GAAP. Valuations are undertaken using a mixture of a 31 March 2023 valuations and 31 December 2022 valuations adjusted for cash flows and rolled forward to 31 March 2023 as appropriate. With £1,282m (36.4%) valued as at 31 March 2023 and £2,238m (63.6%) valued at 31 December 2022 plus cash flows until the 31 March 2023.

The table provides an analysis of the financial assets and liabilities of the Fund into levels 1 to 3 at fair value.

Value at 31 March 2023	Quoted	Using	With	Total
	market price	observable inputs	significant unobservable inputs	
	Level 1 £m	Level 2 £m	Level 3 £m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	375.512	8,007.157	3,418.079	11,800.748
Non-financial assets at fair value through profit or loss			520.650	520.650
Loans and receivables	149.674			149.674
<b>Total financial assets</b>	<b>525.186</b>	<b>8,007.157</b>	<b>3,938.729</b>	<b>12,471.072</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(15.673)			(15.673)
<b>Total financial liabilities</b>	<b>(15.673)</b>	<b>-</b>	<b>-</b>	<b>(15.673)</b>
<b>Net financial assets</b>	<b>509.513</b>	<b>8,007.157</b>	<b>3,938.729</b>	<b>12,455.399</b>

The corresponding values at 31 March 2022 were:

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Value at 31 March 2022	Quoted	Using	With	Total
	market price	observable inputs	significant unobservable inputs	
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	354.211	8,771.573	2,758.058	11,883.842
Non-financial assets at fair value through profit or loss			573.900	573.900
Loans and receivables	309.750			309.750
<b>Total financial assets</b>	<b>663.961</b>	<b>8,771.573</b>	<b>3,331.958</b>	<b>12,767.492</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(20.383)			(20.383)
<b>Total financial liabilities</b>	<b>(20.383)</b>	<b>-</b>	<b>-</b>	<b>(20.383)</b>
<b>Net financial assets</b>	<b>643.578</b>	<b>8,771.573</b>	<b>3,331.958</b>	<b>12,747.109</b>

### Reconciliation of Fair Value Measurement within Level 3

2022/23	Market value at 1 April 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains or (losses)	Realised gains	Market value at 31 March 2023
Asset type	£m	£m	£m	£m	£m	£m
Private Equity	1,240.849	199.193	(134.718)	(46.616)	68.581	1,327.289
Investment in BCPP	1.182	-	-	-	-	1.182
Infrastructure	468.200	139.625	(103.978)	100.288	19.401	623.536
Global Prop	435.220	87.650	(38.365)	30.850	15.015	530.370
Private Debt	494.294	225.695	(44.792)	70.437	0.433	746.067
UK Residential Property	118.313	43.674	(4.242)	(26.825)	-	130.920
UK Direct Property	573.900	54.957	(7.401)	(94.073)	(6.733)	520.650
Climate Opportunities	-	61.208	0.011	(2.504)	-	58.715
	<b>3,331.958</b>	<b>812.002</b>	<b>(333.485)</b>	<b>31.557</b>	<b>96.697</b>	<b>3,938.729</b>

### Sensitivity of Assets Valued at Level 3

In consultation with its performance and risk advisors, the Fund has carried out an analysis of historic data and current movements in expected investment returns during the financial year. It has been determined that the asset values are likely to be accurate to within the following ranges and the Fund has set out below the consequent potential impact on the closing values of investment held at 31 March 2023.

Asset type	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
	%	£m	£m	£m
Private equity	29.9	1,327.289	1,724.148	930.430
Investment in BCPP	-	1.182	1.182	1.182
Infrastructure	13.1	623.536	705.219	541.853
Global property	12.5	530.370	596.666	464.074
Private debt	6.8	746.067	796.800	695.334
UK residential property	10.1	130.920	144.143	117.697
UK direct property	9.0	520.650	567.509	473.792
Climate Opportunities	29.9	58.715	76.271	41.159
<b>Total</b>		<b>3,938.729</b>	<b>4,611.938</b>	<b>3,265.520</b>

## Section 7 – Tyne and Wear Pension Fund Statements

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

The Fund's investment objective is:

- To invest in assets of appropriate liquidity to produce income and capital growth that, together with employer and employee contributions, will meet the cost of benefits; and
- To keep contributions as low and as stable as possible through effective management of the assets.

The Fund's primary long term risk is that it will be unable to meet its liability to pay the promised benefits to members from the assets it holds.

Therefore, the Fund seeks to maximise the investment return, whilst minimising the risk of loss. There is a well-diversified investment structure in place that aims to reduce the risks arising from price, interest rate and currency movements, from manager risk and from credit risk, to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there are enough funds to meet the forecast cash flows.

The Pensions Committee is responsible for the management of risk. A summary of the approach to monitoring and controlling risk is set out in the Investment Strategy Statement.

The analysis in the tables in this section is on a "look through" basis. This differs from the analysis in note 12 which is compiled under accounting standards.

#### Climate Change Risk

The Pension Fund views climate change risk as a materially important factor that could significantly impact its long-term investment performance given its systemic nature and the effects it could have on global financial markets and has produce a climate change policy to assist in managing this risk.

To assist with this the Fund has set a range of targets and actions

- A net zero carbon target for the Investment Portfolio of 2050, or sooner
- A reduction in carbon emissions of 30% to 35% by 2025
- A reduction in carbon emissions of 50% to 60% by 2030
- To undertake a carbon footprint on the Fund each year
- To undertake a formal review of the targets every three years.

#### Market Risk

Market risk is the risk of loss from changes to equity prices, interest rates, foreign exchange rates and credit spreads. The Fund is exposed to this risk through its investment activities, particularly through its equity holdings.

The objective of the Fund's risk management process is to identify, manage and control market risk exposure within acceptable parameters, whilst maximising the return on investment.

## Section 7 – Tyne and Wear Pension Fund Statements

In general, the Fund manages excessive volatility in market risk by diversifying the portfolio in terms of asset class, geographic and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Risk on individual securities may also be managed using equity futures and exchange traded options contracts at individual investment manager level.

### Other Price Risk

Other price risk is the risk that the value of an investment will change as a result of changes in market prices, whether these changes are caused by factors specific to the individual investment or its issuer or to other factors that affect all such instruments in the market.

The Fund is exposed to share and derivative price risk arising from investments held for which the future price is uncertain. All investments present a risk of loss of capital which is limited, in general, to the fair value amount carried in the Fund's accounts, except for any share sold "short" where the potential loss is unlimited.

Investment managers manage this risk on behalf of the Fund through diversification and selection of securities and other financial instruments. Each manager's process and portfolio is monitored by the Fund to ensure it is within the limits specified in their management agreement.

### Other Price Risk – Sensitivity Analysis

In consultation with its performance and risk advisors, the Fund has carried out an analysis of historic data and movements in expected investment returns during the financial year. It has been determined that the following movements in market price risk are reasonably possible for the 2023/24 financial year. The equivalent movements from 2022/23 are also shown.

<b>Asset type</b>	<b>Potential market movements in 2022/23 (+/-) %</b>	<b>Potential market movements in 2023/24 (+/-) %</b>
UK equities	17.0	14.0
Overseas equities	13.5	13.5
Global equities	15.5	12.8
UK bonds	6.3	9.4
Overseas bonds	0.0	0.0
Index-linked securities	12.5	16.7
UK property	5.7	9.0
UK residential property	7.7	10.8
Overseas property	11.8	12.5
Private equity	29.8	29.9
Infrastructure	12.4	13.1
Private debt	6.6	6.8
Cash	0.1	0.3



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The potential price changes highlighted above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain unchanged. The analysis is done by the Fund's performance measurer based on an LGPS agreed formula which looks at the standard deviation of the last three years performance data.

Had the market price of the Fund's investments increased or decreased in line with the table above, the change in the net assets available to pay benefits is as shown in the following table. The comparable figures for the previous year are also shown.

<b>Asset type</b>	<b>Value at 31 March 2023</b>	<b>Percentage change</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>£m</b>
UK equities	896.026	14.0	1,021.470	770.582
Overseas equities	2,475.689	13.5	2,809.907	2,141.471
Global equities	1,730.367	12.8	1,951.854	1,508.880
UK bonds	2,428.196	9.4	2,656.446	2,199.946
Overseas bonds	566.444	-	566.444	566.444
Index-linked securities	171.196	16.7	199.786	142.606
UK property	572.239	9.0	623.741	520.737
UK residential property	166.642	10.8	184.639	148.645
Overseas property	530.370	12.5	596.666	464.074
Private equity	1,341.458	29.9	1,742.554	940.362
Infrastructure	623.536	13.1	705.219	541.853
Private debt	746.067	6.8	796.800	695.334
Climate Opportunities	58.715	-	58.715	58.715
Cash and cash equivalents	104.090	0.3	104.402	103.778
Investment income due	3.454	-	3.454	3.454
<b>Total</b>	<b>12,414.489</b>		<b>14,022.097</b>	<b>10,806.881</b>

<b>Asset type</b>	<b>Value at 31 March 2022</b>	<b>Percentage change</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>£m</b>
UK equities	1,115.051	17.0	1,304.610	925.492
Overseas equities	2,765.359	13.5	3,138.682	2,392.036
Global equities	1,992.559	15.5	2,301.406	1,683.712
UK bonds	2,316.019	6.3	2,461.928	2,170.110
Overseas bonds	585.868	-	585.868	585.868
Index-linked securities	247.086	12.5	277.972	216.200
UK property	637.064	5.7	673.377	600.751
UK residential property	127.756	7.7	137.593	117.919
Overseas property	435.220	11.8	486.576	383.864
Private equity	1,259.933	29.8	1,635.393	884.473
Infrastructure	468.200	12.4	526.257	410.143
Private debt	494.294	6.6	526.917	461.671
Cash and cash equivalents	267.742	0.1	268.010	267.474
Investment income due	3.367	-	3.367	3.367
Amounts due for sales	0.548	-	0.548	0.548
Amounts Payable for Purchases	(1.973)	-	(1.973)	(1.973)
<b>Total</b>	<b>12,714.093</b>		<b>14,326.531</b>	<b>11,101.655</b>

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The analysis in the two tables above is on a look through basis. This differs from the analysis in note 12 and the following tables which are compiled under accounting standards.

### Interest Rate Risk

The Fund invests in financial assets to obtain a return on the investment. These investments are subject to interest rate risk, which represents the risk that the fair value of future cash flows will fluctuate because of changes in market interest rates.

The Fund's direct exposures to interest rate movements as at 31 March 2022 and 31 March 2023 are set out below. These represent the interest rate risk based on underlying financial assets at fair value.

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£m</b>		<b>£m</b>
267.742	Cash and cash equivalents	104.090
2,901.887	Fixed interest securities	2,994.640
247.086	Index-linked securities	171.196
<b>3,416.715</b>	<b>Total</b>	<b>3,269.926</b>

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets held to pay benefits. Bond instruments tend to fall in value when interest rates rise and rise in value when interest rates fall.

The following table shows the Fund's asset values that have direct exposure to these rate movements. It also shows the reasonable change in the asset value of a 1% movement in interest rates up or down. The comparable figures for the previous years are also shown.

Asset type	Value at 31 March 2023	Reasonable change predicted	Value on	Value on
			increase	decrease
	£m	%	-1% rate change £m	+1% rate change £m
Cash and cash equivalents	104.090	0.1	104.194	103.986
Fixed interest securities	2,994.640	6.6	3,192.286	2,796.994
Index-linked securities	171.196	19.7	204.922	137.470
<b>Total</b>	<b>3,269.926</b>		<b>3,501.401</b>	<b>3,038.450</b>

Asset type	Value at 31 March 2022	Reasonable change predicted	Value on	Value on
			increase	decrease
	£m	%	-1% rate change £m	+1% rate change £m
Cash and cash equivalents	267.742	0.1	268.009	267.475
Fixed interest securities	2,901.887	8.0	3,134.038	2,669.736
Index-linked securities	247.086	23.5	305.151	189.021
<b>Total</b>	<b>3,416.715</b>		<b>3,707.199</b>	<b>3,126.231</b>

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### Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. The Fund is exposed to this risk on investments denominated in any currency other than Sterling. The Fund holds both monetary and non-monetary assets denominated in overseas currencies.

The following table shows the Fund's currency exposures as at 31 March 2022 and at 31 March 2023:

Value at 31 March 2022 £m	Asset type	Value at 31 March 2023 £m
585.868	Overseas fixed interest	566.444
4,757.918	Overseas quoted equities	4,206.056
102.698	Overseas unquoted equities	80.824
1,124.794	Overseas pooled investment vehicles	1,199.604
77.918	Overseas currency	48.299
<b>6,649.196</b>	<b>Total</b>	<b>6,101.227</b>

### Currency Risk – Sensitivity Analysis

Following an analysis of historical data that was carried out in consultation with the Fund's performance and risk adviser, the Fund considers the likely volatility associated with foreign exchange to be 6.6%. The following table shows the impact of a 6.6% increase or decrease in the net asset value of those assets exposed to currency risk. The value of the Fund's overseas assets in Sterling terms will increase as Sterling weakens and decrease as Sterling strengthens.

The comparable figures for the previous year are also shown.

Asset type	Value at 31 March 2023 £m	Potential change %	Potential market movement £m	Value on increase £m	Value on decrease £m
Overseas fixed interest	566.444	6.6	37.385	603.829	529.059
Overseas quoted equities	4,206.056	6.6	277.600	4,483.656	3,928.456
Overseas unquoted equities	80.824	6.6	5.334	86.158	75.490
Overseas pooled investment vehicles	1,199.604	6.6	79.174	1,278.778	1,120.430
Overseas currency	48.299	6.6	3.188	51.487	45.111
<b>Total</b>	<b>6,101.227</b>		<b>402.681</b>	<b>6,503.908</b>	<b>5,698.546</b>

Asset type	Value at 31 March 2022 £m	Potential change %	Potential market movement £m	Value on increase £m	Value on decrease £m
Overseas fixed interest	585.868	7.3	42.768	628.636	543.100
Overseas quoted equities	4,757.918	7.3	347.328	5,105.246	4,410.590
Overseas unquoted equities	102.698	7.3	7.496	110.194	95.202
Overseas pooled investment vehicles	1,124.794	7.3	82.109	1,206.903	1,042.685
Overseas currency	77.918	7.3	5.688	83.606	72.230
<b>Total</b>	<b>6,649.196</b>		<b>485.389</b>	<b>7,134.585</b>	<b>6,163.807</b>

## Section 7 – Tyne and Wear Pension Fund Statements

### Manager Risk

Manager risk is the risk that the manager does not invest in a manner required by the Fund. This is controlled through the investment objectives and restrictions in each manager's agreement and through the ongoing monitoring of the managers.

The investment managers hold a diversified portfolio of investments that reflect their views, relative to their respective benchmarks.

The Pension Committee has considered and addressed the risk of underperformance by any single investment manager by appointing a range of investment managers.

This is further enhanced by the selection of a range of managers by Border to Coast for the individual pooled funds that they hold on behalf of the Fund.

### Credit Risk

Credit risk is the risk that the counterparty to a transaction or investment fails to discharge its obligation and the Fund incurs a financial loss. Investments are usually valued by the market after this risk has been taken into account.

To this end, almost the Fund's entire investment portfolio is exposed to some level of credit risk, with the exception being derivatives where the risk equals the net market value of a positive derivative.

The Fund seeks to minimise this risk by investing in and through high quality counterparties, brokers and financial institutions. In addition to these the Fund also lends money to local authorities which it deems to be rated at AA, the same as the UK Government which is the guarantor should any local authority fail to meet its obligations.

Contractual credit risk is represented by the net payment or receipt outstanding and the cost of replacing the derivative position in the event of a default.

The Fund's cash holding under its internal treasury management arrangements as at 31 March 2023 was £57.810m (£188.630m in 2021/22). The Fund sets its credit criteria in consultation with the Council's treasury management advisor, Link Asset Services. Deposits are only made with AAA rated money market funds and with banks and financial institutions that meet the Fund's credit criteria and are included on Link Asset Services' listing of approved institutions.

The internally managed cash was held with the following institutions:

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	Rating	Value at 31 March 2022 £m	Value at 31 March 2023 £m
<b>Money market funds</b>			
CCLA	AAA	39.750	26.000
Deutsche Global Liquidity Fund	AAA	39.750	
Insight	AAA	39.750	
HSBC	AAA		27.750
<b>Bank deposit accounts</b>			
Lloyds Bank	A+	4.380	4.060
Bayerische Landesbank	A-	5.000	
Australia and New Zealand	AA-	15.000	
Close Brothers	A-	15.000	
National Bank of Kuwait	A	10.000	
SMBC International PLC	A	10.000	
Goldman Sachs	A+	5.000	
Helaba	A+	5.000	
<b>Total</b>		<b>188.630</b>	<b>57.810</b>

### Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. This is controlled by estimating the net benefit outgo or inflow and ensuring that sufficient cash balances are available.

Weekly forecasts are carried out to understand and manage the timing of the Fund's cash flows.

The Fund takes steps to ensure that it has adequate cash resources to meet its commitments and has immediate access to cash.

All financial liabilities are due within twelve months of 31 March 2023.

### 14. Current Assets and Liabilities

31 March 2022 £m		31 March 2023 £m
<b>Current assets</b>		
7.590	Contributions - members	7.399
32.196	Contributions and recharges due - employers	28.888
4.378	Cash balances	3.448
0.239	Sundry debtors	10.350
<b>44.403</b>	<b>Total current assets</b>	<b>50.085</b>
<b>Current liabilities</b>		
(3.026)	Unpaid benefits	(1.853)
(8.361)	Sundry creditors	(7.322)
<b>(11.387)</b>	<b>Total current liabilities</b>	<b>(9.175)</b>

### 15. Agency Services

The Fund pays discretionary awards to the former employees of a number of employers.

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The amounts paid are included in the Fund Account and then deducted as a recharge as these amounts are fully reclaimed from the employer bodies. The sums for each employer are disclosed in the following table;

2021/22	Payments on behalf of:	2022/23
£m		£m
2.264	Newcastle City Council	2.255
2.099	Northumberland County Council	2.061
1.941	Sunderland City Council	1.895
1.861	Gateshead Council	1.847
1.624	North Tyneside Council	1.577
0.732	South Tyneside Council	0.722
0.292	Nexus	0.260
0.224	Newcastle International Airport	0.229
0.227	Police and Crime Commissioner for Northumbria	0.225
0.219	Tyne and Wear Residuary Body	0.208
0.051	Tyne and Wear Fire and Rescue Service	0.052
0.049	University of Sunderland	0.048
	The Durham, Gateshead, Newcastle, North	
0.048	Tyneside, Northumberland, South Tyneside and	0.046
	Sunderland Combined Authority	
0.039	Northumbria University	0.038
0.015	Workshops for the Adult Blind	0.016
0.015	Magistrates' Courts	0.014
0.011	Assessment and Qualifications Alliance	0.012
0.009	NCG	0.009
0.009	Association of North East Councils	0.009
0.009	Newcastle Theatre Royal Trust	0.009
0.008	Northern Council for Further Education	0.009
0.007	National Parks Authority	0.008
0.007	Northumberland Magistrates Courts	0.007
0.007	Northumbria Tourist Board	0.006
0.006	One North East	0.005
0.005	Wearside College	0.005
0.005	Gateshead College	0.005
0.004	Benton Grange School	0.004
0.004	North Tyneside Disability Advice	0.004
0.003	Tyne and Wear Development Company Limited	0.004
0.003	Higher Education Funding Council for England	0.003
0.003	Monkwearmouth College	0.003
0.003	South Tyneside Homes	0.003
0.003	Wallsend Hall Enterprises Limited	0.003
0.002	Catholic Care North East	0.003
0.002	Blyth Housing Company	0.003
0.002	City of Sunderland College	0.002
0.002	North Tyneside College	0.002
0.002	Sunderland Empire Theatre Trust	0.002
0.001	Age Concern Newcastle	0.001
0.001	North East Regional Employers Organisation	0.001
0.001	Northumberland Care Trust	0.001
<b>11.819</b>	<b>Total agency services</b>	<b>11.616</b>

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### 16. Additional Voluntary Contributions (AVCs)

The Fund offers two types of AVC arrangements.

Additional periods of membership can be purchased within the LGPS, with the contributions being invested as part of the Fund's assets. In addition, the Pensions Committee appointed Equitable Life Assurance Society in 1989 (transferred to Utmost) and The Prudential Assurance Company in 2001 for the investment of other AVCs specifically taken out by Fund members. Contributions to these external providers are invested separately from the Fund's own assets on a money purchase basis. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, these amounts are not credited to the Fund and as such are excluded from the Fund's accounts.

During 2022/23, £3.685m of contribution income was received into the AVC funds provided by The Prudential (£2.942m in 2021/22). As at 31 March 2023, these funds were valued at £18.653m (£20.588m in 2021/22).

During 2022/23, there was no contribution income received into the AVC funds provided by Utmost Life and Pensions (£0.000m in 2021/22). As at 31 March 2023, these funds were valued at £0.047m (£0.059m as restated in 2021/22).

The funds are valued on a bid basis by each of the providers and take no account of accruals.

### 17. Analysis of Investments over Managers

The Fund currently has investments to the value of £4,706m with Border to Coast through a number of their sub funds. The Fund also has £3,864m invested with Legal and General. All of these assets are classed as "pooled" assets as required in response to the Government's initiative on the pooling of LGPS assets.

In addition, the Fund employed three external equity investment managers as at 31 March 2023. Each manager is a specialist in the market in which they invest. This broad-based management structure seeks to ensure that investment returns are not overly influenced by the performance of any one manager. It is expected that the range of investments with Border to Coast will continue to increase over the coming years.

The Fund also has investment programmes across the five alternative asset classes of private equity, infrastructure, global property, climate opportunities and private debt. Over time the majority of these will be managed through Border to Coast but at present the Fund has investments with different providers in the five areas as follows:

- The Private Equity programme is well diversified across providers, geography, industry and vintage years. The Fund has made commitments to fund of funds provided by HarbourVest and Pantheon, secondary funds managed by HarbourVest, Lexington Partners and Collier Capital, and direct/co-invest funds with HarbourVest, Pantheon, Capital International, Lexington Partners, Partners Group and Border to Coast.
- The Fund has invested in infrastructure through funds provided by Partners Group, Infracapital, Pantheon, AMP Capital and Border to Coast.

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- The Fund has invested in private debt through funds provided by Pemberton, HPS Investment Partners, Pantheon and Border to Coast.
- Investment in global property is currently through funds provided by Partners Group.
- Investment in climate opportunities is through Border to Coast.

The Fund also invests in UK commercial property through a direct mandate with Abrdn and three property unit trusts managed by BlackRock, Schroder and Patrizia. In terms of residential property, investments have been made through funds provided by Abrdn, Henley and Hearthstone Investments (GP) Limited.

The market value of the investments in the hands of each manager was:

31 March 2022			31 March 2023	
£m			£m	
<b>Investments managed by Border to Coast</b>				
904.892	7.1%	Global Equities	938.683	7.5%
429.854	3.4%	UK Equities	429.321	3.5%
1,853.095	14.6%	Investment Grade Credit	1,960.455	15.8%
585.868	4.6%	Multi Asset Credit	566.444	4.6%
140.455	1.1%	Private Equity	259.528	2.1%
95.773	0.8%	Infrastructure	215.661	1.7%
100.473	0.8%	Private Debt	276.885	2.2%
		Climate Opportunities	58.715	0.5%
<b>4,110.410</b>	<b>32.4%</b>		<b>4,705.692</b>	<b>37.9%</b>
4,737.676	37.3%	Investments with Legal and General	3,864.166	31.1%
<b>8,848.086</b>	<b>69.7%</b>	<b>Total pooling</b>	<b>8,569.858</b>	<b>69.0%</b>
<b>Investment managed outside of the pool</b>				
573.900	4.5%	Abrdn	520.650	4.2%
140.162	1.1%	JP Morgan Asset Management	132.080	1.1%
253.241	2.0%	Lazard Asset Management	261.939	2.1%
120.026	0.9%	TT International	116.008	0.9%
1,119.478	8.8%	Private Equity	1,081.931	8.7%
372.427	2.9%	Infrastructure	407.875	3.3%
435.220	3.4%	Global Property	530.370	4.3%
127.756	1.0%	Residential Property	166.642	1.3%
63.237	0.5%	UK Property Unit Trusts	51.589	0.4%
393.821	3.1%	Private Debt	469.182	3.8%
266.739	2.1%	Managed In-House	106.365	0.9%
<b>3,866.007</b>	<b>30.3%</b>		<b>3,844.631</b>	<b>31.0%</b>
<b>12,714.093</b>	<b>100.0%</b>	<b>Total investments</b>	<b>12,414.489</b>	<b>100.0%</b>

### 18. Derivatives

The Fund has in the past used a number of derivative instruments as part of its investment strategy and to assist with efficient portfolio management.

#### Futures

The Fund did not hold any futures contracts as at 31 March 2023 or at 31 March 2022.



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### Forward Currency Contracts

In past years the Fund has used Forward Currency Contracts to hedge the currency exposure on certain overseas investments. As at 31 March 2023 and 31 March 2022, the Fund did not hold any such contracts.

### 19. Securities Lending

The Fund operates a securities lending programme through its custodian, Northern Trust. Securities totalling £4.173m were out on loan as at 31 March 2023. The breakdown of securities on loan was:

31 March 2022		31 March 2023	
£m		£m	
1.573	Overseas equities	4.173	
<b>1.573</b>	<b>Total securities lending</b>	<b>4.173</b>	

The value of collateral against which the securities were lent out is £4.594m (£1.734m in 2021/22). This collateral consists of acceptable securities, Government debt and obligations issued by supranational entities. It should be noted that as the Fund is now investing mainly through Border to Coast the majority of securities lending will now be undertaken within the pooled funds and will not be shown separately.

### 20. Property Holdings

2021/22		2022/23	
£m	Property holdings	£m	
435.640	Balance at start of year	573.900	
50.280	Purchases	18.535	
5.242	New construction	36.299	
0.325	Subsequent expenditure	0.188	
(13.982)	Disposals	(6.275)	
96.395	Net decrease in market value	(101.997)	
<b>573.900</b>	<b>Balance at end of year</b>	<b>520.650</b>	

There are no restrictions on the sale of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase, construct or develop any of these properties.

The future minimum lease payments receivable by the Fund are as follows:

31 March 2022		31 March 2023	
£m		£m	
22.593	Within one year	25.223	
78.800	Between one and five years	94.942	
130.962	Later than five years	197.432	
<b>232.355</b>	<b>Minimum due from leases</b>	<b>317.597</b>	

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The disclosures on the previous page have been reduced by a credit loss allowance of 5% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This is based on the Fund's own historic experience and from advice from the Fund's property manager based on their experience from similar properties.

### 21. Significant Holdings

As at 31 March 2023, the Fund had two holdings that represent more than 5% of the Fund.

The Fund has a holding with Legal and General within a without-profit insurance contract that provides access to a pool of underlying assets. The value has been determined by reference to the underlying assets using price feeds from markets. These holdings were valued at £3,864.165m and represented 31.0% of the total net assets of the Fund. During 2022/23, the insurance contract covered fifteen individual funds, as follows:

<b>31 March 2022 £m</b>		<b>31 March 2023 £m</b>
478.372	UK equities	259.649
205.643	UK equities future worlds	205.874
179.333	Asia Pacific (excluding Japan) equities	152.030
67.080	Asia Pacific (excluding Japan) equities future worlds	66.773
221.317	Emerging markets equities	190.621
60.161	Emerging markets equities future worlds	57.920
625.638	Europe (excluding UK) equities	493.088
195.382	Europe (excluding UK) equities future worlds	212.860
190.372	Japan equities	152.805
59.484	Japan equities future worlds	60.013
419.764	North America equities (hedged)	369.579
237.453	North America equities future worlds	212.333
1,087.667	Global equities	791.683
247.086	Index-linked gilts	171.196
462.924	Corporate bonds	467.741
<b>4,737.676</b>	<b>Total</b>	<b>3,864.165</b>

The further holding was with Border to Coast under an Authorised Contractual Scheme (ACS) agreement. The value of the assets, held through this ACS, were valued at £3,894.903m and represented 31.3% of the total net assets of the Fund. As at 31 March 2023, the ACS covered four individual funds as follows:

<b>31 March 2022 £m</b>		<b>31 March 2023 £m</b>
429.854	UK equities	429.321
904.892	Global equities	938.683
1,853.095	Investment grade credit	1,960.455
585.868	Multi asset credit	566.444
<b>3,773.709</b>	<b>Total</b>	<b>3,894.903</b>

### 22. Outstanding Commitments

As at 31 March 2023 the Fund had one hundred and three outstanding commitments to investments, as shown in the following table:

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Name of fund	Year	Value m	Drawdowns made m	Commitment outstanding m	Commitment outstanding m
HarbourVest Partners VII Cayman Buyout Fund	2002	\$46.0	\$43.5	\$2.5	£2.0
HarbourVest Partners VII Cayman Mezzanine Fund	2002	\$8.0	\$7.5	\$0.5	£0.4
HarbourVest Partners VII Cayman Venture Fund	2002	\$28.0	\$27.5	\$0.5	£0.4
Capital International Private Equity Fund IV	2004	\$18.0	\$17.8	\$0.2	£0.2
HarbourVest International Private Equity Partners V - Partnership	2005	€100.0	€96.0	€4.0	£3.5
HarbourVest International Private Equity Partners V - Direct	2005	€30.0	€29.7	€0.3	£0.3
Pantheon Asia Fund IV	2005	\$20.0	\$18.9	\$1.1	£0.9
Pantheon Europe Fund IV	2005	€25.0	€23.4	€1.6	£1.4
Pantheon USA Fund VI	2005	\$30.0	\$28.3	\$1.7	£1.3
Lexington Capital Partners VI-B	2005	\$30.0	\$29.5	\$0.5	£0.4
Morgan Stanley PMF III	2005	\$50.0	\$48.7	\$1.3	£1.0
HarbourVest Partners VIII Cayman Buyout Fund	2006	\$112.0	\$108.6	\$3.4	£2.7
HarbourVest Partners VIII Cayman Venture Fund	2006	\$56.0	\$54.4	\$1.6	£1.3
Pantheon Europe Fund V	2006	€35.0	€33.2	€1.9	£1.6
Pantheon USA Fund VII	2006	\$35.0	\$32.6	\$2.4	£1.9
Coller International Partners V	2006	\$30.0	\$23.5	\$0.3	£0.2
Morgan Stanley Global Distressed Opportunities Fund	2006	\$10.0	\$9.9	\$0.1	£0.1
HarbourVest Partners 2007 Direct Fund	2007	\$30.0	\$29.3	\$0.7	£0.6
Pantheon Asia Fund V	2007	\$20.0	\$19.1	\$0.9	£0.7
Pantheon Europe Fund VI	2007	€40.0	€37.9	€2.1	£1.9
Pantheon USA Fund VIII	2007	\$35.0	\$32.5	\$2.5	£2.0
Capital International Private Equity Fund V	2007	\$35.0	\$29.4	\$5.6	£4.5
Co-Investment Partners Europe	2007	€30.0	€28.5	€1.5	£1.3
Partners Group 2006 Direct Fund	2007	€30.0	€28.8	€1.2	£1.0
Infracapital Partners I	2007	£35.0	£32.8	£2.2	£2.2
Morgan Stanley PMF IV	2007	\$30.0	\$29.9	\$0.1	£0.1
Capital International Private Equity Fund VI	2010	\$35.0	\$31.4	\$3.6	£2.9
Lexington Capital Partners VII	2010	\$29.0	\$24.3	\$4.7	£3.8
Partners Asia-Pacific & Emerging Markets Real Estate 2009 LP	2010	\$40.0	\$37.6	\$2.4	£1.9
Partners Group Real Estate Secondary 2009 (EURO)	2010	€60.0	€57.2	€2.8	£2.5
Partners Group Global Real Estate 2011 S.C.A., SICAR	2010	€145.0	€127.9	€17.1	£15.0
Partners Group Global Infrastructure 2009	2010	€70.0	€61.2	€8.8	£7.8
Partners Group Direct Infrastructure 2011	2011	€85.0	€74.8	€10.2	£9.0
Partners Group Direct Real Estate 2011 S.C.A., SICAR	2011	\$100.0	\$92.3	\$7.8	£6.3
Partners Asia-Pacific Real Estate 2011 S.C.A., SICAR	2011	\$65.0	\$55.1	\$9.9	£8.0
HarbourVest International Private Equity Partners VI - Partnership	2011	€50.0	€47.5	€2.5	£2.2
Global Infrastructure Partners II	2011	\$43.0	\$39.1	\$4.0	£3.2
Coller International Partners VI	2012	\$33.9	\$31.6	\$2.3	£1.8
Pantheon Asia Fund VI	2012	\$40.0	\$37.2	\$2.8	£2.3
Pantheon Europe Fund VII	2012	€25.0	€22.5	€2.5	£2.2
Pantheon USA Fund IX	2012	\$30.0	\$26.9	\$3.1	£2.5
Partners Group Global Infrastructure 2012	2013	€45.0	€37.1	€7.9	£6.9
Partners Group Real Estate 2014	2013	\$64.0	\$46.5	\$17.5	£14.2
Partners Group Real Estate Income 2014	2013	€23.0	€20.9	€2.1	£1.8
Partners Group Global Real Estate 2013	2013	\$130.0	\$101.3	\$28.7	£23.2
Partners Group Real Estate Secondary 2013	2013	\$65.0	\$46.8	\$18.2	£14.7
HarbourVest Dover Street VIII Cayman Fund LP	2013	\$30.0	\$27.6	\$2.4	£1.9
HarbourVest Partners IX - Cayman Buyout Fund	2013	\$60.0	\$51.2	\$8.9	£7.2
HarbourVest Partners IX - Cayman Venture Fund	2013	\$30.0	\$28.5	\$1.5	£1.2
Antin Infrastructure Partners II	2013	€24.0	€22.8	€1.2	£1.1
HarbourVest Partners 2013 Cayman Direct Fund LP	2014	\$30.0	\$29.0	\$1.0	£0.8
Lexington Capital Partners VIII	2014	\$30.0	\$27.4	\$2.6	£2.1
Infracapital Partners II	2014	£19.6	£18.8	£0.8	£0.8
HarbourVest International Private Equity Partners VII - Partnership	2014	\$70.0	\$62.3	\$7.7	£6.2
Neuberger Berman Crossroads Fund XX	2014	\$26.0	\$19.6	\$6.4	£5.2
Coller International Partners VII	2015	\$45.0	\$31.2	\$13.8	£11.1
HarbourVest Partners X - AIF Buyout Fund	2015	\$50.0	\$38.0	\$12.0	£9.7
HarbourVest Partners X - AIF Venture Fund	2015	\$25.0	\$23.5	\$1.5	£1.2
HarbourVest Dover Street IX LP	2016	\$30.0	\$26.4	\$3.6	£2.9
Partners Group Direct Infrastructure 2015	2016	\$140.0	\$115.5	\$24.5	£19.8
HarbourVest Partners Co-Investment Fund IV AIF	2016	\$30.0	\$27.9	\$2.1	£1.7
Aberdeen UK PRS Opportunities LP	2016	£64.3	£57.5	£6.8	£6.8
Pantheon Access EUR 2016	2017	€24.3	€18.3	€6.0	£5.3
Pantheon Access USD 2016	2017	\$65.0	\$56.4	\$8.6	£6.9
HIPEP VIII Partnership Fund	2017	\$80.0	\$59.8	\$20.2	£16.3
Infracapital Greenfield Partners I	2017	£20.0	£17.1	£2.9	£2.9
Pantheon Global Infrastructure III	2017	\$55.0	\$48.9	\$6.1	£5.0
Pantheon Global Infrastructure III (former NCC)	2017	\$54.0	\$48.2	\$5.8	£4.7
Infracapital Partners III	2017	£20.0	£16.2	£3.8	£3.8
Partners Group Real Estate Secondary 2017	2017	\$135.0	\$81.0	\$54.0	£43.7
Pantheon Access USD 2017	2017	\$65.2	\$49.8	\$15.4	£12.4
HarbourVest Partners XI	2018	\$100.0	\$72.1	\$27.9	£22.6
Lexington Capital Partners IX	2018	\$70.0	\$50.2	\$19.8	£16.0
Pantheon Access EUR 2018	2018	€50.0	€27.0	€23.0	£20.2
Pantheon Access USD 2018	2018	\$120.0	\$99.4	\$20.6	£16.7
HarbourVest Partners Co-Investment V Feeder AIF	2018	\$70.0	\$63.0	\$7.0	£5.7
AMP Global Infrastructure II	2018	\$55.0	\$48.9	\$6.1	£5.0

## Section 7 – Tyne and Wear Pension Fund Statements

Partners Group Real Estate Opportunities 2019	2018	\$380.0	\$198.9	\$181.1	£146.5
Partners Group Global Value Real Estate 2019	2018	€165.0	€110.7	€54.3	£47.7
HPS Core Senior Lending Fund	2018	\$250.0	\$210.1	\$40.0	£32.3
Pemberton European Debt Investments Jersey II	2018	£190.0	£170.5	£19.5	£19.5
Hearthstone Residential Fund I	2019	£60.0	£60.0	£0.0	£0.0
Coller International Partners VIII	2019	\$80.0	\$37.5	\$42.5	£34.4
Border to Coast Private Equity S1A	2019	£80.0	£53.5	£26.5	£26.5
HarbourVest Dover Street X	2019	\$80.0	\$50.6	\$29.4	£23.8
Border to Coast Infrastructure S1A	2019	£60.0	£37.7	£22.3	£22.3
Partners Group Global Infrastructure 2018	2019	€110.0	€78.1	€31.9	£28.0
Border to Coast Private Debt S1A&B	2019	£160.0	£102.7	£57.3	£57.3
Pantheon Private Debt PSD II	2019	\$200.0	\$128.3	\$71.7	£58.0
Border to Coast Private Equity S1B	2020	£120.0	£61.5	£58.5	£58.5
Border to Coast Infrastructure S1B	2020	£90.0	£39.9	£50.1	£50.1
Hearthstone Residential Fund II	2020	£30.0	£15.7	£14.3	£14.3
Border to Coast Private Equity S1C	2021	£350.0	£121.1	£228.9	£228.9
Border to Coast Infrastructure S1C	2021	£150.0	£106.3	£43.7	£43.7
Border to Coast Private Debt S1C	2021	£348.2	£140.8	£207.4	£207.4
Partners Group Direct Infrastructure 2020	2022	£70.0	£25.6	£44.4	£35.9
Partners Group Real Estate Secondary 2021	2022	£280.0	£42.0	£238.0	£192.5
Border to Coast Private Equity S2A	2022	£225.0	£7.0	£218.0	£218.0
Border to Coast Infrastructure S2A	2022	£250.0	£26.8	£223.2	£223.2
Border to Coast Private Debt S2A	2022	£300.0	£41.3	£258.7	£258.7
Border to Coast Climate Opportunities S2	2022	£465.0	£59.9	£405.1	£405.1
Henley Secure Income PUT	2022	£40.0	£40.0	£0.0	£0.0
CBRE UK Affordable Housing Fund	2022	£70.0	£0.0	£70.0	£70.0
M&G Shared Ownership Fund	2022	£40.0	£0.0	£40.0	£40.0
Border to Coast Private Equity S2B	2023	£200.0	£0.0	£200.0	£200.0
Border to Coast Infrastructure S2B	2023	£225.0	£0.0	£225.0	£225.0
Border to Coast Private Debt S2B	2023	£225.0	£0.0	£225.0	£225.0
<b>Total outstanding commitments</b>					<b>£3,625.4</b>

The Sterling figures for these outstanding commitments are based on the closing exchange rates on 31 March 2023. The total outstanding as at 31 March 2023 was £3,625.400m.

### 23. Related Party Transactions

South Tyneside Council is the administrating authority of the Tyne and Wear Pension Fund and as such assets of the Fund are held under the Council's name.

Under IAS 24 "Related Party Disclosures", it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements.

#### Governance

There were four members of the Pensions Committee who were in receipt of pension benefits from the Fund, namely the Vice Chair of the Pensions Committee W. Flynn and Committee members, J. Price, R. Goldsworthy, and J. Foreman. The Chair of the Pensions Committee, A. Walsh, and Committee members R. Dodd, G. Haley and G. Thompson are deferred members of the Fund.

The Chair of the Pensions Committee, A. Walsh, was a Non-Executive Director of Border to Coast Pensions Partnership.

An examination of returns completed by Elected Members of the Pensions Committee and Senior Officers involved in the management of the Pension Fund has not identified any other cases where disclosure is required.

## Section 7 – Tyne and Wear Pension Fund Statements

### Employers

During 2022/23 South Tyneside Council, had related party transactions with the Fund totalling £0.551m (£0.711m in 2021/22), analysed as follows:

- South Tyneside Council charged the Fund £0.479m (£0.643m in 2021/22) in respect of services provided, primarily being, legal, financial, information technology services and building costs.
- The Fund charged South Tyneside Council £0.072m (£0.068m in 2021/22) in respect of Treasury Management services.

There were no material contributions due from employer bodies that were outstanding at the year end.

### Key Management Personnel

The key management personnel of the Fund are the Head of Pensions, the Principal Investment Manager, the Principal Pensions Manager and the Principal Governance and Funding Manager. Total remuneration payable to key management personnel is set out in the following table.

2021/22		2022/23
£m		£m
0.335	Short term benefits	0.361
0.059	Post-employment benefits	0.063
<b>0.394</b>	<b>Total</b>	<b>0.424</b>

Other senior managers, including the section 151 officer, linked to the Fund are employed by South Tyneside Council and the costs to the Fund are included within recharges to the Fund.

## 24. Impairment Losses

### Impairment for Bad and Doubtful Debts

During 2022/23 the Fund has recognised an impairment loss of £0.104m (£0.001m in 2021/22) for the possible non-recovery of pensioner death overpayments.

## 25. Pension Fund Disclosures under IAS 26

Under IAS 26 the Fund is required to disclose the “actuarial present value of the promised retirement benefits”, at the valuation date of 31 March 2022 these were valued by the actuary at £16,244.400m.

This figure was calculated using the following information supplied by the actuary. These are taken from the report: IAS 26 Results - Whole of Pension Fund Accounting 2023 – 19 May 2023. A full copy is available on request.

# Section 7 – Tyne and Wear Pension Fund Statements

## Information Supplied by the Actuary

The information set out below relates to the actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme.

	Value as at 31 March 2022	Value as at 31 March 2019
	£m	£m
Fair value of net assets	12,747.100	8,788.100
Actuarial present value of the promised retirement benefits (see notes)	16,244.400	11,763.100
Deficit in the Fund as measured for IAS 26 purposes	(3,497.300)	(2,975.000)

The Northumberland County Council Pension Fund merged into the Tyne and Wear Pension Fund via Regulations which came into force on 3 June 2020 (effective from 1 April 2020). The IAS 26 results as at 31 March 2022 included in this report are in respect of the merged Fund. Comparative figures shown as at 31 March 2019 are in respect of the Tyne and Wear Pension Fund only.

The principal assumptions used by the actuary were:

	31 March 2022 (% per annum)	31 March 2019 (% per annum)
Discount rate	2.7	2.4
CPI inflation <sup>(1) (2)</sup>	3	2.2
Rate of general increase in salaries <sup>(3)</sup>	4.5	3.7

(1) In excess of Guaranteed Minimum Pension increases in payment where appropriate

(2) The assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases. In the 2022 assumption we have also made allowance for higher actual CPI for the period 30 September 2021 to 31 March 2022, where 30 September 2021 is the date of the reference CPI index that the scheme's benefits had been increased by in April 2022. In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date.

(3) A promotional salary scale is assumed to apply in addition to this, at the rates assumed in the relevant valuation of the Fund. In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date.

## Principal demographic assumptions

The mortality assumptions are based on actual mortality experience of members within the Fund based on an analysis carried out as part of the 2022 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below:

Post retirement mortality	31 March 2022	31 March 2019
<b>Males</b>		
Future lifetime from age 65 (currently aged 65)	21.5	22.0
Future lifetime from age 65 (currently aged 45)	22.8	23.7
<b>Females</b>		
Future lifetime from age 65 (currently aged 65)	24.5	25.2
Future lifetime from age 65 (currently aged 45)	26.0	27.0

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2022 valuation. Assumptions for the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2022 valuation of the Fund, which are detailed in the actuary's valuation report.

## Section 7 – Tyne and Wear Pension Fund Statements

### Volatility of results

Results under IAS 26 can change dramatically depending on market conditions. The defined benefit obligation is linked to yields on AA-rated corporate bonds, while a significant proportion of the assets of the Fund are invested in equities and other growth assets. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension fund. For example:

- A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).
- The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.
- The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

### Post balance sheet date experience

Since 31 March 2022 the Fund's assets have generally delivered lower than expected returns and inflation has been higher than expected. However, corporate bond yields have increased significantly which will have led to a reduction in the value of the defined benefit obligation (liabilities) on an accounting basis. We would expect the Funds' IAS 26 balance sheet position to have improved significantly over the year, with a lower IAS 26 deficit, at 31 March 2023 if the Fund had chosen to update the position annually.

### Choice of accounting assumptions

The calculation of the actuarial present value of the promised retirement benefits involves projecting future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the surplus / deficit. As such, the Fund Administering Authority should ensure that it understands the reasoning behind the assumptions adopted and is comfortable that they are appropriate.

Furthermore, the Fund Administering Authority should bear in mind that, as required by the accounting standard, the assumptions (with the exception of the discount rate) have been set so that they represent a best estimate of future experience from the Fund. In practice future experience within the Fund may not be in line with the assumptions adopted. This means that the liabilities shown in this report only represent one view of the future and the true position could be different from those shown. For example, members could live longer than foreseen, or inflation could be higher or lower than allowed for in the calculations.

### Sensitivity of results to key assumptions

In order to understand the magnitude of the possible volatility in the balance sheet position and to understand which assumptions are most important in determining the size of the liabilities, it is helpful to understand how sensitive the results are to the key assumptions.

IAS 19 requires entities to disclose information about the sensitivity of the defined benefit obligation to changes in key assumptions although it is not clear that IAS 26 or the CIPFA Code of Practice requires this information. Nevertheless, we have set out below how the results would alter by changing the discount rate, the pay increase assumption and pension increase assumption by plus or minus 0.1% and if life expectancy was to reduce or increase

## Section 7 – Tyne and Wear Pension Fund Statements

by 1 year. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

### Sensitivity Analysis

#### Discount rate assumption

Adjustment to discount rate assumption	0.1%	-0.1%
	£m	£m
£ change to present value of the defined benefit obligation	-330.7	337.5
% change in present value of defined benefit obligation	-2.0%	2.1%

#### Rate of general increase in salaries

Adjustment to salary increase rate assumption	0.1%	-0.1%
	£m	£m
£ change to present value of the defined benefit obligation	29.7	-29.4
% change in present value of defined benefit obligation	0.2%	-0.2%

#### Rate of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts

Adjustment to pension increase rate assumption	0.1%	-0.1%
	£m	£m
£ change to present value of the defined benefit obligation	307.8	-301.3
% change in present value of defined benefit obligation	1.9%	-1.9%

#### Post retirement mortality assumption

Adjustment to members' life expectancy	- 1 year	+ 1 year
	£m	£m
£ change to present value of the defined benefit obligation	-701.1	699.7
% change in present value of defined benefit obligation	-4.3%	4.3%

For figures relating to individual employers of the Fund, please refer to each employer's final accounts.

## 26. Other Sensitive areas

In accordance with the code the following notes are deemed to be containing sensitive information and are disclosed for transparency reasons.

Expenses paid to members of the Pensions Committee totalled £0.032m in the year to 31 March 2023 (£0.030m in 2021/22). These have been included within Oversight and Governance Costs included in note 9.

The Fund is audited by Ernst and Young LLP who received a fee of £0.040m (£0.027m in 2020/21) for carrying out this audit, they received no additional income (£0.000m in 2020/21) in respect of producing letters of assurance for auditors of other employers which need pension information for their own final accounts. These fees are included in the Administration and Oversight and Governance Cost lines in note 9.

At the end of 2021/22 the final fee for completing the audit for this year is subject to referral to the body responsible for setting audit fees for local government pension funds for adjustment as agreement has not been reached on between the Fund and Ernst and Young LLP on additional charges being levied by them.



## Section 7 – Tyne and Wear Pension Fund Statements

### 27. Policy documents

The Pension Fund has a number of key policy documents that outline the framework within which the fund operates, all of which can be found on the Funds website [www.twpf.info](http://www.twpf.info) under Fund's Plans and Policies. These include:

#### Investment Strategy Section

- Investment Strategy Statement
- Corporate Governance Policy
- Governance Compliance Statement

#### Funding Strategy Section

- Funding Strategy Statement

#### Pension Service Section

- The Pension Service Plan
- Communications Policy

#### Pensions Administration Section

- The Pensions Administration Strategy
- The Fund's Discretions within the Local Government Pension Scheme

### 28. Investment Performance

Over the year, there was a wide dispersion of returns across investment markets. The Infrastructure market was the strongest performer and returned 21.5% during the year. This was followed by Europe equities which were up by 10.9% and Private Debt which rose by 7.5%. At the other extreme, UK gilts fell by 30.4% and UK Property was down by 13.8%.

In this volatile environment the Fund's diversified investment structure produced a total return in 2022/23 of -1.5% (after adjusting for all fees and expenses), which was 1.2% below its benchmark return of -0.3%. Inflation as measured by the Consumer Prices Index (CPI), was up by 10.1% over the year.

Pension fund returns are generally assessed over at least five year periods in order to avoid taking too short term a view of investment performance. The Fund's five-year return of 6.4% per annum (after fees and expenses), is above the benchmark return of 5.5% per annum. This is above CPI at 4.2% per annum.

The Fund's ten-year return is 7.7% per annum (after fees and expenses), which is also above the benchmark return of 6.8% per annum. This is above CPI at 2.8% per annum.

## **Section 7 – Tyne and Wear Pension Fund Statements**

### **29. Taxation**

#### **UK Tax**

The Fund is an exempt approved fund and is not liable to income tax or capital gains tax. It is not registered separately from the Council for VAT and therefore can recover its input tax.

All investment income in the accounts has been shown gross of UK income tax and the non-recoverable element has been shown as an expense.

#### **Overseas Tax**

The Fund is subject to withholding tax in certain overseas countries. In all such cases, the investment income has been grossed up and non-recoverable tax has been shown as an expense.

### **30. Events after the Accounting Date**

There were no events after the accounting date that may have needed to be included within the accounts of the Fund.

## Section 8 – Glossary of Financial Terms

### Glossary of Financial Terms

To assist readers, some of the technical terms referred to in the Financial Statements are shown below with a brief description of what they mean.

#### 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.

#### Accruals

The concept that income and expenditure are taken into account as they are earned or incurred, not when money is actually received or paid. Accrual accounting covers both revenue and capital transactions.

#### Actuarial Gains or Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.

#### Asset

Something an organisation owns e.g. land or buildings, cash and debtors or has beneficial use of.

#### Assets Held for Sale or Disposal

Non-current assets such as property actively marketed for disposal and expected to be sold or disposed of within 12 months of the reporting period.

#### Associates

An entity in which the Council has an interest on a long term basis and is jointly controlled with one or more other entities under a contractual or other binding arrangement. Voting is based on a majority decision rather than a unanimous decision.

#### Balance Sheet

A primary financial statement reporting the assets and liabilities of an organisation at a given date.

#### Budgets

A statement of the Council's forecast expenditure, that is, net income and expenditure for the year.

#### Capital Accounting

Ensures that a charge is made to each service to represent the cost of using non-current assets.

#### Capital Expenditure

Spending resulting in the addition or enhancement of a long term asset such as property, plant and equipment, heritage and intangible assets. Other types of expenditure can be capitalised but only with the express permission of the Secretary of State.

The **Capital Adjustment Account** shows the effect of statutory departures from the Code including the financing of capital expenditure from external sources and the impact of

## Section 8 – Glossary of Financial Terms

depreciation, impairments, amortisations and revaluation losses compared to the debt set aside provision, which the Council has to make.

### Capital Grants Receipts in Advance

Capital funding received but not applied at the Balance Sheet date. This funding has conditions attached meaning it will have to be repaid if not applied.

### Capital Receipts

Income generated by the disposal of non-current assets or classified under statute by the Secretary of State. Part of the monies received can be retained by the Council and used to finance capital expenditure or repay debt. The balance is paid over to Central Government.

### Cash Equivalents

An asset that can readily be turned into cash at short notice and with no penalty on its value held in the accounts.

### Cash Flow Statement

A primary statement reporting the movement in cash and cash equivalents of the Council during the reporting period.

### CIPFA

Chartered Institute of Public Finance and Accountancy the professional body governing how the Statement of Accounts should be prepared.

### Code of Practice (the Code)

The statutory basis on which the statement of accounts are prepared. The Code follows IFRS approved accounting standards and specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position.

### Collection Fund

Section 89 of the Local Government Finance Act 1988 requires each Council with the power to raise council tax bills (a billing authority) to maintain a Collection Fund. Council tax and non-domestic rates are held in this fund and it should be sufficient to cover expenditure relating to the precepts of the Fire and Police Authorities, the Governments share of non-domestic rates and the net expenditure of the billing authority.

### Collection Fund Adjustment Account

A statutory account to reflect the difference between the Collection Fund balance required for budgetary purposes and the actual amount of council tax and non-domestic rates income receivable.

### Community Assets

These are assets that the Council intends to hold in perpetuity, which have no finite useful life and may have restrictions on their disposal. Examples include parks and cemeteries.

### Component Accounting

If an item of property, plant and equipment comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes, as if each component was a separate asset.

## Section 8 – Glossary of Financial Terms

### Comprehensive Income and Expenditure Statement (CIES)

A primary statement showing the accounting cost in year of providing services rather than the amount to be funded from taxation. This statement includes changes in revaluation surplus, actuarial gains and losses on defined pension schemes and the gains and losses on re-measuring financial assets.

### Consistency

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

### Contingent Asset

A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Council's control.

### Contingent Liability

A contingent liability is either (i) 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 Council's control, or (ii) a present obligation from past events where it is not possible that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### Coronavirus disease (Covid-19)

Coronaviruses are a group of related viruses that cause respiratory tract infections in mammals and birds. In 2019 a new strain of this contagious disease was discovered which was named Covid-19. It has since spread worldwide leading to an on-going pandemic.

### Corporate and Democratic Core

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

### Corporate Governance

The system by which audited bodies are directed and controlled.

### Council Tax

The Local Government Finance Act 1992 introduced council tax with effect from 1 April 1993 and is based upon property values. There are eight valuation bands for chargeable dwellings ranging from band "A" (the lowest valued properties) to band "H" (the highest valued properties). The Council levies the tax based upon band D properties; the actual charge will be dependent upon the banding of the individual dwelling – i.e. those properties in bands A to C will pay less council tax whilst those in bands E to H will pay more.

### Creditors

Amounts owed by the Council for goods and services provided where payment has not been made by the Balance Sheet date.

### Current Service Cost (Pensions)

This is the actuarial estimate of the present value of full pension benefits earned by current employees in the year under review.

## Section 8 – Glossary of Financial Terms

### Current Value

The valuation assigned to operational property, plant and equipment so that measurement is based on service potential rather than fair value.

### Curtailment

For a defined benefit pension scheme this is an event that reduces the expected years of future service of present employees or reduces for some employees the accrual of defined benefits for some or all of their future service. Examples including termination of employees service through redundancy or amendment of their terms affecting the future benefits.

### Debt Set Aside

The amount of money the Council has set aside to support the repayment of debt. This is in line with the policy adopted by the Council as part of its MTFP.

### Debtors

Sums of money due to the Council but not received by the Balance Sheet date.

### Defined Benefit and Defined Contribution Pension Schemes

A defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or 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 the employees benefits relating to employee service in the current or prior periods. A defined benefit scheme is a pension or retirement benefit scheme other than a defined contribution scheme.

### Defined Benefit Obligation

Represents the amount of pension payments still to be paid out at the Balance Sheet date as assessed by a qualified actuary.

### Depreciation

A method of measuring the wearing out (consumption) of a non-current asset during its useful life.

### Earmarked Reserves

Amounts set aside by the Council to meet future financial liabilities.

### Emoluments

Payments received in cash and benefits for employment.

### Employee Benefits Adjustment Account

Absorbs the differences that would otherwise arise on the general fund balance as a result of accruing for benefits earned but not taken in the year.

### Existing Use Value – Social Housing

This is a vacant possession valuation of the Council dwellings adjusted to reflect the continuing occupation by a secure tenant. A further adjustment is made to reflect the difference between open market rented property and social rented property.

### Expected Credit Loss

A reduction in value of financial instruments resulting from an assessment of the non-recoverability of that instrument.

## Section 8 – Glossary of Financial Terms

### **Expenditure and Funding Analysis**

A statement that reconciles the Council's financial performance based on the General Fund to the Surplus and Deficit on the Provision of Services.

### **Fair Value**

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

### **Fair Value through Other Comprehensive Income (FVOCI)**

A category of financial assets whereby any profit or loss is not recognised in the net cost of services until that instrument is sold or otherwise disposed of.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards incidental to ownership of a non-current asset. Title may or may not eventually be transferred. The payments usually cover the full cost of the asset together with a return for the cost of finance.

### **Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

### **Financial Instruments Adjustment Account**

Records the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance.

### **Financial Statements**

A wider commentary on the financial position of the Council. The financial statements incorporate the statement of accounts but also include a narrative statement and an annual governance statement.

### **Fund of Funds**

A type of investment involving the investment in a fund which itself invests in other funds.

### **General Fund**

Expenditure and income relating to the services provided by the Council but excluding Housing Revenue Account activities.

### **Going Concern**

An assumption that the Council will continue in operational existence for the foreseeable future.

### **Heritage Assets**

A non-current asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Homes England**

The national housing and regeneration delivery agency for England, enabling local authorities and communities to meet the ambition they have for their areas.

## Section 8 – Glossary of Financial Terms

### **Housing Revenue Account (HRA)**

The provision, management and maintenance of Council house accommodation is required by law to be accounted for separately in a Housing Revenue Account. The account records the net cost after specific Government subsidy that needs to be met by Council tenants. In general, the Council cannot transfer sums between the General Fund and the HRA.

### **International Financial Reporting Standards (IFRS)**

The nationally recognised set of accounting standards agreed by the Accounting Standards Board. These represent the accounting treatment to be followed by all commercial organisations in the United Kingdom when preparing their accounts. Council accounts are expected to accord with IFRS except where the Government considers their principles to be inappropriate or considers others to be more appropriate to Local Government accounting and reporting.

### **Inventories**

Assets accounted for as they are released for use rather than when they are purchased.

### **Impairment**

A reduction in value of a non-current asset resulting from causes such as obsolescence and physical damage.

### **Infrastructure Assets**

These are assets, expenditure on which is recoverable only by continued use of the asset created, examples being highways and footpaths.

### **Intangible Assets**

These are assets that do not have a physical form e.g. computer software.

### **Investment Properties**

This is land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arm's length.

### **Levies**

Like precepts these are sums paid to other bodies. However instead of being charged to the Collection Fund, as with precepting bodies, the costs are shown in the Comprehensive Income and Expenditure Statement. The bodies that charge a levy on the Council are the North-East Combined Transport Authority and Environment Agency.

### **Liability**

A financial obligation, any debt or money owed by the Council.

### **Lifecycle Costs**

Incurred in PFI contracts these represent the cost of an asset, or its part throughout its cycle life, while fulfilling the performance requirements under the contract.

### **Major Repairs Reserve**

Capital resources unspent by the Housing Revenue Account at the Balance Sheet date. By statute this reserve can only be used to fund future capital expenditure on HRA assets.



## Section 8 – Glossary of Financial Terms

### **Materiality**

An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

### **Medium Term Financial Planning (MTFP)**

The process of identifying and aligning service pressure, corporate priorities and objectives as well as available resources over the medium term (5 years) and budgeting accordingly.

### **Money Market Funds**

Mutual funds that invest in a diversified portfolio of short term, high quality debt instruments.

### **Movement in Reserves Statement**

A primary financial statement showing the movement in year on the different reserves held by the Council. It shows the true economic cost of providing the Councils services.

### **Net Book Value**

The amount at which non-current assets are included in the Balance Sheet being the historical cost or current value less the cumulative amounts provided for depreciation and impairment.

### **Net Interest on Defined Benefit Obligation**

The expected increase in the year in the present value of the defined benefit obligation as the benefits are one year closer to settlement less an actuarially calculated estimate of the return on the pension scheme's investment assets during the year.

### **Non-Current Assets**

Assets that yield benefits to the Council and the services that it provides for a period of more than one year. Examples include property, plant and equipment, land and vehicles.

### **Non-Distributed Costs**

These are overheads for which no user benefits, and accordingly are not apportioned to services expenditure.

### **Non-Domestic Rates (NDR)**

Non-domestic properties must pay these rates and are based upon property valuations, as undertaken by the District Valuer, and a nationally set multiplier figure.

### **Operating Leases**

Leases other than a finance lease.

### **Pension Reserve**

The amount set aside to offset the IAS 19 defined benefit obligation.

### **Post Balance Sheet Events**

Those events occurring between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Director Business and Resources.

### **Precept**

In the calculation of the council tax and non-domestic rates for a particular year, precepts levied by appropriate bodies must be accounted for. In the case of this Council, the precepting bodies are Northumbria Police Authority, Tyne and Wear Fire and Civic Defence Authority and the

## Section 8 – Glossary of Financial Terms

Council itself who all charge the Collection Fund with the estimated sums required to cover their net expenditure, in part or in entirety.

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

A method of purchasing assets and services over a longer term period, usually 25 years. The financial risks involved are usually shared between the Council and the PFI operator.

### **Provisions**

Provisions are required for any losses that are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise.

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

A Government financed body that makes long term money available to Local Authorities who are able to borrow a proportion of their requirements to finance capital spending from this source.

### **Related Party Transactions**

Financial statements must contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them. Most related parties (i.e. precepting bodies, pension funds etc.) already have separate disclosure requirements; the main exception being members and chief officers.

### **Reserves**

Amounts falling outside the definition of provisions are considered as reserves. Expenditure is not charged direct to any reserve. Reserves can be usable or unusable.

### **Revaluation Reserves**

Records the accumulated gains on non-current assets held by the Council from increases in value.

### **Revenue Balances**

An expression usually referring to the accumulated surplus on the General Fund. They can be used to avoid borrowing, pay bills in the early part of the year before income is received or to reduce the council tax charge.

### **Revenue Expenditure**

Money spent on the day-to-day running costs of providing the various services. It is usually of a constantly recurring nature and produces no permanent asset.

### **Revenue Expenditure funded from Capital under Statute**

Represents items of expenditure which are not, by definition, capital but where the Council has statutory powers to treat and fund as capital expenditure.

### **Revenue Support Grant**

A government grant in aid of Council services generally. It is based upon the Government assessment of how much a Council needs to spend.

## **Section 8 – Glossary of Financial Terms**

### **Segment**

The service lines making up the cost of services in the Comprehensive Income and Expenditure Statement that equate to the Heads of Service or Corporate Leads within the Council's management structure of responsibilities.

### **Settlements**

Occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the pension benefits provided under a defined benefit plan. Examples include schools transferring to academy status.

### **Specific Government Grants**

Funding provided by Central Government to aid particular services or projects administered by local authorities.

### **Statement of Accounts**

Made up of all the primary statements, the notes to the accounts and the auditor's report.

### **Subsidiary**

An entity where the Council has 51% or more ownership or control.

### **Taxation and Non-Specific Grant Income**

Primarily for recording revenue grants received by the Council but not for any specific purpose and capital grants received in respect of funding for the capital programme.

### **Trust Funds**

Funds administered by the Council on behalf of charitable or specific organisations.

### **Unusable Reserves**

Reserves created to hold the differences between accounting for Income and Expenditure under IFRS and the statutory regime governing what can and cannot be charged against usable reserves.

### **Usable Reserves**

Amounts that can be applied to fund expenditure or reduce local taxation.

### **Useful Economic Life**

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

**South Tyneside Council and Tyne and Wear Pension Fund**  
**Annual Governance Statement 2022/23**



**Annual Governance Statement 2022/23**



## Section 1: Introduction

1. Our South Tyneside - a place where people live happy, healthy, and fulfilled lives is our refreshed 20-year vision which was agreed during 2022/23. To help us deliver this we have set out five 'Ambitions' that we want to achieve. We want all people in South Tyneside to be financially secure, healthy and well, connected to jobs and part of strong communities and we are committed to targeting support to make things fairer.
2. Our South Tyneside and these ambitions guide everything we do as a Council. However, if we are to be successful we must have effective governance arrangements in place. This means effective leadership, clear direction, open and transparent decision-making and being held accountable by the people of South Tyneside and all our other stakeholders.
3. Robust governance arrangements will ensure that we are resilient, we adapt and embrace change and deliver what we say we will deliver. We do this in a controlled way through identifying, understanding and assessing risks which allows us to put in place the right actions to mitigate or withstand these risks.
4. This Annual Governance Statement, which is published alongside our financial statements, provides an overview of our governance arrangements, how these arrangements are operating and allows us to demonstrate to our communities and wider stakeholders that the Council is run well. It also sets out how these arrangements are reviewed annually to ensure they remain effective.
5. This statement does not focus just on what we do well but also identifies areas where we know we need to improve and includes those improvements we feel are significant in respect of delivering Our South Tyneside and the 5 Ambitions.
6. Our annual review of governance arrangements is overseen by the Governance Board (now CLT Audit and Risk) which includes the Director of Governance and Corporate Affairs (also Monitoring Officer and Data Protection Officer), Director of Business and Resources (also S151 Officer), the Assurance and Risk Manager (Chief Internal Auditor) and representatives from Legal and Governance, Performance and Change Management and Human Resources and Organisational Development.

## Section 2: Scope of responsibility

7. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
8. We recognise our responsibilities for ensuring that our business is conducted in accordance with the law and proper standards, ensuring public money is safeguarded and properly accounted for, and we achieve value for money through economic, efficient and effective use of this money. We also have a

duty to make arrangements to secure continuous improvement in the way in which we exercise our functions having regard to value for money.

9. In discharging these responsibilities, full Council, Cabinet, Corporate Leadership Team, including Statutory Officers, and senior officers are responsible for putting in place proper arrangements which make up our Governance Framework. These proper arrangements include:
  - (i) the governance of our affairs;
  - (ii) the stewardship of the resources at our disposal;
  - (iii) facilitating the effective exercise of our functions and ensuring these include arrangements for managing risk.
10. In respect of (i) we have approved and adopted a Code of Corporate Governance which is consistent with the principles and requirements of the CIPFA/SOLACE framework for “Delivering Good Governance in Local Government”.

### Section 3: Purpose of the Governance Framework

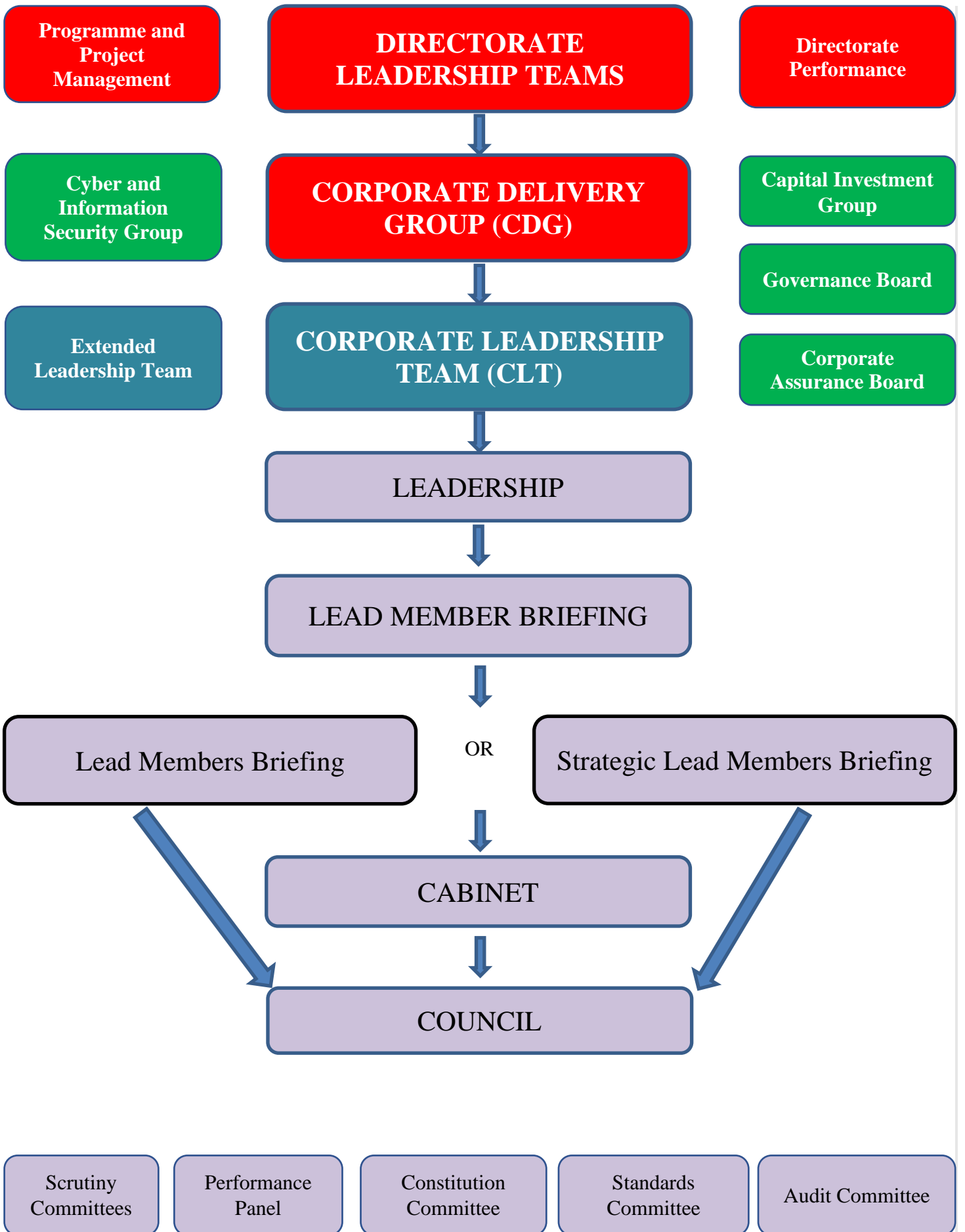
11. The governance framework comprises the systems, processes, culture and values by which we direct and control our activities and through which we account to, engage with and lead our community. It enables us to monitor the achievement of our strategic objectives and to consider whether these lead to the delivery of appropriate, cost-effective services.
12. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. The system of internal control cannot eliminate all risks which may prevent us from achieving our ambitions and priorities and, as such, it can provide only reasonable and not absolute assurance of effectiveness.
13. This system of internal control changes as required in response to internal and external factors and reflects an ongoing process which is designed to:
  - (i) Identify and prioritise risks to the achievement of Our South Tyneside and our ambitions; and
  - (ii) Assess and evaluate the likelihood of risks / opportunities being realised and the impact if they are realised; and
  - (iii) Put in place appropriate actions to mitigate and manage these risks in a way which represents value for money.
14. The governance framework has been in place throughout the financial year ending 31 March 2023 and up to the date of approval of the Statement of Accounts for 2022/23.

15. This Annual Governance Statement meets the requirements of the Accounts and Audit (England) Regulations 2015 (6) (1) to conduct a review of the effectiveness of the system of internal control required by Regulation 3, which requires the AGS to be prepared in accordance with proper practices in relation to the accounts.

#### **Section 4: Overview of governance arrangements**

16. We have 54 Councillors who are democratically accountable to residents of the Borough. The Leader, Councillor Tracey Dixon, has appointed a Cabinet which is the Executive decision-making body for the Council and is held to account by full Borough Council through scrutiny committees established to question decisions and to propose policy changes where appropriate.
17. The Chief Executive, Jonathan Tew, has established a senior management structure which provides stability across our statutory roles and provides rigour in our strategic planning and assurance frameworks around vulnerable people and governance. Our services are now delivered through 6 directorates, i.e. Business and Resources, Adult Social Care and Commissioning, Childrens Services, Public Health, Governance and Corporate Affairs and Regeneration and Environment.
18. Our strategic governance arrangements have been reviewed, developed and strengthened throughout 2022/23 with these being embedded as we move into 2023/24. For the purposes of this statement an overview of the overarching governance arrangements at Member, strategic and operational levels and the associated monitoring arrangements operating within 2022/23 (the period covered by this statement) are illustrated in the diagram on the next page followed by a brief description of activity at each level.

Key:





# Section 9 – Annual Governance Statement

## Operational Level Governance

### Directorate Leadership Teams

19. Each Directorate has their own Leadership Team meetings which meets regularly and focuses on day-to-day Council business that requires group managerial decision and monitors directorate-wide performance (including finances). In attendance will be the director and their direct reports alongside representatives from support and enabling services as necessary. These meetings are the starting point for any reports making their way through the Council report process whether it be Cabinet, Council or any other committee meeting as well as first point for any HR reports/proposals.

### Corporate Delivery Group (CDG)

20. Led by the Director of Business and Resources with representatives from Finance, Environment, Legal and Governance, HR, Democratic Services and from Adult Social Care, Commissioning and Childrens Services on a rotating basis. This group acts as a 'route finder' to keep the operational business of the council moving forward and is the 'sign off' meeting for any reports progressing to Cabinet, Council and HR Committee. This group gives the opportunity for all reports to be reviewed from a wider perspective and full group sign off before proceeding further.

## Strategic Level Governance

### Corporate Leadership Team (CLT)

21. This takes place weekly and includes the Chief Executive, each director and Corporate Lead - Performance and Change Management. CLT oversee strategic management of the Council and are part of key decision-making processes.
22. Minimum quarterly planning meeting between Corporate Leadership Team, Heads of Service and Corporate Leads to discuss key strategic and operational issues. It is a forum to consider, develop and shape how we take strategic matters forward, drive continuous improvement, delivery change programmes. It also provides a two-way forum for Heads of Service and Corporate Leads to disseminate key messages across the organisation.

## Monitoring Level Governance

### Governance Board (incorporated within a new CLT Audit and Risk Board for 2023/24)

23. Led by the Director of Governance and Corporate Affairs with representatives from Finance, Legal and Governance, Performance and Change Management, HR, Internal Audit and Risk and Information and Feedback. Governance Board seeks to join up our organisational frameworks and assist the Council in its ongoing oversight of the quality of governance across the organisation and to ensure that there are robust and effective governance processes in place.

### Cyber and Information Security Group (CISG)

24. This takes place bi-monthly and is chaired by the Director of Business and Resources with representatives from ICT & Digital, Internal Audit and Risk, Legal and Governance, Data

## Section 9 – Annual Governance Statement

Protection Officer and Information and Feedback. CISG takes place to advise the Council on how best to protect its information and information systems against threats.

### Capital Investment Group

25. This acts as the programme board for the 5-year capital investment budget. The group supports the annual refresh of the programme including funding, monitoring and delivery.

### Corporate Assurance Board (now split between a new CLT Performance Board and CLT Audit and Risk Board for 2023/24)

26. This takes place quarterly and is led by the Chief Executive and Directors with representation from Performance and Change Management and Internal Audit and Risk. The Board has provided strategic review of performance and risk management arrangements.

## Member Level Governance

### Leadership

27. This takes place fortnightly and includes the Leader, Deputy Leader, Chief Executive, Directors and officers who have a report to present. Leadership considers all reports progressing to Cabinet and Council as part of the decision-making process.

### Lead Member briefing

28. Directors and Heads of Service / Corporate Leads provide briefings to the relevant Lead Members around business within their portfolio. All reports progressing to Cabinet and Council are discussed with the relevant Lead Member.

### Lead Members Briefing (LMB) (now Political Cabinet under our refreshed arrangements for 2023/24)

29. This takes place 2 weeks before Cabinet to agree reports proceeding to Cabinet and/or Council. This meeting includes the Leader, Deputy Leader all Lead Members, along with the Chief Executive and Directors, Corporate Lead Legal and Governance and the relevant Head of Service presenting their reports.

### Strategic Lead Members Briefing (SLMB)

30. This takes place monthly, or at times throughout the year when needed. SLMB is designed to provide an opportunity for more in-depth discussions around reports progressing to Cabinet / Council, generally without making decisions. This meeting includes the Leader, Deputy Leader, all Lead Members, along with the Chief Executive and Directors and the relevant Head of Service presenting their reports.

### Cabinet

31. This takes place monthly in line with the Council diary. This meeting includes the Leader, Deputy Leader, all Lead Members, along with the Chief Executive, Directors and Corporate Lead Legal and Governance. Lead Members present reports to Cabinet and decisions are made thereon.

# Section 9 – Annual Governance Statement

## Council

32. This takes place in line with the Council diary. This meeting includes all 54 Members of the Council along with the Statutory Officers in attendance. Lead Members present reports to Council and decisions are made where this is required.

## Scrutiny Committees

33. We have 3 scrutiny committees which meet on a regular basis, i.e. Overview and Scrutiny Co-ordinating and Call In Committee, Place Select Committee and People Select Committee. Each Committee comprises 15 non-executive Members (non-Cabinet Members) with the Select Committees also having a community representative. Representatives from Outside Bodies are invited to meetings as appropriate.
34. The Committees review and / or scrutinise decisions made, or actions taken in connection with the discharge of any of the Council's executive functions and make recommendations to Full Council, Cabinet or any Joint Committee in connection with the discharge of these functions. Additionally, they advise on the development of the Budget and Policy Framework, question members of the Cabinet and/or Committees, Chief Executive, Directors and Senior Officers about their decisions, and review and consider reports on valid motions submitted and received by Full Council to assess action and progress.
35. Scrutiny allows members of the public greater opportunity to have a say on Council matters by taking part in scrutiny investigations. We are committed to undertaking a full review of scrutiny arrangements in 2023/24.

## Performance Panels

36. These meetings take place bi-monthly. Contract and Housing Performance Panels review performance and report direct to Cabinet and have the power to recommend urgent action.

## Constitution Committee

37. This meets at least twice a year but more often as required throughout the year and is the guardian of the Council's Constitution. It is responsible for making recommendations to amend the Constitution to reflect changes in regulations and governance practices and will also make recommendations to Full Council in respect of civic awards and recognition.

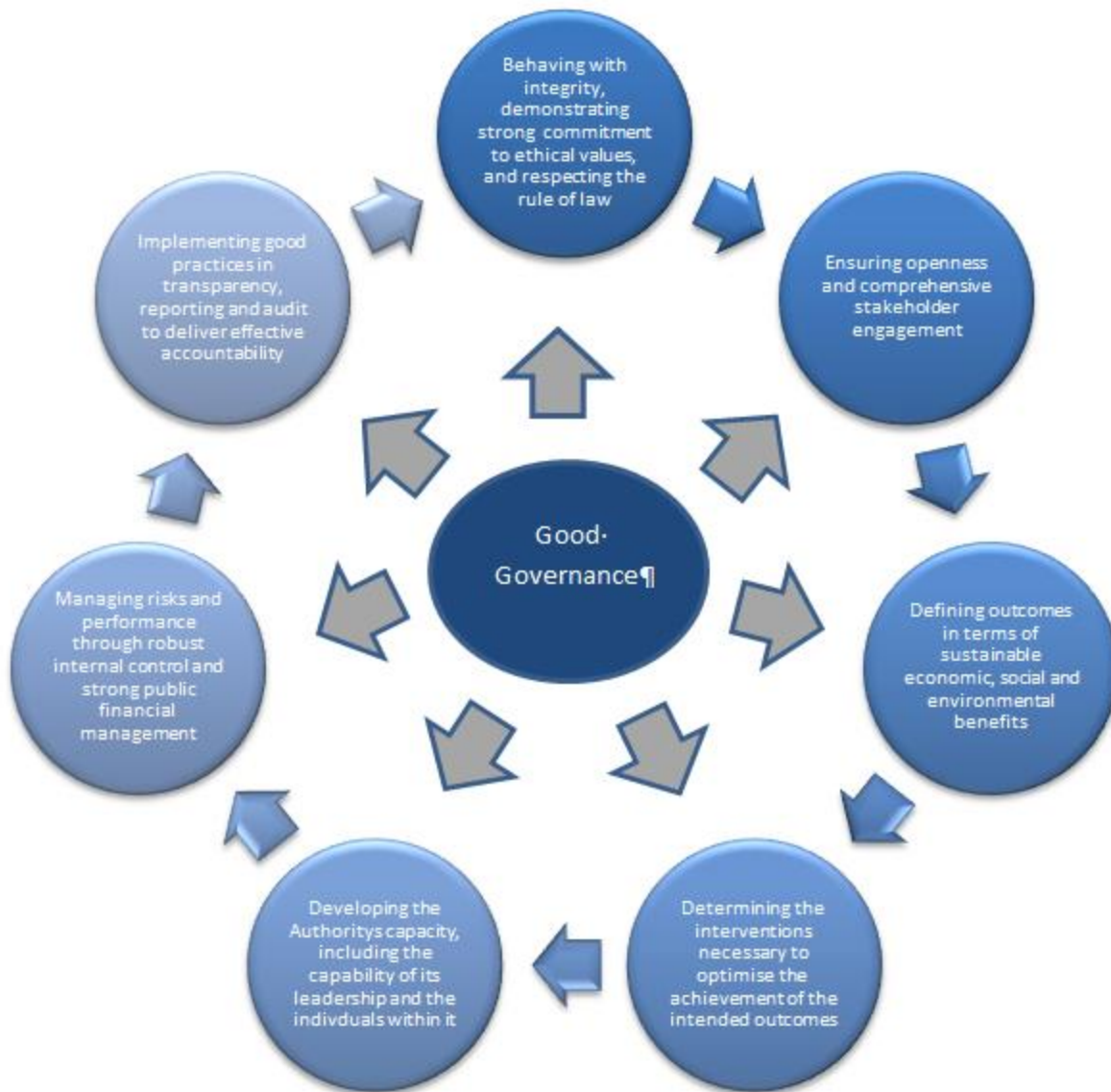
## Standards Committee

38. This meets quarterly and is responsible for the promotion and maintenance of high ethical standards within the Council including the Council's agreed 'PROUD values' to define what we stand for and the things that are most important in terms of how we work and act. They are also responsible for helping to secure adherence to the Members' Code of Conduct, monitoring its operation and dealing with allegations of non-compliance with the Code. This Committee has a co-opted, lay person as its Chair.

## Audit Committee

39. This meets quarterly and is an advisory committee to Council. Its purpose is to provide independent assurance to the Council on effectiveness of governance, risk management arrangements and the associated control environment, the effectiveness of the Council's financial

# Section 9 – Annual Governance Statement



performance and non-financial performance to assess the extent to which it exposes the Council to risk and weakens the control environment and to independently scrutinise, and to oversee the Council's financial reporting process. This Committee includes 2 co-opted, lay members who bring professional skills and experience in the areas covered by the Committee.

## Section 5: The Governance Framework

40. Our financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officers in Local Government (2010). CIPFA/SOLACE published 'Delivering Good Governance in Local Government' in 2016 which sets out the fundamental principles of corporate governance as shown in the following diagram:
41. Underpinning these principles are key features that we need to have in place to demonstrate we comply with the framework. The core principles and outcomes of our Governance Framework are set out overleaf. This includes hyperlinks to sources of further information which includes more detail about how the Council demonstrates the core principle is achieved.

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of law		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
<ul style="list-style-type: none"> <li>• Effective leadership</li> <li>• Core values and putting these into <a href="#">practice</a></li> <li>• High standards of conduct</li> <li>• Clear roles and responsibilities</li> <li>• Effective member / officer working</li> </ul>	<ul style="list-style-type: none"> <li>• Our Vision and Our Ambitions tell us what we need to focus on to make the biggest difference to the lives of our residents.               <ul style="list-style-type: none"> <li>○ We want South Tyneside to be a place where people live happy, healthy, and fulfilled lives.</li> <li>○ We want all people in South Tyneside to be financially secure, <a href="#">healthy</a> and well, connected to jobs and part of strong communities.</li> <li>○ We are committed to targeting support to make things fairer.</li> </ul> </li> <li>• The Council Strategy sets out the actions we will be taking over the next three years to help us achieve our 20 Year Vision. For each of the five 'Ambitions' we have identified clear Priorities and a detailed action Plan over the next three years.</li> <li>• Our Medium-Term Financial Plan aligns with our Vision and core 'Ambitions' for residents. It outlines how our energy and resources are focused on tackling the biggest and most fundamental societal issues facing residents, whilst continuing to deliver the hundreds of day-to-day services.</li> <li>• Our Values define what we stand for as an organisation and the things that are most important in terms of how we work and act. This has been developed from extensive engagement with a range of stakeholders and is being embedded through development sessions, <a href="#">events</a> and revised personal annual review approaches to support staff. We are PROUD.</li> <li>• The Council's Constitution sets out in detail how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, <a href="#">transparent</a> and accountable to local people. This also ensure we have engaged and consulted appropriately.</li> </ul>	<p><a href="#">Vision, Ambitions and Strategy</a></p> <p><a href="#">2023 - 2028 Medium Term Financial Plan</a></p> <p><a href="#">Our Council Values and Behaviours</a></p> <p><a href="#">Council Constitution</a></p>

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of law		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
	<ul style="list-style-type: none"> <li>The Code of Conduct for Elected Members (Part E – Codes and Protocols, Section 2 of the Constitution) sets out general principles of conduct expected of all councillors and the specific obligations in relation to standards of conduct. This creates and maintains public confidence in councillors and the Council.</li> <li>If an Elected Member fails to comply with the requirements of the Code a complaint can be made through the 'Protocol for dealing with allegations of breaches of the Members' Code of Conduct' (Part E – Codes and Protocols, Section 3 of the Constitution). If there is evidence a <u>Member</u> has failed to comply with the Code after an investigation this is referred to Standards Committee where they will test the robustness of an investigation and decide if a breach has occurred, and where appropriate recommendations will be made to full council and any sanction imposed or recommended.</li> <li>All Members are required to register and declare any financial and other interests that could cause a conflict of interest or that could influence their actions as Elected Members of the Council. They must also declare interests when attending Council meetings, even if their interest is on the Register of Interests. A Register of Interests is held which records all personal interests and disclosable pecuniary interest.</li> <li>Members also register any gifts and hospitality received over the value of £25 and a Register of Gifts and Hospitality is maintained. All declarations are made to the Monitoring Officer and Standards Committee review the process and procedures annually.</li> <li>Our Employees Code of Conduct (Part E – Codes and Protocols, Section 10 of the Constitution) sets the standards of conduct expected of our employees.</li> </ul>	<p><a href="#">Council Constitution</a></p> <p><a href="#">Council Constitution</a></p> <p><a href="#">Declaring an interest at Council meetings</a></p> <p><a href="#">View councillors' declared interests</a></p> <p><a href="#">Councillors' declaration of gifts and hospitality</a></p> <p><a href="#">Council Constitution</a></p>



# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of law		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
	<ul style="list-style-type: none"> <li>• If the public have concerns about the conduct of employees our Complaints Procedure allows the public to make a complaint about a Council employee.</li> <li>• We have a zero-tolerance approach towards fraud and corruption. Our Counter Fraud Strategy sets out our arrangements for prevention, detection and reporting of suspected fraud and corruption.</li> <li>• We are committed to the highest possible standards of openness, probity and accountability. Integrity is one of our core values; this means we will do the right thing whatever the circumstances. We encourage our employees, contractors and partners who may have concerns about any aspect of the Council's work to come forward and voice those concerns to us through 'Speak Out' which is our whistleblowing policy.</li> <li>• Standards Committee (Part B, Article 12 of the Constitution) have specific responsibilities in relation to the Statutory Ethical Framework and our Local Ethical Framework.</li> <li>• A list of Proper Officers is held at Part C, Section 2 of the Constitution. These officers are the proper officers for all purposes relating to the functions for which they are specified to be responsible.</li> <li>• The Monitoring Officer, as defined within the list of Proper Officers, considers lawfulness and fairness of <u>decision-making</u> and provides advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues to all Councillors.</li> <li>• Access to Information Procedure Rules (Part D, Section 4 of the Constitution) sets out how we ensure effective working and decision making in giving</li> </ul>	<p><a href="#">Complaints Procedure</a></p> <p><a href="#">Anti fraud and corruption</a></p> <p><a href="#">Speak Out / Whistleblowing</a></p> <p><a href="#">Council Constitution</a></p> <p><a href="#">Council Constitution</a></p> <p><a href="#">Council Constitution</a></p> <p><a href="#">Council Constitution</a></p>

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of law		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
	<p>Members access to necessary information in a form which is accessible and in a timely manner.</p> <ul style="list-style-type: none"> <li>• Procurement Procedure Rules (Part D, Section 6 of the Constitution) set out how we achieve value for money, comply with legislation, manage risk of fraud and <u>corruption</u> and contribute towards achievement of Our Ambitions when choosing organisations to perform the works and supply of goods and services we need to carry out our duties and functions.</li> <li>• Employment Procedure Rules (Part D, Section 7 of the Constitution) set out arrangements for recruitment, appointment and dismissal of Chief Officers and Deputy Chief Officers, disciplinary action and dismissal of Heads of Paid Service, Monitoring <u>Officer</u> and Chief finance Officer.</li> <li>• Financial Procedure Rules (Part D, Section 8 of the Constitution) sets out the practices and procedures which underpin good financial management. Our arrangements comply with the Role of the Chief Finance Officer (CIPFA). The Monitoring Officer (Director of Governance and Corporate Affairs) advises on compliance with our policy framework, ensuring that decision making is lawful, <u>fair</u> and ethical.</li> <li>• Our Code of Corporate Governance comprises the systems, processes, <u>cultures</u> and values through which the Council directs and controls its functions, and through which it accounts to, engages with and, where appropriate leads communities.</li> <li>• We have a Member Induction Programme and Elected Member Development Programme which supports Members to embed and put our values into practice.</li> </ul>	<p><a href="#">Council Constitution</a></p> <p><a href="#">Council Constitution</a></p> <p><a href="#">Council Constitution</a></p> <p><a href="#">Code of Corporate Governance</a></p>
	<ul style="list-style-type: none"> <li>• We have a Corporate Induction Programme which supports new employees to embed and put our values into practice and ongoing training and development around Our Values for all officers.</li> </ul>	



# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 2: Ensuring openness and comprehensive stakeholder engagement		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
<ul style="list-style-type: none"> <li>• Consultation and engagement to inform evidence-based decision <a href="#">making</a></li> <li>• Robust scrutiny</li> <li>• Effective service delivery which reflects stakeholder needs</li> <li>• Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• We hold <a href="#">all</a> of our key baseline data and share through our Council strategy and service specific plans. This underpins our evidence-based decision-making to determine our objectives. Our South Tyneside report is designed to be a useful reference document for residents, staff, elected <a href="#">members</a> and partners to understand the composition of our borough and to help build the foundation for evidence-based decision-making. This report provides a snapshot of the latest data across a wide range of themes and indicators.</li> <li>• In developing our Vision and Ambitions we listened to our communities and reviewed the evidence to understand what we need to focus on.</li> <li>• We consulted on North-East devolution proposals in early 2023 where we asked residents, <a href="#">businesses</a> and other stakeholders to give their views on the proposed scheme.</li> <li>• We consulted extensively whilst developing Living Better Lives, the five-year strategy for adult social care and commissioning in South Tyneside, which has been co-produced with local partners, people working in social care, and people who need our care and support.</li> <li>• We consulted with residents, local and national interest groups, and service providers to shape a new Local Plan for South Tyneside. We have considered feedback and there will be further consultation around the plan as required.</li> <li>• We consulted with businesses in helping to shape the future for South Shields town centre through Our South Tyneside Conversation.</li> <li>• We publish a forward plan of all key decisions, <a href="#">i.e.</a> where the decision involves expenditure or savings over £250,000; or is significant in terms of its effects on communities living or working in an area comprising two or more electoral wards in South Tyneside.</li> </ul>	<p><a href="#">Our South Tyneside 2023</a></p> <p><a href="#">Vision, Ambitions and Strategy</a></p> <p><a href="#">North East devolution consultation</a></p> <p><a href="#">Living Better Lives 2022 to 2026</a></p> <p><a href="#">Local Plan consultation</a></p> <p><a href="#">Our South Tyneside Conversation</a></p> <p><a href="#">Key Decisions Plan documents</a></p>

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 2: Ensuring openness and comprehensive stakeholder engagement		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
	<ul style="list-style-type: none"> <li>• Council and other meetings are held in public wherever possible with agendas, reports and meeting minutes published online.</li> <li>• The Council has an Overview and Scrutiny Committee and two scrutiny sub-committees, i.e. People Select Committee and Place Select Committee which monitor decisions made by Cabinet and propose policy changes across all of the Council's operations. There are also four scrutiny performance panels, i.e. Contracts Performance Panel, Housing Performance Panel, Education and Skills Panel and Safeguarding Children and Adults Panel, that all support the scrutiny function that report into the People and Place Select Committees.</li> <li>• Community Area Forums (CAFs) discuss matters important to local people to provide a proactive service within local areas.</li> <li>• We constantly review how we are performing, especially in relation to what we plan to achieve as part of our vision and strategy. Our latest performance report was published in July 2023. This replaces our previous Annual Report and from January 2024 we will also produce an annual review of the 3-year strategy and progress against our five Ambitions.</li> <li>• We have Member Surgeries where residents can raise matters directly with their elected representatives.</li> <li>• We operate a Freedom of Information Scheme which allows every person the right to access information recorded and held by the Council subject to certain conditions and exemptions.</li> <li>• We publish information in line with the Local Government Transparency Code such as spending over £500 which includes all transactions undertaken using Government Procurement Cards.</li> </ul>	<p>All Council and committee meetings</p> <p>Overview and Scrutiny Committee</p> <p>Quarterly Performance Report - Quarter 4 2022 / 2023</p> <p>Freedom of Information</p> <p>Council spending over £500</p>
	<ul style="list-style-type: none"> <li>• We publish our accounts on an annual basis.</li> <li>• We have acted to address matters raised by the LGA Corporate Peer Challenge and communicate the outcomes of this.</li> </ul>	<p>Financial statements</p> <p>LGA Corporate Peer Challenge - Progress Review - October 2022</p>

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 3: Defining outcomes in terms of sustainable, economic, <u>social</u> and environmental benefits		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
<ul style="list-style-type: none"> <li>• Clear vision and strategy</li> <li>• Agreeing clear expected and measurable outcomes</li> <li>• Delivering quality services which benefit residents and <u>businesses</u></li> <li>• Partnership working</li> <li>• Value for money</li> </ul>	<ul style="list-style-type: none"> <li>• The Council Strategy identifies clear priorities and a detailed Action Plan for the next three years for each of our five Ambitions.</li> <li>• Our <u>Medium Term</u> Financial Plan ensures our financial planning is responsive to changing national and local factors, taking into account emerging risks and to protect our financial health and sets out the outcomes we have delivered and will continue to deliver for the residents and businesses of South Tyneside. It also includes our Capital and Investment Strategy which sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to risk, <u>reward</u> and impact on the achievement of priority outcomes. The Strategy sets out how stewardship, value for money, prudence, <u>sustainability</u> and affordability will be secured.</li> <li>• We hold all of our key baseline data within our Council <u>strategy</u> and this underpins our evidence-based decision-making to determine our objectives. We refer to this as Our South Tyneside.</li> <li>• Service Plans, which link directly to our Vision, Ambitions and Strategy and provide clear outcomes at service level, are in place for <u>all of</u> our services.</li> <li>• Our strengthened performance management framework identifies <u>outcomes</u> and we constantly review how we are performing. Our latest performance report was published in July 2023.</li> <li>• We have processes in place to identify and manage risks to the achievement of our outcomes. The Strategic Risk Register forms part of this process and risks are considered as part of all decision-making reports.</li> <li>• The Council declared a climate change emergency in July <u>2019</u> and we are implementing strategies that will bring about real change and deliver positive</li> </ul>	<p><a href="#">Vision, Ambitions and Strategy</a></p> <p><a href="#">2023 - 2028 Medium Term Financial Plan</a></p> <p>Our South Tyneside 2023</p> <p><a href="#">Quarterly Performance Report - Quarter 4 2022 / 2023</a></p> <p><a href="#">Climate Change weblink</a></p>

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 3: Defining outcomes in terms of sustainable, economic, social and environmental benefits		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
	<p>outcomes, i.e. make the Council carbon neutral by 2030, move to cleaner, greener, renewable sources of energy and enhance our natural environment.</p> <ul style="list-style-type: none"> <li>• Sustainable South Tyneside 2020-2025 is the Council's climate change strategy and five-year action plan, which covers 11 key themes to bring about carbon neutrality for the Council. An annual report on progress is published with the last report done in in July 2022)</li> <li>• Our bold and ambitious Economic Recovery Plan includes a focus on the climate change emergency.</li> <li>• Through our work as a partner in the North-East Combined Authority (NECA) we access transport and skills funding which is critical in supporting a growing economy and workforce. NECA are also the accountable body for the <a href="#">North East</a> Local Enterprise Partnership who work in partnership to produce and deliver the Strategic Economic Plan for the North East.</li> <li>• Through South Tyneside Partnership we have a positive track record for partnership working in South Tyneside and are determined to build on this to further improve outcomes for residents.</li> <li>• Our Procurement Strategy sets out how we will work collaboratively with suppliers, partners and other public bodies to implement efficient, innovative and cost-effective procurement that delivers value for money and supports our aims to drive broader economic, social and environmental outcomes for its local residents through Social Value "our inclusive growth".</li> </ul>	<p><a href="#">Sustainable South Tyneside Annual Update Report</a></p> <p><a href="#">Economic Recovery Plan</a></p> <p><a href="#">North East Combined Authority</a></p> <p><a href="#">South Tyneside Partnership</a></p> <p><a href="#">Procurement Strategy 2021 - 2024</a></p>

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
<ul style="list-style-type: none"> <li>• Transparent and evidence-based decision making</li> <li>• Effective risk management</li> <li>• Constructive scrutiny listened to and acted upon</li> <li>• Effective monitoring of performance</li> </ul>	<ul style="list-style-type: none"> <li>• We hold <u>all of</u> our key baseline data and share through our Council strategy and service specific plans.</li> <li>• Our Medium-Term Financial Plan sets out the financial challenges we face and identifies key interventions to support delivery of intended outcomes. Our resources are continually aligned to agree priorities determined through consultation and engagement and reflected in the Council strategy.</li> <li>• The principle of co-production is embedded within key strategies such as the Health and Wellbeing Strategy and Living Better Lives Strategy</li> <li>• Our risk management framework helps us to identify, assess and manage risks to the achievement of our outcomes and to inform decision-making. Strategic risks are owned by Corporate Leadership Team or a designated senior officer. Strategic risks were reviewed quarterly throughout 2022/23 by Corporate Assurance Board, Governance Board and Audit Committee.</li> <li>• Our key decision process requires officers to consider the implications of proposals on finance and resources, legal and governance matters, equality, <u>diversity</u> and community matters and environmental and sustainability matters and also to consider key risks and confirm any consultation and engagement undertaken. This process ensures the interventions within the proposals optimise achievement of the intended outcomes.</li> <li>• Our key decision process includes robust review and challenge throughout, including by officers through Leadership Teams and Corporate Delivery Group and Members through Lead Member briefing, Cabinet, Council etc.</li> <li>• Overview and Scrutiny Committee approves an annual overview and scrutiny programme for the Council's "People" and "Place" Select Committees and</li> </ul>	<p><a href="#">2023 - 2028 Medium Term Financial Plan</a></p> <p><a href="#">Health and Wellbeing Strategy</a></p> <p><a href="#">Living Better Lives 2022 to 2026</a></p> <p><a href="#">Key Decisions Plan documents</a></p> <p><a href="#">Overview and Scrutiny Committee</a></p>
	<p>manages the process. It also operates as the Council's "call-in" committee for all called-in decisions in accordance with the Scrutiny Procedure Rules.</p> <ul style="list-style-type: none"> <li>• Our performance management framework reviews how we are performing in terms of delivering intended outcomes and allows us to determine where further interventions are needed. Our latest performance report was published in July 2023.</li> <li>• Our Governance Board and Corporate Assurance Board operated throughout 2022/23 and are our key officer groups which considers governance and assurance matters. The groups determine improvements to governance arrangements, <u>review</u> and challenge performance, review the strategic risk register etc. A key role is to challenge senior officers around the interventions they are putting in place to ensure intended outcomes are delivered.</li> </ul>	<p><a href="#">Quarterly Performance Report - Quarter 4 2022 / 2023</a></p>



# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 5: Developing the Authority’s capacity, including the capability of its leadership and the individuals within it		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
<ul style="list-style-type: none"> <li>• Effective leadership across the Council</li> <li>• Effective performance management for members and officers</li> <li>• Effective development of employees and leaders</li> <li>• Effective succession Planning</li> </ul>	<ul style="list-style-type: none"> <li>• Our Council ‘Values’ are deeply ingrained principles at the heart of our workplace culture and guide all that we do, individually and collectively. We are PROUD and we are proud to make a difference.</li> <li>• Our job descriptions set out clear roles and responsibilities for all employees.</li> <li>• We have a formal induction programme for all new employees and Elected Members which introduces them to the Council and the learning and development opportunities available to them.</li> <li>• We have an Elected Member development and training programme which supports Members to embed and put our values into practice.</li> <li>• Our Council Check-in and Annual Review conversations provide dedicated time to discuss and consider, amongst other things, <a href="#">training</a> and development opportunities. This process will increase morale, motivation, <a href="#">wellbeing</a> and engagement.</li> <li>• ‘Our Council’ Learning and Development Programme gives all employees access to a range of modules and qualifications which will help to support their professional and personal development as they need it. As part of this we offer a programme for aspiring managers and leaders and have a Leadership and Management Model.</li> <li>• We have a Managers Toolkit for workforce planning and talent management and all managers consider this within their service planning processes.</li> <li>• ‘Our Council’ Change Programme includes a comprehensive Organisational Development programme aimed at future proofing the organisation and facilitating culture change through leadership development, learning, support,</li> </ul>	<p><a href="#">Our Council Values and Behaviours</a></p> <p><a href="#">‘Our Council’ Change Programme</a></p>
	<p>and wellbeing offers for all employees and elected members. It also includes developing more capacity to support how we need to work as a Council.</p> <ul style="list-style-type: none"> <li>• Senior officers currently undertaking a comprehensive development programme which is externally supported.</li> <li>• We have our Employee Wellbeing Strategy which puts employee physical, mental, and social health high on our agenda and sets out the ways in which we can further strengthen and support our workforce, to ensure that we empower them to continuously look after their own health and wellbeing.</li> <li>• Our dedicated Occupational Health service provides access to services such as counselling and physiotherapy to support our employee when they need it.</li> <li>• Our agile working policy supports equality, <a href="#">diversity</a> and inclusion in the workforce. We have also established <a href="#">a number of</a> collaborative staff groups to provide covering carers, LGBTQIA, BAME etc to assist staff to feel supported at work.</li> <li>• We completed an Employee Wellbeing Survey during 2022/23 which provided a broadly positive and improving picture from the survey undertaken a year previously. 90% of respondents saying the Council is a great place to work (70% in previous survey), 89% feeling a sense of achievement for the work they do (74% in previous survey), and 95% feeling trusted to get on with their job (86% in previous survey).</li> <li>• Our Modern Workplace Programme, underpinned by the planned adoption of new digital tools to support collaborative, efficient and flexible working, has made progress during 2022/23 and we have an established network of champions to promote and embed the outcomes being delivered by the programme.</li> <li>• Our Apprenticeship strategy sets out our plans to expand apprenticeship numbers within the Council and upskill employees <a href="#">in order to</a> support recruitment and retention developing a more flexible and resilient workforce</li> </ul>	

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 6: Managing risks and performance through robust internal control and strong public financial management		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
<ul style="list-style-type: none"> <li>• Effective Risk Management</li> <li>• Effective performance management</li> <li>• Sound internal controls</li> <li>• Unqualified audit opinion</li> <li>• Value for money</li> <li>• Maximising opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Our risk management framework helps us to identify, assess and manage risks to the achievement of our outcomes and to inform decision-making. Strategic risks are owned by Corporate Leadership Team or a designated senior officer. Strategic risks were reviewed quarterly throughout 2022/23 by Corporate Assurance Board, Governance Board and Audit Committee.</li> <li>• Operational risk management takes place within service areas and is also considered within service plans.</li> <li>• Our Audit Committee is an advisory committee to the Council and provides independent assurance on the adequacy and effectiveness of risk management arrangements, the internal control environment, financial reporting and our annual governance processes.</li> <li>• Audit Committee approve an annual Internal Audit Plan which reflects our risks and focusses internal audit resources on providing assurances on the efficiency and effectiveness of our arrangements in respect of governance, risk management and internal control in the areas reviewed.</li> <li>• Audit Committee receive an annual assessment from Internal Audit on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. For 2022/23 that opinion was 'there is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved'.</li> <li>• We have robust financial governance processes in place and monitor budgets with costs pressures and savings factored into budgets and have a track record of delivering savings. During 2022/23 the Council faced significant financial pressures 2022/23 relating to persistently high levels of inflation</li> </ul>	<p><a href="#">Audit Committee</a></p>
	<p>across all areas and utilities cost but effective and prudent financial and demand management was able to mitigate and minimise this as much as possible with net spend £2.715m greater than budget. This is the first time in many years that we have exceeded budget.</p> <ul style="list-style-type: none"> <li>• Cabinet and Audit Committee receive regular budget monitoring updates from the Director of Business and Resources with the last report to Cabinet in July 2023 providing the outturn for 2022/23.</li> <li>• Our Medium-Term Financial Plan sets out the financial challenges we face and identifies how we will manage these over the course of the plan.</li> <li>• We have a proven track record of achieving an unqualified audit opinion on our financial statements from our external auditors and publish our accounts on our website.</li> <li>• We have a health and safety governance framework is in place with senior officers and trade unions attending directorate health and safety meetings to robustly review incident, <a href="#">accident</a> and near-miss reporting. Health and safety matters are also discussed at Workforce Consultative Forum which includes Elected Members and trade union representatives as well as a cross organisation security group which considers common themes.</li> <li>• We monitor performance at all levels across the Council. Services manage performance through their service planning process and each Directorate Leadership Team now conducts dedicated meetings to review performance. Corporate Assurance Board has provided review and challenge of performance throughout the year and performance is also reported to Cabinet. Our latest performance report was published in July 2023.</li> <li>• Overview and Scrutiny Committee approves an annual overview and scrutiny programme for the Council's "People" and "Place" Select Committees and manages the process. It also operates as the Council's "call-in" committee for all called-in decisions in accordance with the Scrutiny Procedure Rules.</li> </ul>	<p><a href="#">Cabinet - July 2023</a></p> <p><a href="#">2023 - 2028 Medium Term Financial Plan</a></p> <p><a href="#">Financial statements</a></p> <p><a href="#">Quarterly Performance Report - Quarter 4 2022 / 2023</a></p> <p><a href="#">Overview and Scrutiny Committee</a></p>

# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

	<ul style="list-style-type: none"> <li>• Our Counter Fraud Strategy sets out our arrangements for prevention, detection and reporting of suspected fraud and corruption.</li> <li>• We encourage our employees, contractors and partners who may have concerns about any aspect of the Council's work to come forward and voice those concerns to us through 'Speak Out' which is our whistleblowing policy.</li> <li>• We have a designated Data Protection Officer and Deputy Data Protection Officer to oversee our data protection arrangements and ensure compliance with General Data Protection Regulations (GDPR).</li> <li>• We are reviewing and updating our existing information governance and data protection policies and procedures and have embarked on a project to enhance our existing arrangements and data sharing.</li> <li>• We have mandatory data protection and cyber security <u>e-learning</u> which all staff must complete. We also have dedicated training which is delivered to our Elected Members.</li> <li>• Governance Board, which includes the Senior Information Risk Owner and Data Protection Officer, considers the effectiveness of information governance <u>arrangements</u> and makes recommendations for improvement.</li> <li>• We understand the need to share data with partners and other agencies to deliver and / or enhance delivery of our services. We have data sharing agreements, data processing impacts assessments and privacy notices in place to support this.</li> </ul>	
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## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
<ul style="list-style-type: none"> <li>• Access to information</li> <li>• Transparency</li> <li>• Robust governance</li> <li>• Accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Much of our website is accessible and where it is not <u>accessible</u> we provide information upon request. We are fixing content which fails to meet the Web Content Accessibility Guidelines version 2.1 AA standard and are making sure any new content or digital services we build meet accessibility standards.</li> <li>• We publish significant amounts of information about the Council and our performance on our website.</li> <li>• We have our Freedom of Information Scheme which allows every person the right to access information recorded and held by the Council subject to certain conditions and exemptions.</li> <li>• We publish information in line with the Local Government Transparency Code such as spending over £500 which includes all transactions undertaken using Government Procurement Cards.</li> <li>• We produce an annual report detailing how we are performing. Our latest performance report was published in July 2023 and replaces our previous Annual Report. From January 2024 we will also produce an annual review of the 3-year strategy and progress against our five Ambitions.</li> <li>• We have acted to address matters raised by the LGA Corporate Peer Challenge and communicate the outcomes of this.</li> <li>• We publish our accounts on an annual basis and have a history of unqualified audit opinions from our external auditors.</li> <li>• We commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a review of our finance service as part of our commitment to continuously improve through the process of external</li> </ul>	<ul style="list-style-type: none"> <li>Council website</li> <li><u>Accessibility</u></li> <li>Freedom of Information</li> <li>Council spending over £500</li> <li>Quarterly Performance Report - Quarter 4 2022 / 2023</li> <li>LGA Corporate Peer Challenge - Progress Review - October 2022</li> <li>Financial statements</li> </ul>



# Section 9 – Annual Governance Statement

## OUR GOVERNANCE FRAMEWORK IN OPERATION

Core Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
What are we trying to achieve?	How do we demonstrate achievement?	Where can we see achievement?
	<p>challenge and adoption of best practice. An action plan was developed as a result and progress is reported to the Audit Committee each quarter.</p> <ul style="list-style-type: none"> <li>Internal Audit provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. For 2022/23 that opinion was 'there is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved'.</li> <li>The Council monitor the implementation of all recommendations made by internal and external auditors.</li> <li>The Chair of Audit Committee presented their annual report on the work of Audit Committee to full Council in November 2022.</li> <li>We publish external inspection reports.</li> <li>Section 6 of this Annual Governance Statement sets out how we have undertaken our annual review of governance and gained assurances around the arrangements in place.</li> </ul>	<p><a href="#">Council meeting - November 2022</a></p> <p><a href="#">Childrens Services - Ofsted</a></p>

## Section 6: Review of Governance Framework

42. As part of preparing this Annual Governance Statement we have undertaken an annual review of our governance framework and considered its effectiveness. This review was overseen by the Governance Board which includes all key officers with an understanding of governance arrangements operating across the Council.
43. The outcomes of this review of effectiveness are considered by Audit Committee as part of their role in approving this Annual Governance Statement (AGS). The approved AGS forms part of the financial statements for 2022/23 which will be reviewed and considered by General Purposes Committee.
44. Our review of the governance framework has been informed by the following:
- The independent views of regulatory agencies such as Ofsted, Care Quality Commission and Regulator for Social Housing.
  - Reports and views of our external auditors which have been presented to Audit Committee through their audit planning and progress reports, Annual Audit Letter and Audit Results Report.
  - Views and opinions from our independent Internal Audit Service as reported to Audit Committee through quarterly progress reports and the Annual Internal Audit Opinion.
  - The annual review of effectiveness of internal audit (as required by Public Sector Internal Audit Standards).
  - The views of the Council's Monitoring Officer, Data Protection Officer, Chief Finance Officer and Senior Information Risk Owner.

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- (vi) The views of Governance Board who assist the Council in its ongoing oversight of the quality of governance across the organisation and to ensure that there are robust and effective governance processes in place.
- (vii) The Strategic Risk Register and views expressed through regular monitoring and review by Corporate Assurance Board and Audit Committee.
- (viii) The views of Members as expressed through:
  - Standards Committee – responsible for ensuring effectiveness of arrangements to maintain high standards of conduct and behaviour.
  - Overview and Scrutiny Committee(s) – responsible for conducting and arranging scrutiny activities.
  - Audit Committee – providing independent assurance on the effectiveness of governance, risk management and internal control arrangements.
- (ix) Performance information reported through Corporate Assurance Board and Cabinet in respect of activity for 2022/23.
- (x) Progress towards addressing areas for improvement identified in the Annual Governance Statement for 2021/22.

### Section 7: Overall conclusion

- 45. The governance framework, incorporating the system of internal control, can only provide reasonable and not absolute assurance that resources are directed according to priorities and assessment of risks, there is sound and inclusive decision making, there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities and our assets are safeguarded.
- 46. Our annual review of the governance framework concludes that, in the main, overall the Council had robust governance arrangements in place throughout 2022/23.
- 47. The review did identify one significant weakness in our governance arrangements. This relates to the Ofsted inspection of Children's Services where the overall effectiveness was rated as 'Inadequate'. We also identified improvements which are felt to be significant to the delivery of the Council's Vision, Ambitions, Strategy and Values and these are outlined in Appendix A.
- 48. The Council has agreed action plans for other areas felt to be less significant to ensure continual improvement.

Chief Executive



Date: 05 December 2024

Leader of the Council



Date: 05 December 2024

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Ref	Concern	Action taken / to be taken	Responsible Officer	Target date
1	<p><b>Children's Services</b></p> <p>Ofsted have assessed the overall effectiveness of Children's Services as inadequate and there were some serious failures which resulted in children's welfare not being safeguarded and promoted.</p>	<p>Interim senior leadership was put in <a href="#">place</a> and we established a Multi-Agency Improvement Board which meets regularly to oversee progress.</p> <p>There is a draft Improvement Plan which we are discussing with Ofsted to address the concerns raised during inspection.</p> <p>There is increased senior management oversight on performance and delivering agreed actions.</p> <p>We have improved placement sufficiency and are progressing plans for a further 2 children's homes and an assessment centre.</p>	Corporate Leadership Team	Ongoing
2	<p><b>Member Conduct</b></p> <p>There are instances where the standards of conduct and behaviour have been inappropriate, and we continue to see significant numbers of complaints under the Member's Code of Conduct. These have a disproportionate impact upon Council resources absorbing high levels of officer time and also</p>	<p>We continue to refresh the Constitution to address some of the underlying issues.</p> <p>All new members received induction and there is ongoing training and awareness for all members.</p> <p>Standards Committee considers complaints and issue sanctions where appropriate.</p> <p>There remains a need for further work to enhance and improve conduct and behaviour which will result</p>	Monitoring Officer (with the support of all elected members)	Ongoing
	undermine local democracy and decision -making.	in less complaints and the associated impact on resources.		
3	<p><b>Business Continuity</b></p> <p>Cyber resilience and business continuity are identified as risks within the Strategic Risk Register. Whilst there are controls in place to mitigate risks there is a need to improve business continuity plans to formalise arrangements to support recovery from a cyber security incident.</p>	<p>Business Continuity Steering Group established to co-ordinate a response and we are working with external partners to review and strengthen arrangements.</p>	Business Continuity Steering Group	31 May 2024
4	<p><b>Financial Resilience</b></p> <p>The Council exceeded its revenue budget in 2022/23 and is at risk of doing so again in 2023/24 despite a planned further use of reserves. We continue to see additional pressures due to economic circumstances and increasing demand for services which could put further strain on our resources.</p>	<p>The Medium-Term Financial Plan 2023-2028 allocates resources towards our priorities and reflects the current economic position.</p> <p>Governance framework in place to support delivery of the plan which monitors budgets on a regular basis and reports financial performance through appropriate senior officer and political structures.</p> <p>A themed programme on transformation is underway. This will focus upon key areas such as prevention to improve outcomes for residents before circumstances requires more expensive intervention.</p>	Director of Business and Resources	Ongoing

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5	<p><b>Adult Social Care</b></p> <p>The Council cannot effectively manage increasing demand for adult social care within existing resources and difficulties recruiting creates some capacity issues.</p>	<p>There is a dedicated transformation and change programme in place within Adult Social Care which is aimed at making further improvements to deliver better outcomes in a more effective and efficient manner.</p> <p>We are also reviewing accommodation through our wider Accommodation Strategy which looks to address some market capacity issues.</p>	<p>Director of Adult Social Services and Commissioning</p>	<p>Ongoing</p>
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